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Including Outsiders: Social Policy Expansion in Latin America

By María Candelaria Garay

A dissertation submitted in partial satisfaction of the
requirements for the degree of

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in

Political Science

of the

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of the

University of California, Berkeley

Committee in charge:

Professor Ruth Berins Collier, Co-Chair

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Professor David Collier

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Professor Peter Evans

Fall 2010

Abstract

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By

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Doctor in Philosophy in Political Science

University of California, Berkeley

Professor Ruth Berins Collier, Co-Chair

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A large share of the population in Latin America has historically lacked access to health care, stable income, and old-age pensions. While social protection was granted to workers in the formal sector—that is, those with labor contracts—workers outside the formal sector and their dependents remained unprotected or underserved by social policy. Labor-market outsiders include the urban informal sector—i.e., the self-employed, street vendors, and employees hired off the books—as well as rural workers and the unemployed. Over the last quarter of the 20th century, this mass of unprotected outsiders and dependents represented at least 50 percent of the population in the most industrialized countries in Latin America, and a large part of them lived in poverty.

Beginning in the 1980s, the debt crisis and ensuing market reforms did not seem to augur well for initiatives to address this welfare gap. Most comparative analyses on social policy in Latin America have pointed to declining state capacity to extend social protection, and limited channels for outsiders to influence policymaking. In the face of fiscal constraints and capital scarcity, most research has described a process of social policy retrenchment and the distribution of clientelistic provisions for the poor. In this political and economic scenario, the creation of broad-reaching, stable, rule-based social transfers and services for outsiders appeared highly unlikely.

Contrary to these expectations, this study documents a dramatic expansion of rule-based social policy—health care, pensions, and income-support programs—in Argentina, Brazil, Chile, and Mexico starting in the late 1980s. These social policy innovations are surprising not just because they reach outsiders, but also because they are massive. For example, pension benefits have been extended to the majority of outsiders aged 65 and over in Argentina and Brazil, where they reach 97 and 80 percent of this population, respectively. Chile and Mexico have also seen significant expansions, with benefits reaching 62 and 38 percent of the outsider population aged 65 and over, respectively. These levels of protection contrast with pronounced lack of coverage before expansion.

Within the general trend of expanding social programs for outsiders, this study identifies two distinct models of social policy, which I term *restrictive* and *inclusive*. Restrictive policies have limited scope of coverage, provide lower benefit levels, and do not include the participation

of social organizations in implementation. Inclusive policies, by contrast, are broad reaching, often achieving universal or near-universal coverage, provide higher benefit levels, and include social organizations in policy implementation.

To account for social-policy expansion, this study provides an analytical framework that highlights the importance of democracy for social policy change. In contrast to prevailing views about the failure of democratic regimes to respond to outsiders, I argue that social policy expansion was triggered by two causal factors generally favored by democratic politics: a) electoral competition for the vote of outsiders, and b) mobilization from below. These causal factors have further shaped the process of policy design, producing different social policy models. In Mexico and Chile, electoral competition for outsiders propelled incumbents to expand social policy, with the resulting compromises leading to the creation of a restrictive policy model. In Argentina and Brazil, mobilization from below put pressure on incumbents to expand social policies and to include social groups in the implementation of the new programs, producing an inclusive policy model.

This study is based on extensive fieldwork and original data collection in each policy area and country case from the 1980s through 2009. It also undertakes in-depth analyses of the secondary literature and archival materials to test the argument in the four Latin American countries from the mid-20th century until systematic institutionalized program expansion began. It explains not only the massive expansion of programs for outsiders beginning in the 1980s, but also the limited, clientelistic, or even non-existent, coverage in the earlier period. Finally, the argument is tested on other middle-income countries—Venezuela, Uruguay, and South Africa—to provide an assessment of its broader applicability for understanding the conditions under which social protection is extended to populations outside the formal labor market.

Para Fernando,
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Acronyms and Abbreviations

ANSES	Administración Nacional de la Seguridad Social (National Administration of Social Security)
ARENA	Aliança Renovadora Nacional (National Renovation Alliance)
AUGE	Acceso Universal a Garantías Específicas (Guaranteed Universal Access to Specific Treatments)
BPC	Benefício de Prestação Continuada (Noncontributory Pension)
FA	Frente Amplio (Broad Front)
FONASA	Fondo Nacional de Salud (National Health Fund)
CA	Assembleia Constituinte (Constituent Assembly)
COSATU	Congress of South African Trade Unions
CONTAG	Confederação Nacional dos Trabalhadores da Agricultura (National Confederation of Agricultural Workers)
CGT	Confederación General del Trabajo (General Confederation of Workers)
CTA	Central de los Trabajadores de la Argentina (Confederation of Argentine Workers)
CUT	Central Única dos Trabalhadores (Single Confederation of Workers)
FV	Frente para la Victoria (Victory Front)
IMSS	Instituto Mexicano del Seguro Social (Mexican Institute for Social Security)
MDSCF	Ministério do Desenvolvimento Social e Combate à Fome (Ministry of Social Development and Struggle against Hunger).
MIDEPLAN	Ministerio de Planificación (Ministry of Planning)
PAN	Partido Acción Nacional (National Action Party)
PDC	Partido Demócrata Cristiano (Christian Democratic Party)
PFL	Partido da Frente Liberal (Liberal Front Party)
PHM	Public Health Movement
PJ	Partido Justicialista (Peronist Party)
PT	Partido dos Trabalhadores (Workers' Party)
PPD	Partido por la Democracia (Party for Democracy)
PS	Partido Socialista Chileno (Socialist Party of Chile)
PSDB	Partido da Social Democrazia Brasileira (Social Democratic Party of Brazil)
PMDB	Partido Movimento Democrático Brasileiro (Democratic Movement Party of Brazil)
PRD	Partido de la Revolución Democrática (Party of the Democratic Revolution)
PRI	Partido Revolucionario Institucional (Institutional Revolutionary Party)
PROGRESA	Programa de Educación, Salud y Alimentación (Program of Education, Health, and Nutrition)
PRONASOL	Programa Nacional de Solidaridad (National Solidarity Program)
RN	Renovación Nacional (National Renovation)
SUS	Sistema Único de Saúde (Single Health System)
SUF	Subsidio Único Familiar (Single Family Subsidy)

UDI
UHHP

Unión Democrática Independiente (Independent Democratic Union)
Unemployed Heads-of-Household Program

Chapter 1. Protecting Labor-Market Outsiders in Latin America

1. Introduction

A large share of the population in Latin America has historically lacked access to health care, stable income, and old-age pensions. While social protection was granted to workers in the formal sector—that is, those with labor contracts—workers outside the formal sector and their dependents remained unprotected or underserved by social policy. Labor-market outsiders include the urban informal sector—i.e. the self employed, street vendors, and employees hired off the books—as well as rural workers and the unemployed. Over the last quarter of the 20th century, this mass of unprotected and under-served outsiders and their dependents represented at least 50 percent of the population in the most industrialized countries in Latin America, and a large part of them lived in poverty.¹

Beginning in the 1980s, the debt crisis and ensuing market reforms did not seem to augur well for initiatives to address this welfare gap. Most comparative analyses on social policy in Latin America pointed to declining state capacity to extend social protection, and limited channels for outsiders to influence policymaking.² In the face of fiscal constraints and capital scarcity, most research described a process of social policy retrenchment and the presence of clientelistic provisions for the poor.³ The spread of pension privatization was seen as an undeniable indicator of dwindling social protection.⁴ Clientelistic, temporary benefits distributed to the poor to secure their support for market adjustment were found to foster atomization, distort representation, and curtail political participation.⁵ In this political and economic scenario, the creation of broad-reaching, stable, rule-based, social transfers and services for outsiders appeared highly unlikely.

Contrary to these expectations, this study documents a dramatic expansion of social policy for labor-market outsiders in middle-income countries of Latin America. These social policy innovations are surprising not just because they reach outsiders, but also because they are massive. Consider the following examples. As displayed in Table 1.1 below, new pension benefits have been extended to the majority of outsiders aged 65 and more in Argentina and

¹ The most industrialized countries in the region are Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, and Uruguay. These are also the countries with the highest GDP per capita, and the ones that have developed significant systems of social protection for insiders since the mid 20th century. At the same time, they comprise close to 75 percent of the population in the region (See CEPAL 2009). Portes and Hoffman (2003: 49, 53) suggest that the urban informal sector reached 45.9 percent of the workforce in Latin America. Focusing on Argentina, Brazil, Mexico and Chile, estimates calculated for this project indicate that at least 50 percent of the economically active population was outside the formal labor market. More information about measures of formal-sector outsiders can be found in subsequent chapters.

² See for example, Kurtz (2004) and Weyland (1996a).

³ See for example, Kaufman and Segura-Ubierno (2001); Rudra (2002); Haggard and Kaufman (2008); on clientelism, Roberts (1995); Weyland (1996c); Cornelius et al (1994); Dresser (1994); and Magaloni (2006).

⁴ Among others, Brooks (2001); Kay (1998); Huber and Stephens (2000); Madrid (2002, 2003); Mesa-Lago (1994).

⁵ See Kurtz (2004); Roberts (1995); and Weyland (1996c).

Brazil, and to a significant number in Chile and Mexico. These levels of protection contrast with pronounced lack of coverage before expansion. Likewise, income support benefits (i.e., school grants, family allowances, and/or workfare benefits) have been provided for the first time to a significant share of outsider households. In particular, transfers to school-age children have reached between 40 and 80 percent of the outsider population in Chile, Mexico, Argentina, and Brazil.⁶

Table 1.1. Outsiders Receiving Pension Benefits before and after Expansion, Selected Countries¹

	Argentina		Brazil		Mexico		Chile	
% Outsiders Covered (estimates)	1990	2007	1980	2007	1990	2007	1992	2009
	10.3	97.0	32.0	79.6	0	38.6	28.0	62.0

Sources: See Appendix 2.

¹ Outsiders 65+ (except for Brazil 1980, 60+).

Despite this common trend of dramatic expansion, salient cross-national differences can be observed along three important dimensions of social policy: (a) the scope of coverage; (b) the generosity of benefit levels; and (c) the incorporation of beneficiary groups in implementation. Contrasts along these dimensions yield two distinct models of social policy, which I call *inclusive* and *restrictive*. Inclusive policies provide relatively generous benefits to all or a large pool of outsiders, and tend to involve some level of social participation in policy implementation. Restrictive policies provide smaller, usually segmented benefits to a more limited pool of outsiders, and are implemented in a state-centric way, typically discouraging social groups from making policy demands.

This study has two main goals. First, it seeks to explain why rule-based, institutionalized social benefits are being created for outsiders in middle-income countries of Latin America. Why have incumbents embarked on the expansion of social policy for labor-market outsiders (and their dependents)? Why are incumbents extending rule-based, large-scale, stable benefits, rather than providing selective, small, and temporary benefits to the previously unprotected or underserved? Second, it seeks to explain variation in social policy outcomes. Specifically, why are some states creating more generous, broad-reaching policies than others? Why do some allow groups to participate in policy implementation while others reach outsiders in more unmediated ways?

To answer these questions, this study draws on a comparative analysis of social policy in four of the most industrialized countries of Latin America—Argentina, Brazil, Mexico and Chile—since the 1980s. The selection of country cases helps maximize variation in political and

⁶ My estimate with data from social transfers and population data, see next chapters for more information, and Appendix 2.

economic factors while keeping constant some broad background conditions. In particular, the comparison set includes two cases—Brazil and Mexico—which have traditionally shown “dual” social structures with historically higher poverty levels and large rural populations, and two cases—Argentina and Chile—that have traditionally been considered more urban and homogeneous and exhibited relatively lower levels of poverty. These two paired comparisons allow me to examine the effects of initial socio-economic conditions on policy change. Furthermore, this comparison set has important variation in regime type, party system (especially the presence or absence of a strong populist party) and electoral competition, as well as the organization of outsiders and labor movements over time. I compare three policy areas—health care, pensions, and income-support—which have historically shown a pronounced divide between insiders and outsiders.

To account for social-policy expansion, this study provides an analytical framework that highlights the importance of democracy for social policy change. In contrast to prevailing views about the failure of democratic regimes to respond to outsiders,⁷ I argue that social policy expansion was triggered by two causal factors more likely to develop under democratic regimes: high levels of competition for the vote of outsiders, and mobilization from below. Incumbents competing for the vote of outsiders and/or facing mobilization from below have considered social-policy expansion (a) a powerful tool for securing outsiders’ electoral support if a credible challenger threatened to defeat the incumbent party by courting outsider voters, and (b) a potent tool to dampen pressure from below or negotiate social peace with organized actors in the face of intense, even destabilizing, mobilization. Social-policy expansion thus helped incumbents to mitigate threats to their survival in office produced by electoral competition for outsiders or intense mobilization from below.

Distinct models of social policy were built depending on the type of negotiations involved in the process of policy design. To summarize briefly the argument laid out in the following sections, when incumbents initiated expansion as a response to often intense competition for outsider votes, they generally had to negotiate new policies with the congressional opposition. In the absence of large-scale mobilization from below involved in policy design, these negotiations among congressional parties typically produced more modest and non-participatory policy initiatives that accommodated a plurality of social policy preferences. The resulting policies were generally *restrictive*. As seen in Table 1.2 below, this was the case in Chile and Mexico.

Incumbents facing intense mobilization from below sought to curb social pressure and generally negotiated policy expansion with social movements, which usually demanded broad benefits and participation in policy implementation. These negotiations resulted in *inclusive policies*. As displayed on Table 1.2, this was the case in Argentina and Brazil.

⁷ See Weyland (1996a); Kurtz (2004a) as well as Stokes (2005) on clientelism.

Table 1.2 Explaining Social Policy Expansion and Policy Models, Selected Cases.

Process Triggering Expansion		
	Electoral Competition	Mobilization From Below
Incumbents' Goals	Win Elections, Survive in Office	Dampen Pressure and Social Conflict
Policy Design Process	Negotiation with Congressional Opposition	Negotiation with Social Movement Leaders
Resulting Policy Model		
Policy Features	Restrictive	Inclusive
Scope of Coverage	Limited	Broad
Benefit Level	Low, Moderate	High, Moderate
Social Participation in Implementation	No	Yes
Country Cases	Mexico, Chile	Brazil, Argentina

This social policy expansion raises important issues for comparative politics. Although the focus of this study is on middle-income countries of Latin America, the implications may help explain social-policy developments cross-regionally. The first implication concerns the creation of rule-based social policy. This is particularly important because much of the literature on Latin American politics and other parts of the developing world emphasizes the problem of clientelism,⁸ and often neglects rule-based policy developments and the political conditions under which they emerge. In this study, I will show that in the face of “threats to survival” produced by electoral competition for outsiders and/or mobilization from below, incumbents have responded with rule-based programs. Under these circumstances, even patronage-based political parties that in the past had sponsored clientelistic policies have embraced and established rule-based social policies.

Another important point that emerges out of the politics of expansion is that the presence of social movements—in particular, movements with powerful allies such as labor unions—is fundamental for the adoption of encompassing policies and participatory implementation. The cases under investigation demonstrate the importance of societal mobilization, as opposed to isolated and technocratic processes of policy design or the arrival of left-wing political parties to office.

⁸ Studies of clientelism are several. On Latin America, see Magaloni (2006); Stokes (2005). Cross regionally, Piattoni (2001); Kitschelt & Wilkinson (2007).

The final, broader implication of this study concerns the question of democracy. Despite pessimistic views about democratic accountability in the recent literature on Latin American politics, these social policy innovations show the conditions under which citizens (including the most economically powerless in these societies) do exert policy influence—via mobilization and/or electoral choice—and the mechanisms through which those pressures translate into policy expansion. Rather than leading to atomization and devalued representation, democratic politics have allowed for critical dynamics—electoral competition and mobilization from below, both much more difficult to achieve under authoritarianism—to propel unprecedented policy expansion for outsiders.

This introductory chapter provides the general theoretical argument to explain expansion and variation in policy models, which is supported with empirical evidence in the following chapters. Section 2 presents the outcomes to be explained—social policy expansion, and restrictive vs. inclusive models—and characterizes and scores the cases under investigation. The third section of this chapter discusses how the existing literature has dealt with the issue of social-policy expansion in Latin America, and introduces the explanatory framework centered on electoral competition and mobilization from below. The two final sections address the selection of cases and the methods used to assess the explanatory power of the framework, as well as the data collection and the plan of the dissertation.

2. Social Policy Expansion and Policy Models

This study explores the reasons behind social policy expansion and seeks to conceptualize and explain variation in policy outcomes. Below I present how I define social policy expansion and how I characterize policy design, which I call models of social policy.

Social Policy Expansion

I define expansion of social policy for outsiders as the creation of new social benefits or the extension of pre-existing formal-sector benefits to a significant pool of outsiders.⁹ Social policy involves social transfers and services for individuals. These benefits include pensions, income support for households (family allowances, workfare benefits, food stamps) health care, and social assistance services (e.g., food assistance and services for people with special needs). This analysis focuses on pensions, income support, and health care, which have historically shown a sharp divide between insiders and outsiders in Latin America.¹⁰

The definition of social policy employed is limited to provisions with institutional features similar to those governing formal-sector programs. These are: a) inclusion of social

⁹ I establish the threshold of significant expansion at 35 percent of outsiders (households, the population, or people over 65 depending on the policy area).

¹⁰ Housing and education have generally received less attention in the comparative social policy literature, or have been addressed on their own. Housing policies have generally been underdeveloped for both insiders and outsiders in the region, and have often (though not always) been under the purview of local governments, showing markedly different features across jurisdictions. Education shows the opposite trend, being the most egalitarian social policy across countries, in terms of granting formal and largely actual access to children of outsiders and insiders alike.

programs in national legislation; b) existence of clear rules to access benefits; c) broad-reaching coverage; d) stability (that is, programs are not temporary); and e) national scope. This latter feature entails that programs are under the purview of the state and are implemented nationally.

My analysis of social-policy expansion focuses on the decision-making processes that led incumbents to create new benefits or extend existing policies to outsiders. One fundamental issue concerning expansion is that policies may be legislated (adopted) but not implemented. For this reason, I consider expansion not only the creation of a policy (by legislation, decree, or resolution) but also its actual implementation. This approach allows me to effectively account for expansion and to identify *time lags* between passage of new legislation and actual implementation of benefits. This is important because inattention to time lags may confound the analysis of policy expansion.

Time lags, understood as temporal disjunctures between formal adoption and implementation, can result from practical issues involved in the extension of services or transfers (such as development of infrastructure and bureaucratic capacities). Yet these time lags may also result from governments delaying implementation of new policies for political reasons. The expansion of rural pensions in Brazil is a good example of this scenario. Although universal pensions for rural workers were included in the 1988 constitution, enabling legislation was required to establish them. Incumbents resisted and delayed approval until intense pressure from below led to passage and, in turn, policy implementation in the early 1990s. Attention to time lags is important, as ignoring them may lead scholars to overlook the occurrence of expansion, especially if the analysis focuses on short periods of time or, alternatively, assumes existence of new benefits before their actual implementation.

Given the discussion above, I employ two indicators of expansion: (a) the creation of new legislation or government resolutions involving policy expansion, or the “legal” expansion of benefits; and (b) the “actual” implementation of new benefits. Social-policy expansion has occurred at different moments in the period under investigation, starting in the 1980s. In some country cases, the process of expansion began early. Such was the case in Brazil, where health and pension expansion was legally accomplished with the passage of major provisions in 1988 and was implemented in the early 1990s. In other cases, the process of extending social policy to outsiders was initiated more recently. This is true of Mexico, where it began in the late 1990s, and Argentina, where after unsuccessful attempts in 1989 and in 2001, expansion of large-scale benefits finally began in 2002, and in Chile, where expansion started in 2004.

Restrictive vs. Inclusive Social Policy Models

Social policy expansion has produced strikingly different policy outcomes across national cases. To characterize the design or content of social policies, I focus on a set of critical dimensions in the literature on the welfare state: (a) the scope of policy coverage; (b) the generosity of benefits; and (c) the participation of beneficiary organizations in policy implementation, which is

understood as the inclusion of social organizations representing outsiders in policy councils and direct policy administration.¹¹

Empirically, these dimensions have cohered to yield two distinct models of social policy, which I term *inclusive* and *restrictive*. Inclusive social policies provide extensive benefits (universal or nearly universal) that are relatively generous and often uniform for all beneficiaries. At the same time, they allow for some level of participation of organizations in policy implementation. By allowing for this participation, inclusive policies help institutionalize social organizations in public policy. By contrast, restrictive policies provide generally lower benefit levels to a smaller pool of outsiders. Restrictive policies tend to leave a significant number of people not covered and/or underserved. At the same time, they do not allow for participation of beneficiary groups in policy implementation or control, and they approach implementation in a state-centric way. Restrictive policies are generally constructed parallel to formal-sector programs, thereby reinforcing the divide between insiders and outsiders. By contrast, inclusive policies are sometimes integrated with formal-sector programs and provide similar benefits to outsiders and insiders (often similar to those received by low-income formal workers).

In Table 1.3 below, we can see how policy areas in each of the four countries score along the main dimensions of social policy. Among selected cases, Argentina and Brazil have created *inclusive* social policies for outsiders, whereas Chile and Mexico have built *restrictive* policies. In the inclusive cases of Brazil and Argentina, the scope of coverage of outsiders is encompassing, universal, or nearly universal, in all three areas of social policy. By contrast, the scope of coverage is more limited in Mexico and Chile, which have built restrictive policies. Benefit levels are also more generous in almost all policy areas in Argentina and Brazil, and less generous in Mexico and Chile (which have either low or moderate benefit levels across policy areas). Finally, there are participatory mechanisms in the implementation of all policies in the inclusive cases of Argentina and Brazil, whereas implementation is non-participatory in Mexico and Chile.

¹¹ See for example, Esping-Andersen (1990); Pierson (1994); Rothstein (1992); Anderson (2001); Mares (2003) and Lynch (2006).

Table 1.3. Inclusive and Restrictive Social Policy Models, Selected Cases c. 2009

	Inclusive		Restrictive	
	Argentina	Brazil	Mexico	Chile
Pensions				
Scope of Coverage	97%	80%	38%	62%
Benefit Level	High	High	Low	Moderate
Participation	Yes	Yes	No	No
Health Care				
Scope of Coverage	Free, Universal	Free, Universal	Free, Poorest	Free, Poorest
Benefit Level	Broad	Broad	Limited	Limited
Participation	Yes	Yes	No	No
Income Support				
Scope of Coverage	80%	80%	35%-40%	50%-55%
Benefit Level	High	Moderate	Moderate	Low
Participation	Yes	Yes	No	No

Sources: See Appendix 2.

Scope of Coverage: Percent of outsider population with benefit. Pensions: 65+; Health care: all outsiders; Income Support: children in school age (varies by country i.e., 6-17, 0-18).

Benefit Level: a) Pensions. High: equal or similar to low-income insider benefit, Moderate: between 50-75% of low-income insider benefit (i.e. minimum pension), low: below 50% of low-income insider benefit; b) Income Support: average benefit family with 2 children and average benefit paid to households. High: at least 20% of the poverty line, Moderate: between 10 and 20 % of the poverty line, Low: below 10% of the poverty line; c) Health care. Broad: comprehensive coverage of hospital services, including high complexity operations, Limited: coverage of hospital services but reduced number of interventions and significant copayments.

Participation: Inclusion in institutionalized (permanent) national and/or local level policy councils, policy board, advisory board, and/or administration of the policy (registration, identification of beneficiaries, establishment of eligibility).

3. The Academic Debate: Obstacles to Social-Policy Expansion under Globalization and Democracy in Latin America

Despite the remarkable expansion of social policy for outsiders and the emergence of different social policy models, the comparative literature has not yet embarked on systematically documenting or explaining these phenomena. Most comparative scholarship on social policy in Latin America has found evidence of social policy retrenchment, especially of benefits for formal-sector workers, and little expansion to those not previously covered.

To account for this outcome, the existing literature has generally emphasized economic obstacles to expansion. It highlights the negative effects of financial liberalization and trade openness, which are seen as diminishing the power of the state and the influence of partisanship and organized interests on policymaking.¹² Another body of work underscores political obstacles to expansion. Specific mechanisms limiting expansion include the presence of clientelism and patronage-based parties that are seen as preventing the extension of institutionalized protections for low-income populations,¹³ insider-outsider cleavages that empower insiders at the expense of outsiders, and collective action problems that limit the capacity of the unprotected to affect public policy.¹⁴

Economic Obstacles

A large body of work emphasizes the limitations imposed by economic liberalization on social-policy expansion in Latin America. Examining the effects of globalization on social expenditure, Kaufman and Segura-Ubiergo (2001) and Segura-Ubiergo (2007) find that trade integration has a consistently negative effect on aggregate social expenditure, compounded by openness to capital markets. They argue further that political variables have “weak and inconsistent impact on aggregate social spending” (Kaufman and Segura-Ubiergo 2001: 554). Specifically, “neither popularly based governments nor democracies consistently spend more or less than conservative governments or autocratic regimes” (ibid: 554).¹⁵ Analyzing middle-income countries in Latin America, the Middle East, and East Asia, Rudra (2002) finds that in the face of globalization, welfare states “converge toward conservative fiscal policies that constrain social spending” (2002:1016). Using the same sample of cases, Rudra and Haggard (2005) see a decline in social expenditure particularly among authoritarian regimes, and no significant evidence of expansion in democracies. Finally, in a recent cross-regional study Haggard and Kaufman (2008) explore the effects of regime type and fiscal restrictions on incumbents’ ability to expand social policy to the unprotected. Their case studies of middle-income countries in Latin America provide little

¹² Kaufman and Segura-Ubiergo (2001). On the effects of capital mobility, see Silver (2003) and discussion below.

¹³ See Kitschelt and Wilkinson (2007).

¹⁴ See Kurtz (2004a); Roberts (1995); Weyland (1996b).

¹⁵ Disaggregating expenditure by policy areas, they find that democracies, especially long-term democratic rule, had a positive impact on education and health care, which they attribute to democracies catering to lower income sectors. However, the measures of health and education they employ are not capturing expenditures to the poor only. Quite the contrary, they are lumping together benefits for insiders and outsiders.

evidence of expansion, thereby indicating the primacy of fiscal constraints over democratic politics.

Collectively, these studies claim that policy expansion to the unprotected has not been a significant trend in Latin America (and other middle-income countries) in the past three decades. Economic liberalization and fiscal capacity are found to limit incumbents' ability to expand social policy. However, important empirical limitations affect these analyses. The main limitation concerns the type of data used as a measure of the dependent variable, social expenditure. Large-N comparative studies have used IMF social expenditure data. These measures are problematic for two reasons. First, these data include only national-level direct expenditure, underestimating deconcentrated expenditure in federal systems, especially on health care and education. Second, social expenditure is aggregated into specific categories: "social security and welfare," which includes spending on pensions, social services, and transfers, and "human capital expenditure," which includes spending on health care and education. This way of aggregating data does not allow determining whether expenditure is "universal," is targeted to the poor, or benefits the formal sector insiders.¹⁶ In fact, spending on insiders and outsiders is lumped together into each of these categories. Furthermore, even if data were correctly disaggregated by target, expenditures say little about conditions determining coverage, or benefit levels and their inter-temporal variation (Esping Andersen 1990:21; Pierson 1996:157). In short, though indicating limited social policy expansion, these studies do not provide conclusive evidence about how expenditure is distributed across insiders and outsiders, and whether outsiders' protections were extended in the region.

Political Obstacles

Several authors have emphasized that political obstacles to expanding social benefits for outsiders stem from the character of democratic politics in Latin America. In particular, vested interests have been found to be a critical obstacle to policy expansion in new democracies. Scholars suggest that in the context of austerity brought about by dramatic economic change, cash-strapped states faced a tradeoff between maintaining long-standing protections benefiting insiders, especially privileged formal-sector workers, and expanding resources to outsiders. In this scenario of market-adjustment, insiders were found to protect their benefits, and with their relatively powerful organizational resources, they managed to block reforms benefiting outsiders. Policy takers such as public employees, private providers, and patronage politicians also stood as critical obstacles to reforms aiming at providing benefits for the informal poor.¹⁷ Consequently, coalitions among insiders and outsiders advocating policy expansion have been found to be rare (Oxhorn 1998, Weyland 1996a). At the same time, because these reforms, especially in health

¹⁶ Despite the fact that some studies have found increases in human capital expenditure (health care and education) under democracies and interpret that spending as pro-poor, the measures employed include formal-sector health-care benefits, which may be driving observed variations.

¹⁷ Nelson (1992: 243).

care and education, were found to entail concentrated losses and diffuse benefits, scholars suggested that policy expansion benefiting outsiders was unlikely to succeed.¹⁸

Studies have further argued that the inherent segmentation of interests in the informal sector limits its capacity to influence policy.¹⁹ Weyland (1996a) and Huber (1996) held Brazil as a critical example of how segmentation and vested interests have prevented social policy expansion, despite efforts by progressive policymakers in the late 1980s and early 1990s. Looking at a longer time period, students of Brazilian politics acknowledge some social policy expansion. However, they contend that democratic administrations have nonetheless “done little to narrow the stark difference in people’s effective access to public entitlements and social programs,” potentially limiting the capacity of the excluded to defend their benefits (Hunter and Sugiyama 2009: 49). The following chapters will show that the evolution of social policymaking in Brazil since the 1980s does not lend support to this characterization. Policies created in the late 1980s have neither been retrenched nor experienced a zigzag pattern of coverage. Quite the contrary, they have become institutionalized, and their creation has been followed by further extensions of coverage, benefit levels, and new policies in other areas.

A final political obstacle to policy expansion in the literature concerns the atomizing effects of market reforms on new democracies, which is predicted to further limit the influence of outsiders on public policy formation (Kurtz 2004a). Collective action in these democracies is seen as discouraged by state shrinkage and the distribution of small, top-down selective benefits to win the electoral support of the low income (Roberts 1995). Collectively, market-induced fragmentation and the spread of clientelism are said to produce an inauspicious environment for the expansion of stable social policy to outsiders. Without denying the importance of vested interests and problems of representation in new democracies, these studies tend to downplay the potential effect of partisan competition on politicians’ decisions to expand social policy and often overemphasize the impediments to outsiders’ collective action (see Arce and Bellinger 2007 for a critique).

In sum, three points can be made about the literature on social policy expansion. First, although re-democratization is expected to foster expansion, the literature shows little evidence of social policy innovations. Absence of expansion is generally attributed to financial restrictions and, more broadly, to the effects of globalization and market-oriented policies. Second, political variables are not found to be particularly relevant to understanding the fate of social policy. With the exception of studies on clientelism, which highlight the importance of outsiders in new democracies or in regimes undergoing political liberalization,²⁰ most scholarship downplays the effects of political competition, partisan politics, and social movements on social policymaking. Finally, the literature shows no consistent conceptual framework for studying social policy across countries and specific policy domains. Pork-barrel policies, transfers and services, and development programs (i.e., electrification schemes) are often lumped into the category of

¹⁸ On labor market theory and the role of insiders and outsiders, see Esping-Andersen (1996); Lindbeck & Snower (1988). For Latin America, see Oxhorn (1998).

¹⁹ Weyland (1996), similar argument in Rudra (2002).

²⁰ This is especially the case of the literature on Mexico’s Pronasol. See Dresser (1994), essays in Cornelius et al (1994) and Magaloni (2006).

“social policy,” whose common feature is that they all target outsiders or the poor. Studies based on social expenditure further employ incomplete, highly aggregated data that foreclose a clear mapping of social-policy change.

It should be noted that researchers are beginning to analyze the expansion of social policy for outsiders. Díaz Cayeros et al. (forthcoming) examine why incumbents have inaugurated large-scale, rule-based social transfers in Mexico. Higher levels of electoral competition and alternation in office are found to trigger social policy expansion (Chap. 1). However, when seeking to explain why expansion involves rule-based rather than clientelist schemes, the authors suggest that “many of the processes that led to the transformation of social policy were rather serendipitous. There was no single inevitable process that produced the abandonment of clientelism in Mexico” (Chap. 5).

The next section introduces the analytical framework that attempts to account for unexpected rule-based, social-policy expansion in the face of economic and political obstacles, and to explain variation in policy outcomes (restrictive vs. inclusive policies). Chapter 2, in turn, takes a broader historical look at the cases under investigation. In that chapter, I examine when and why governments refrained from extending policies to outsiders despite their large numbers, and under what circumstances governments adopted smaller or larger discretionary and temporary policies for outsiders.

4. Explaining Expansion and Policy Models: Democracy, Electoral Competition, and Mobilization from Below

What explains the dramatic expansion of rule-based social policy documented earlier, and the striking contrasts in policy models among Argentina and Brazil—which built inclusive policies—and Mexico and Chile, which built restrictive policies? These innovations and cross-country variations in resulting social policies can better be understood as resulting from two causal factors that may unfold in democratic regimes: a) electoral competition for the votes of outsiders, and b) large social mobilization from below.

In this section, I first introduce each concept and lay out the dynamics of expansion, analyzing incumbents’ goals and the processes that produced distinct patterns of rule-based, stable social policies, which I term *restrictive* (moderate and state centric) and *inclusive* (broad and participatory). In the last part of this section, I link the argument with the literature on social policy in advanced industrialized democracies.

4.1. Democratic Rule, Electoral Competition for Outsiders and Mobilization from Below

The Role of Democracy. Democratic rule is fundamental for the existence of electoral competition for the votes of outsiders and mobilization from below. Beginning in the 1980s, emergence of this often intense political competition for outsiders and mobilization from below

in these four countries depended on the adoption of democratic regimes. These two dynamics were at best marginally possible under the prior authoritarian regimes which in two cases—Mexico and Brazil starting in the 1970s—were actually quasi-electoral regimes. The organization of outsiders and the formation of linkages with labor unions are less risky and more likely to occur in democracies than in authoritarian regimes. Intense electoral competition can likewise take place, as democratic institutions reduce the use of open repression and intimidation of the opposition as well as the creation of electoral rules that ostensibly bias results, which are common practices under competitive authoritarian regimes. Among the cases under investigation, outsiders were a large electorate in new democracies inaugurated in the 1980s and 1990s.²¹ In Brazil, and to a lesser extent in Chile, the relative importance of outsiders was further a result of elimination of literacy requirements, which had excluded low-income outsiders from political citizenship in previous episodes of democratic rule.²²

Electoral Competition for Outsiders. The importance of electoral competition for public policy development in new democracies is becoming the focus of scholarly attention (Murillo 2009; Murillo and Martínez Gallardo 2007; Grzymala-Busse 2007). According to recent studies, electoral competition has shaped the privatization of public utilities in Latin America (Murillo 2009) and electoral competition and alternation in power have produced social policy expansion in Mexico (Diaz-Cayeros et al forthcoming). This electoral competition refers to relative support for the largest parties.

In this study I adopt a slightly different definition of electoral competition, one that focuses on competition for outsider voters. Instead of “close” competition among the largest parties, what is critical in my study is intense competition for the outsider constituency. Electoral competition thus entails the emergence of a party that can plausibly defeat the incumbent by building electoral support among outsiders. The emergence of electoral competition for outsider voters has occurred in these cases (a) after outsider voters began to dealign²³ from traditional partisan options—including machine parties—and/or (b) with the emergence of new parties that made strong appeals to outsiders, breaking prior loyalties and threatening to defeat the incumbent party. Dealignment may result in the formation of new partisan identities or in volatility, with voters floating and supporting different parties across elections. Dealignment and/or volatility are compelling incentives for parties to (further) compete for that electorate, for new parties to form

²¹ It should be noted that in Brazil, the democratic transition began in 1974. The military regime inaugurated in 1964 had not suppressed Congress and it held highly restricted elections. It enforced a bi-partisan system in which the military party, ARENA, competed with “the opposition,” the Democratic Movement of Brazil, and left-wing parties and several left-wing politicians were banned. Starting in 1974, some restrictions and limitations on the press were lifted, and multiparty competition was eventually allowed at the sub-national level. In 1985, Congress elected a civilian president. In 1989, direct elections were held for the first time since 1960.

²² On Chile, see Oxborn (1995) and Schneider (1995); on Brazil, see among others Kinzo (1988); Strand (1977); and Jenks (1979). In Chile, limitations on the suffrage began to be lifted in the late 1950s. In the 1971 elections, practically all of the adult population had the right to vote, a condition fully achieved in the presidential elections of 1989. In Brazil, the first elections in which all the adult population had the right to vote also took place in 1989.

²³ For a discussion of dealignment, realignment, and volatility, see Crow (2005), Dalton (2007) and Mainwaring and Zocco (2007).

around the mobilization of outsiders, or even for fragmentation of existing party organizations, as party elites may split and create new parties to appeal to “politically available” outsiders.²⁴ Voting patterns of outsiders across elections, the presence of credible competitors appealing to outsiders and the likelihood of their victories measured by electoral surveys, are important indicators of electoral competition for outsiders.

Mobilization from Below. Mobilization from below involves national-level or federated movements²⁵ with a large membership base, disruptive capacity, and key allies, which demand social benefits for outsiders. Mobilization does not always resort to contention, but it may use institutional channels to advance movement goals.²⁶ Because outsiders are socially heterogeneous and lack the strategic position in production and the institutional resources that empower their counterparts in the formal sector (see discussion in Silver 2003) large-scale collective action representing their interests has been rare in Latin America (Roberts 2002; Portes and Hoffman 2003; Oxhorn 1998), emerging only around a few cross-cutting common issues. Social policy is a fundamental common “need” across the outsider sector, and has at time contributed to the formation of large-scale mobilizations (i.e., the unemployed movement that formed around demands for workfare benefits and jobs in Argentina). On some occasions, movements representing outsiders have been able to forge critical alliances with formal-sector insiders (i.e., social-movement unions) and/or attract state attention (even resources) allowing them to engage in sustained collective action.

In the cases under study, the intensity of such mobilization and its effectiveness generally increased in two ways: (a) when a broader cycle of mobilization took shape, especially during a political crisis that pushed incumbents to respond to organized demands to gain legitimacy, and (b) when powerful social movements representing outsiders had linkages to the presidential party and propelled policy reforms. I measure mobilization from below by looking at the existence of organizations representing outsiders, the size of their bases, their alliances, and indicators of protests, petitions, participation in formal policy formulation, lobbying, and formal and informal meetings with public authorities.²⁷

4.2. Dynamics of Social Policy Expansion along Restrictive and Inclusive Models: Electoral Competition and Mobilization from Below

In the face of (a) electoral competition for outsiders and/or (b) mobilization from below, governing parties considered social policy expansion a fundamental way to secure the support of

²⁴ Some of these specific forms of competition are subsequently analyzed in the country cases. Examples include the formation of catch-all parties in Mexico after dealignment see Greene (2002, 2007) and Magaloni (2006).

²⁵ For a discussion of federated organizations, see Mc Carthy (2005:196).

²⁶ There is a broad literature on collective action, see Tarrow (1998); Mc Adam, Meyer and Zald (1996); and Goldstone (2003).

²⁷ The data comes from systematic analysis of newspaper articles from 1988 (Brazil) and 1989 (Argentina and Mexico) and interviews with social movement leaders, politicians and policymakers in all four countries, as well as analysis of publications of social movements and labor unions. The secondary literature is also a source of information.

outsider voters or curb de-stabilizing social conflict. Each of these causal factors not only propelled expansion but also shaped to a large extent the character of the process of policy design. Schematically, when electoral competition propelled expansion, the process of policy design generally involved negotiations among the incumbent coalition and the congressional opposition. In these cases, restrictive policies were built. When mobilization from below propelled expansion (even if electoral competition was also present), social movements participated in policy design. The resulting policies in these cases were inclusive.

As we will see in the analysis of the cases in the next chapters, most social policy innovations were driven by only one of these factors. Yet, both electoral competition for the votes of outsiders and mobilization from below have occurred simultaneously in a few episodes of expansion. In these cases, the kind of model that was created was inclusive given the presence of social mobilization from below demanding broad and participatory policies. Therefore, inclusive policies were created in the face of pressure from below whether or not incumbents also faced electoral competition.

Social policy expansion involved not only large, but also rule-based policies. This relates to the strategic interests of politicians and social movements involved in expansion. In the context of intense electoral competition for outsiders, politicians of the opposition demanded rule-based policies so that the incumbent would not manipulate new benefits at the expense of the opposition. At the same time, incumbents feared accusations of clientelism by opposition parties that could discredit them in favor of credible challengers. When social movements demanded expansion, they demanded clear eligibility rules to avoid manipulation of benefits that could exclude them. At the same time, incumbents feared that if benefits were perceived as clientelistic, they would generate renewed social pressure from below.²⁸

In short, intense electoral competition for outsiders and mobilization from below not only produced incentives to expand large-scale policies but also to avoid discretion in policy design. Below, I analyze each pattern in turn.

Electoral Competition for Outsiders and Restrictive Policies

When incumbents faced credible challengers competing for the votes of outsiders—that is, parties that could plausibly defeat the governing party by mobilizing outsider voters—they had a strong incentive to broaden or maintain outsiders' support. To that end, they expanded social policy to that constituency to offset the competitors' appeal. Social policy is indeed one of the main tools that incumbents have to provide divisible, tangible benefits to voters who are not part of the formal economy, who typically live in poor conditions, and who lack access to social protections. In the face of credible electoral competition, social policy was conceived by incumbents as a fundamental way to reach outsiders, claim credit for expansion, and diffuse the momentum of competitors seeking to mobilize outsiders with promises of social policy expansion.²⁹

Political parties with different policy preferences have initiated expansion in the face of electoral competition for outsider voters. The cases under study are multi-party systems, and

²⁸ The exclusion of activists from program benefits is a typical tool employed by political machines.

²⁹ For how policy expansion allows politicians to claim credit, see Pierson (1994), chapters 1 and 2.

incumbents often had to negotiate expansion with the congressional opposition. Given that social policy expansion is a popular measure, the opposition had little incentives to block them, especially if also competing for the outsider vote. If pressed to support these popular measures, the congressional opposition could nonetheless affect policy design. Thus, new policies were shaped by the preferences of different partisan coalitions, and their institutional power (in the Executive and in Congress).

Social policy expansion in these cases was proposed by conservatives or negotiated with conservative parties in Congress. In middle-income countries of Latin America, conservative parties have had institutional power in Congress since re-democratization, and have been particularly powerful in Chile and Mexico. Policy preferences of political parties (and party coalitions) stem from their core constituencies and are critical for policy design (Murillo 2001, 2009).³⁰ According to Gibson, core constituencies are the sectors that are central to the parties' political agendas and resources. In this sense, "their importance lies not necessarily in the number of votes they represent, but in their influence on the party's agenda and capacities for political action" (Gibson 1995: 7). Schematically, two political parties or partisan coalitions can be distinguished: conservative coalitions and popular-based or left coalitions. Conservative coalitions have a core constituency in the economic elite, whereas leftist coalitions have a core constituency among the lower and often middle-classes.

In the cases under investigation, social policy preferences of conservative and leftist coalitions are consistent with those characterizing their counterparts in the literature on the welfare state in advanced industrialized countries. As in this literature, conservative coalitions frequently prefer inexpensive programs that do not entail significant direct state intervention, and favor market incentives and private provision of services. In this vein, conservative coalitions are likely to protect a smaller pool of outsiders with more narrowly targeted programs. When it comes to services such as health care, conservative coalitions prefer to provide extensive coverage to only the very poor, and partly subsidized services to other outsiders, thus seeking to tap payment capacity from low-income populations. These arrangements are usually expected to foster private service provision, a fundamental concern of conservatives. In the case of pensions and income support, conservative coalitions have supported smaller benefits for the extreme poor. Finally, conservative coalitions prefer tighter and stringently-enforced eligibility criteria, compared to leftist or popular-based coalitions. Leftist coalitions, by contrast, prefer programs that protect a larger number of beneficiaries, as well as state vis-à-vis market provision of services. In the case of pensions and income support, coalitions of the left generally favor universality.

Given the institutional power of conservatives, these negotiations among congressional parties have thus produced more modest policy initiatives. Conservative incumbents—or congressional parties—preferred modest policies that would muster support among outsiders but in a way compatible with the preference of the economic elite for private provision, and limited state commitments.

³⁰ I follow Gibson (1995), who suggests conceptualizing conservative parties by their core constituency rather than by ideology.

At the same time, both conservative and left-wing politicians have generally preferred non-participatory, bureaucratic implementation of new policies to prevent deviation from policy goals and to discourage social demands. Inclusion of social actors in policy councils or policy administration was perceived as empowering social groups outside state control. Facing competition, incumbents simply sought to create social policies that could contribute to electoral survival.

Some variation is noticeable in the scope of coverage in the restrictive model depending on the weight of different partisan coalitions. When the left was stronger in policymaking—that is, it controlled a larger legislative coalition—resulting policies were more likely to reach a larger pool of outsiders. By contrast, when conservatives were stronger, new policies were more narrowly targeted to the extreme poor and provided limited, if any, benefits to other outsiders. Despite this variation, these policies are all within the bounds of the restrictive model.

Mobilization from Below and Inclusive Policies

Incumbents facing intense mobilization from below demanding social benefits responded with social policy expansion to contain conflict, survive in office, and/or cater to a powerful social-movement ally. This mobilization was often large to the point that it challenged the legitimacy of the government and destabilized or weakened the governing coalition. Incumbents responded to these threats with social policy to restore legitimacy. Though in some instances they faced credible threats to political survival in the context of high mobilization from below, in other cases they acquiesced to policy expansion as a way to prevent instability within their own coalition and claim credit for the programs ultimately adopted. The latter was particularly the case when powerful movements joined forces in pressing for policy expansion within the governing coalition.

When mobilizing from outside the governing coalition movements exerted pressure through a number of institutional channels, such as lobbying, petitioning authorities, as well as resorting to contention. When effective, this mobilization had three features. First, contention was frequently important for gaining the state's attention and eventually attaining policy victories. Contention has been especially powerful when social movements found claim-making through institutional channels hard, a fact that has been identified in the social movement literature (Tarrow 1998; Keck and Sikkink 1998).

A second fundamental feature has been the existence of allies, which has been critical for social movements to grow and amplify their demands. As claimed in the early social movement literature, “third-party allies” are a fundamental resource for “poor peoples’ movements” (Lipsky 1970; Piven and Cloward 1977; Tarrow 1998). Important allies generally included labor unions, in particular the “social movement unionism,” which has provided fundamental support for policy expansion. NGOs with proximate interests to those of the main protagonists of demand-making have also played important roles in supporting mobilized demands from below and providing technical support to frame social policy demands.³¹ The final aspect of pressure from below which facilitated large-scale expansion has been the emergence of a broader cycle of

³¹ See Seidman (1994) and Bensusan (2000).

mobilization (see Tarrow 1998, chap. 8). These cycles of mobilization helped make incumbents vulnerable to movement demands and were particularly auspicious for gaining state attention and concessions. In Brazil, these cycles occurred during the democratic transition, especially during the constituent assembly and surrounding President Collor's impeachment and resignation in 1992. In Argentina, high levels of contention in the 2001 political and financial crises were particularly favorable for social movements pursuing demands of outsiders and facilitated policy victories.³²

In the face of sustained pressure, and regardless of partisan affiliation, the government generally engaged in formal and informal negotiations with movement leaders around policy change. Thus, social movements could have a voice in policymaking and negotiate policy choices with the president or with Congress. Through those negotiations, social movement leaders became protagonists in the process of expansion. Examples include negotiations between presidents Duhalde and Kirchner and leaders of the organizations of the unemployed in Argentina starting in 2002; and intense interaction between a plurality of movements representing outsiders during the constitutional reform in 1987 and 1988 in Brazil.³³

Movements pressing from within the governing coalition have found access to policymaking easier and linkages to the incumbent fundamental. In some cases, there were long-standing alliances between social movements and political parties that involved shared programmatic commitments (as in the case of the Workers' Party in Brazil).³⁴ In other cases, ties between movements and parties were more recent and fluid (as in the case of the Peronist Party's alliance with the mobilization of the unemployed in Argentina in 2003). Programmatic commitments and promises made by political parties to incorporate social movements were sources of active movement pressure when the allied party was in office. Social movements generally used threats of contention, institutional pressure, or exit to press for policies.³⁵

Negotiations between incumbents and social movements typically resulted in inclusive social policy. Social movements generally demanded broad reaching and generous benefits equivalent to those of (low income) formal sector workers, and participation in policy implementation. Through this participation social movements hoped to prevent manipulation of benefits and to perpetuate their influence in policymaking.³⁶ Incumbents generally responded with broad policies and created participatory mechanisms to limit pressures from below and to channel activism into policy implementation. In some cases, new schemes were even included

³² A clear example of this dynamic is Brazil's constitutional reform in 1987 and 1988, which was pushed forward by a political movement and in which different social movements supported each other pressing a variety of demands (agrarian reform, pensions, health care, etc.).

³³ Datasets of Policymaking, Argentina and Brazil.

³⁴ See Keck (1992); Seidman (1994); Samuels (2004); Hunter (2007).

³⁵ It should be noted that alliances of social movements and parties in Latin America have been much less institutionalized than those existing among parties of the left and labor unions in the welfare state literature of Western Europe.

³⁶ There is an abundant literature on participatory institutions in Latin America. See essays in Schattam and Nobre (2004) and Fung (2006). On the participation of organizations in policy administration, see Maybury-Lewis (1994); Novaes (1991); Houtzager (1998). On the literature on the welfare state, Rothstein (1992); Mares (2003) and Anderson (2001).

within pre-existing formal-sector programs, fostering solidarity across outsiders and insiders. In these cases of mobilization from below, the distribution of preferences in Congress and the partisan affiliation of the incumbent did not have strong influence on policy design.

There is some variation across inclusive policies depending on whether social movements promoting expansion were allied to the incumbent coalition. In these cases, participatory mechanisms in implementation have been less relevant than when movements exerted pressure as challengers. Incumbents were more pressed to open up channels of participation when movements demanded inclusion through contention or lacked strong linkages with the incumbent party.

In short, in these nascent democracies, rule-based and large-scale social policy expansion resulted from electoral competition for outsiders and mobilization from below. At least one of these two factors was necessary for expansion to occur.

5. Approach to Causality, Case Selection, and Data Sources

The central objectives of this study are to explain why states have expanded social policy to outsiders and why we observe remarkable variations in policy design in Argentina, Brazil, Chile and Mexico. In doing so, this study documents social policy expansion and conceptualizes emerging policy configurations.

Recent comparative studies of social policy in Latin America have frequently focused on a single policy across countries, or on large cross-national comparisons of aggregate spending.³⁷ A comparative, small-N research design has a series of advantages over those studies. It has allowed me to pursue extensive and in-depth analysis of four country-cases and three policy areas, while framing findings from particular cases within a larger comparison that shows broad variation in outcomes and explanatory factors.

Though small-N research is not devoid of problems when seeking to establish causal inference, large-N studies have more difficulty assessing causal complexities and the ways in which explanatory factors affect outcomes—in this case, policy development. A comparison of four cases, and three policy areas within them, can credibly accomplish the goals of providing both a comparative perspective and a focus on causal mechanisms, which is fundamental given the dearth of in-depth research on this topic.

At the same time, this study focuses on an extended period of time—between 20 and 30 years in each of the cases under study. This multi-level, longitudinal design involving cross-country and within-country comparisons across policy areas and across time allows me to explore the effects of alternative national-level and sector-specific conditions that may be driving observed outcomes. Analysis of the policy process in each policy area during an extended period of time further reveals instances of policy expansion that succeeded and those that failed. Such design facilitates the development of counterfactual analysis, which has a long tradition in the

³⁷ On pensions, see Madrid (2003); Mesa-Lago (1999); Brooks (2001); Kay (1998); and Schattam (2001). On social expenditure, see Kauffman and Segura-Ubierno (2001); Segura-Ubierno (2007); and Rudra (2002).

social sciences and is a fundamental tool for causal assessment (Seawright & Collier 2004: 295). Though counterfactuals are “thought experiments,”³⁸ analysis of similar attempts of policy development in a single country over time, some of which failed and some of which succeeded, can help the development of counterfactuals and thus contribute to causal analysis.

The selection of country cases seeks to maximize variation in potential explanatory factors while holding constant some background conditions. In terms of similarities, Argentina, Brazil, Chile, and Mexico are among the most industrialized countries in Latin America, and together with Uruguay and Venezuela, they have the highest income per capita in the region. In addition, in the 1990s all four countries experienced market-oriented reforms and the influence of neoliberal ideas of social protection (Brooks 2001; Madrid 2003). Social programs for the formal sector in these countries have been portrayed as sharply curtailed and the working classes as demobilized due to changes in economic models (Kurtz 2004a). These features should lead countries to converge on limited to no expansion of policies for outsiders.

Despite these similarities, there are also important differences in background conditions that allowed me to conduct two paired comparisons within the larger comparative framework. These differences allowed me to assess the effects of structural conditions on social policy change. Indeed, Argentina and Chile have been historical examples of higher levels of social development in the region, with most of the population residing in urban areas. Mexico and Brazil, by contrast, have historically had dual social structures, with larger populations living in the countryside and experiencing poorer social indicators. Based on these structural characteristics, one could credibly expect expansion to produce one common trend in Argentina and Chile, and a different one in Brazil and Mexico. This study will show the opposite to be true: social policy expansion in Argentina and Brazil resulted in one model, with a different model arising in Chile and Mexico.

Furthermore, there is theoretically relevant variation in other potential explanatory factors across cases, including economic stability, which would place Chile at the forefront of social policy expansion vis-à-vis the unstable, crisis-prone Argentina, Mexico and Brazil. However, Argentina and Brazil have followed more similar trajectories than Chile and Mexico, which have different financial and economic records.

Finally, Mexico and Chile have weaker labor movements compared to Argentina and Brazil.³⁹ Two propositions involving the strength of labor can be assessed: a) vested interests (including labor) would work against expansion and limit its occurrence and b) neoliberal blueprints advocated policies for outsiders rather than insiders, and those policies would be more feasible in contexts in which unions are weak. The study will show that Argentina and Brazil, which have stronger labor movements, have expanded more substantial policies for outsiders than have Chile and Mexico.

These countries further show variation on relevant explanatory factors across cases and over time. These variations include the emergence of organizations demanding social policy for

³⁸ Counterfactual analysis is based on a comparison of the observed outcome and the hypothetical outcome that would have occurred in the same case and at the same point in time if the explanatory factor had not been present. See Seawright and Collier (2004: 295).

³⁹ See among others, Collier and Collier (1991); Murillo (2001); Etchemendy (2004); and Seidman (1994).

outsiders—as in Brazil and Argentina—the shape of the party system, and the emergence or absence of partisan competition for the votes of outsiders, which intensified in Chile in Mexico, as well as in Brazil starting in the late 1990s.

This analysis relies on original data gathered for this project. I collected social policy data from policy documents and public archives in all four countries. About 204 interviews with social movement and union leaders, rural organizations, policymakers directly involved in policy expansion, legislators, party leaders, as well as representatives of employers' associations, pension funds, politicians, and private providers in the health sector, helped to reconstruct the process of policy expansion and its underlying motivations. Further, I constructed a dataset of social-policy-making episodes based on content analysis of newspaper articles from 1987 until 2006 in Brazil, and from 1989 through 2007 in Argentina and Mexico. For each country, I surveyed one national newspaper: *La Jornada* in Mexico, *Clarín* in Argentina, and *Jornal do Brasil* for 1987 and 1989 in Brazil. For the latter case, for 1988, and between 1990 and 2006, I worked with an index built by the Library of the Brazilian Senate with seven national newspapers.⁴⁰ For the case of Chile, I have searched newspaper articles surrounding the dates of specific episodes of expansion. Finally, I have also used available quantitative data, especially electoral surveys, to measure patterns of outsider votes.

6. Organization of this Study

This study is organized in 7 chapters. Chapter 2 takes on a longer historical perspective and draws on the analytical framework to understand why large-scale, rule-based social programs were not expanded to outsiders in the past. The analysis further shows what kinds of policies were created for outsiders before expansion and why. Specifically, it analyzes under what conditions governments: (a) did not expand any benefits for outsiders, (b) expanded large, discretionary (often temporary) benefits, or (c) created small, (often) discretionary benefits for outsiders. The time period starts with the creation of the first large-scale social programs for the formal workforce in the 1930s and 1940s through the 1980s. Contrasts between social policies for outsiders in this long period and the massive expansion that took shape in the recent years, further help gauge the magnitude of this recent expansion of social policy that is the focus of this study.

Chapters 3 through 6 draw on the framework outlined above to explain expansion of inclusive social policy for outsiders in Argentina and Brazil, and restrictive social policy in Mexico and Chile. I show that incumbents, regardless of partisan affiliation, responded to electoral competition for outsiders and/or mobilization from below with social policy expansion. I further show that different models of social policy were adopted depending on whether incumbents faced electoral competition and/or mobilization from below. Each chapter also demonstrates how alternative explanations discussed in previous sections do not sufficiently account for policy expansion.

⁴⁰ *Folha de São Paulo*, *O Estado de São Paulo*, *Jornal do Brasil*, *Jornal da Tarde*, *Jornal de Brasília*, *Correio Brasiliense*, and *O Globo*. Some articles from other newspapers have also been used.

Chapter 3 examines the creation of inclusive social policy in Argentina starting in 2002. It shows in detail how mobilization from below propelled policy expansion. I show that after incipient expansion between 1997 and 2001, interim president Eduardo Duhalde (2002-2003) massively expanded social policy in 2002 to achieve social peace amid mobilization from below. Social policy expansion was negotiated with a movement of the unemployed and informal workers. This movement emerged in the late 1990s, and gained strength through the administration of small workfare benefits and alliances with labor unions. Social policy expansion continued under Duhalde's successor, President Néstor Kirchner (2003-2007) of the Peronist Party, who allied with large organizations of the unemployed and other social movements to dampen persistent protest and mobilize a new base for his governing coalition. Under the administration of Cristina Kirchner, Néstor Kirchner's successor, the extension of formal-sector family allowances to outsiders was achieved amid protests of the unemployed, which gained steam in 2009.

Chapter 4 examines the creation of inclusive social-policy in Brazil. Intense mobilization from below pressing for social policy during the constituent assembly (1987-1988) and surrounding the collapse of President Fernando Collor de Mello (1990-1992), represented important incentives for incumbents to legislate and implement social-policy expansion. Collor's successor, President Itamar Franco (1992-1994), who was particularly vulnerable to pressure from below, implemented social-policy commitments and introduced further social-policy innovations to gain legitimacy. Social policy for outsiders inaugurated in this first phase of expansion was large-scale, provided similar benefits to outsiders and low-income insiders, and included social movement representatives in quite influential national and local policy councils. After earlier waves of incipient expansion between 1997 and 2003, pressure from below—this time within the incumbent coalition—led President Luiz Inácio Lula da Silva (2003-) of the Workers' Party to embark on large-scale expansion of income-support benefits. President Fernando Henrique Cardoso (1994-2002) had initiated these income programs in 2001 in response to pressure from coalition partners, especially conservative politicians, facing growing electoral competition on the ground. Under Lula, income support was increased dramatically and institutionalized as stable, rule-based policy. Policy design was hotly debated between social movements and politicians within the Workers' Party coalition, which held competing views about income-related programs for outsiders. Eventually, and as expected by this framework, income-support innovations were inclusive, though less participatory than those created when movements pressed from outside the governing coalition.

Chapters 5 and 6 draw upon the framework to explain the creation of restrictive models of social policy in Mexico and Chile respectively. Facing intense competition for the votes of outsiders, incumbents responded to threats to political survival by launching social policy expansion.

Chapter 5 shows that in Mexico, expansion began in the late 1990s, when the ruling Institutional Revolutionary Party (PRI) faced intense competition from parties on both the left and right. After losing the lower chamber and several large cities to the opposition, and facing loss of the presidency, the PRI initiated social-policy expansion with the creation of PROGRESA, a highly technocratic program of income transfers. Policy expansion was pursued

further by the administration of Vicente Fox (2000-2006) of the National Action Party (PAN), which governed in a highly competitive environment. It faced a comeback of the PRI in legislative elections and the rise of the center-left Party of the Democratic Revolution (PRD), which decisively campaigned on social policy expansion and initiated policy innovations in local administrations. Electoral competition was marked by volatility across elections among outsiders, which propelled Fox to strive to secure their votes. Policy expansion was negotiated in Congress with the opposition and resulted in restrictive benefits.

Chapter 6 shows that in Chile, expansion began when partisan competition intensified in the late 1990s. The incumbent center-left Concertación, which had governed Chile since its redemocratization in 1990, won the 1999 presidential elections by a slim margin against the conservative candidate Joaquín Lavín, who actively campaigned in poor areas seeking to mobilize low-income constituents (Boas 2009; Luna 2006). Lavín reached the highest vote share for conservatives in Chile's history of full enfranchisement (Navia 2003: 43). Facing a credible threat of defeat, President Lagos (2000-2005) initiated a process of policy expansion continued by his successor, President Bachelet (2006-2010). Social policy was negotiated in Congress, where conservatives had a large number of seats and occasional allies in the conservative Christian Democratic Party, a coalition member of the Concertación. A negotiated policymaking process among political parties in the context of strong conservative legislative power and the absence of mobilization from below led to restrictive social policy in Chile.

Chapter 7 summarizes the main findings in this study and discusses alternative explanations that could account for policy expansion along divergent social-policy models. These other factors include structural conditions, and ideational factors. This chapter further extends the analyses of policy expansion to other cases cross-regionally—Venezuela, Uruguay, and South Africa—and analyzes the implications of social-policy expansion and the main theoretical implications of this study for the field of comparative politics.

Chapter 2. The Social-Policy Divide before Expansion

1. Introduction

The divide separating a well-protected segment of the population and a vast number of unprotected or underserved outsiders in Latin America has its origins in the first half of the 20th century. At that time, social-security protections were established to workers with formal-sector jobs, a minority of the working class. These workers and dependents could access contributory-based social-security benefits that often mimicked those provided at the time in Western Europe. By contrast, workers hired-off the books, employed in low-wage informal firms, in agriculture, self-employed as street vendors, low-income service providers, or outright unemployed, remained at the margins of social protection for the majority of the 20th century.

The persistence of this divide after the first decades of the 20th century cannot be simply understood as a consequence of the limited expansion of the industrial sector in the region. In this chapter, I will argue that political dynamics played a fundamental role in the persistence of this social policy divide. For a significant part of the 20th century, Latin American politics was characterized by long periods of authoritarianism (including military dictatorships, competitive regimes with limited franchise, or competitive authoritarian regimes); short-lived democratic rule; as well as democratic regimes lacking effective competition for low income voters and/or mobilization from below. Authoritarian regimes, even those experiencing contention from outsiders or some form of limited electoral competition, and democracies lacking any of these political dynamics prevented the expansion of large-scale, rule-based social policy for outsiders. In these settings, incumbents lacked the main incentives triggering expansion: electoral competition and/or mobilization from below under democratic rule.

This chapter has two main goals. First, it seeks to characterize social policies before the expansions that are the focus of this study in order to show the dramatic lack of protection of outsiders. Second, extending the analytical argument laid out in Chapter 1 to understand social policy expansions this chapter seeks to contribute to our understanding of why these social policy expansions did not take shape until the episodes analyzed in the following chapters.

In the following sections, I first present the analytics of incumbents' choices with respect to expanding social policies in different political scenarios. Based on the logic of the argument and the empirical materials presented in the following sections, I lay out different scenarios in terms of regime type and the presence or not of "mobilization from below" and/or "electoral competition for outsiders." These different scenarios will help understand the incentives of incumbents to expand or not social policies and the types of policies created. I will then focus on three major stages in the development of social policy. These moments include: a) the origins of programs for formal workers; b) the consolidation of insiders' benefits; and c) state shrinkage and targeted benefits. Throughout each of these moments, proposals to protect outsiders were raised and different responses were launched, which—with the exception of health expansion in Argentina in the 1940s and in Chile in the 1960s and Brazil starting in the 1980s, did not entail massive extension of institutionalized benefits for outsiders. The discussion in the next section will serve to understand why other policies or none at all were launched.

2. Political Survival and Social-Policy Responses

As shown in the analyses of these four cases in the next section, regime type and the presence of electoral competition for outsider voters and/or mobilization from below, affected decisions to extend social policies to outsiders. In authoritarian regimes, outsiders tended to present much less serious threats to survival. Even if social mobilization emerged, it was generally dampened through repression, intimidation, and cooptation rather than through large-scale social-policy commitments. Likewise, facing electoral competition, authoritarian incumbents could change rules, ban opposition candidates or bias results in their favor with fraud. Incumbents nonetheless extended policies to forge linkages with outsiders, but the pressures stemming from mobilization and electoral competition in authoritarian regimes were much more limited than those in democracies. Thus, governments in authoritarian regimes facing pressures from mobilization from below and electoral competition for outsiders created policies that differed from large-scale institutionalized individual transfers and services.

In democracies, incumbents generally have to be responsive to the citizenry and show concern about the living conditions of the poor. Yet in the cases under investigation, decisions on the extension of large-scale commitments depended on whether incumbents faced pressures from social mobilization or whether outsider voters were courted by challengers who could credibly defeat the incumbent party. When those two conditions were not present, incumbents could show concern about poverty with other, smaller or selective, policy initiatives, as the political pressures to expand large-scale social policy were not present.

Four scenarios are observable (see Table 2.1.). The first scenario is the one I analyze in this study in which incumbents in democratic regimes face electoral competition for outsiders and/or mobilized demands for benefits. In these settings, governments generally responded with large-scale, rule-based social policy (top, left). In the second scenario (bottom, left), incumbents in democracies without competition for outsiders or mobilization from below generally faced no compelling incentives to embark on social policy expansion. In the absence of threats to electoral survival or intense social conflict, incumbents have launched small-scale—often clientelistic and temporary—social schemes to show some concern for the fate of the poor. Examples of this scenario among our historical cases include the administrations of Carlos Menem (1989-1999) in Argentina, which created very small and selective national social benefits; and the first Concertación governments in Chile (1990-2000), which launched a small technocratic scheme for outsiders.⁴¹ None of these democratic administrations launched meaningful expansions in health care, pensions or income transfers.

⁴¹ For Chile, see Raczynski's (1998) analysis of social policy under the first Concertación governments. For Argentina, see Cortes and Marshall (1999).

Table 2.1. Four Political Scenarios and Social-Policy Initiatives for Outsiders

		Regime Type	
		Democracy	Authoritarian/Semi-authoritarian
Electoral Competition for Outsiders/ Mobilization from Below	High	Large, Rule-base, Stable Social Policies	Large, discretionary (often temporary) programs
	None/ Low	Small, temporary, often clientelistic	No significant initiatives

The third and fourth scenarios involve authoritarian or semi-authoritarian regimes. Electoral competition for outsiders and mobilization from below are generally rare in these cases. Incumbents in authoritarian or semi-authoritarian regimes without high competition for the vote of outsiders or mobilization for social benefits (bottom, right) faced no compelling reasons to create new social benefits, and they have generally refrained from expanding social policy for outsiders. The Argentine dictatorship in the 1970s is an example of this scenario.

However, despite rare, incumbents in authoritarian regimes have faced pressure from organized outsiders and, if holding elections, competition for their vote (top, right). When mobilization or electoral competition was high in (semi) authoritarian regimes, incumbents created social programs to raise their legitimacy, dampen conflict, and secure continuation in power. Social programs created by these authoritarian incumbents have been rather large, but discretionary and often temporary. When facing partisan competition, incumbents have embarked on vote-buying to undermine the opposition and strengthen the incumbents' party with the discretionary allocation of social expenditures. When facing high pressure from below, authoritarian incumbents have tried to co-opt or disarticulate intense social activism by outsiders rather than respond and negotiate with organized actors—as incumbents in democratic regimes have been compelled to do. Incumbents in these authoritarian settings have often created social programs with discretion and removed them at will, even if they had packaged those policies as technocratic.⁴²

An example of this dynamic has been the inauguration of large-scale temporary employment benefits by the repressive Pinochet dictatorship in Chile (1973-1988). Facing pressure from formerly activated low-income populations exposed to dramatically declining living conditions,⁴³ Pinochet embarked on the expansion of temporary benefits to control conflict during the financial crisis of 1982. PRONASOL launched by the Salinas administration (1988-

⁴² These initiatives under authoritarian regimes were generally responses to social activation initiated in previous democratic administrations (such as the first expansion of rural pensions in Brazil) and were often conceived as temporary initiatives that were dismantled with ease.

⁴³ See Graham (1991); Oxhorn (1995); Hunneus (2000a); Etchemendy (2004); Pinto (2006).

1994) in Mexico is another example. Salinas faced unprecedented levels of electoral competition, especially in large cities. PRONASOL allocations sought to forge new linkages between the PRI and outsider constituencies and undermine the partisan opposition.⁴⁴ In contrast with policies generated by democratic incumbents facing low or no electoral competition for outsiders or mobilization from below, social policies launched by authoritarian incumbents were more likely to be larger and centrally run by the national government.

The combinations of regime type and these pressures (electoral competition for outsiders and mobilization from below) will be analyzed along three main periods of social policy development in the cases under investigation: 1) the origins of social programs for insiders; 2) the consolidation of insiders' benefits; and 3) state shrinkage and targeted programs. Each of these countries experienced these "moments" under different regimes, democratic or non-democratic, and may have seen the surge of these political dynamics that propel expansion. The analysis of social policy for outsiders during each of these periods will thus help us assess the explanatory framework and understand the persistence of the social-policy divide.

3. The Social Policy Divide: Argentina, Brazil, Mexico and Chile, 1920s-1990s

The Origins of the Social Programs for Insiders

The first social policy initiatives in Latin America targeted "formal workers"—that is, employees with labor contracts usually in unionized sectors. The origins of these programs for formal-workers occurred under the oligarchic state, which was based on a model of agro exports and political exclusion at the beginning of the 20th century. Social benefits such as old age, survivors and disability pensions, and health insurance were institutionalized as broader systems of social protection between the 1920s and 1940s with the establishment of import substituting industrialization, ISI. Though all countries created health care services, pensions were undoubtedly the most developed social program for formal workers.

Three points can be made about this period. First, social protections were funded with payroll contributions made by employers and employees. Even if legislation was passed to cover the self-employed and rural workers in a few cases, their inability to make payroll contributions limited coverage significantly. Second, the institutionalization of protections usually occurred at the time of what Collier and Collier (1991) understand as the incorporation of the labor movement. Expansion was thus related to the power of labor organizations and their ability to obtain concessions, and to the goals of incumbents or reformist administrations that responded to labor demands, or sought to mobilize or control the labor movement. The type of incorporation (or degree of mobilization and control) of the labor movement (Collier and Collier 1991) shaped to some extent social-policy development for insiders.

Third, even if proposals to create large benefits that also reached outsiders existed in during this period, the only case in which outsiders received rule-based, large benefits was

⁴⁴ See Dresser (1994); Molinar and Weldon (1994); Magaloni (2006) among others.

Argentina. Expansions were launched by Juan D. Perón (1946-1955) who sought to build a large base of popular-sector support for his movement in the context of full franchise and electoral competition for the popular-sector vote (as other parties competed for the same electorate and had gained outsider votes in the past). The other cases lacked the conditions for expansion. In Brazil and Chile, the electorate was small due to limitations on the suffrage, and in Mexico after a failed attempt to create universal pension benefits by Lázaro Cárdenas, absence of competition for outsiders and mobilization from below prevented the expansion of social policy.

Argentina

Social security was extended initially to powerful sectors of the workforce in response to demands for wages and working conditions (Feldman, Golbert & Isuani 1988: 28-29). Between 1915 and 1940, critical sectors such as public-sector workers, the military, and railroad workers received social benefits, especially pensions. This was a small minority of the workforce. By 1940, only 7 percent of the economically active population contributed to social security and was therefore protected (Feldman et al 1988: 31). In the first decades of the 20th century, several labor unions created their own mutual medical services in the absence of comprehensive state provision of services. Mutual associations were also set up by immigrant communities starting in the 19th century and provided medical services to their members, especially in the city of Buenos Aires. There was also a limited network of hospitals and clinics supported by the state (national or local governments) that provided some health assistance, but health care was not provided as a citizen right (Ross 2007:119-121).

Between the passage of the secret vote in 1912 and 1930—when the first military coup took place—Argentina had successive democratic governments of the Radical Party, UCR.⁴⁵ The Radicals were initially favorable to labor demands and competed electorally with the Socialist Party—to which part of the labor movement was allied.⁴⁶ Yet these administrations did not achieve the passage of significant labor and social legislation. The main reason for this was the growing mobilization of conservatives against pro-labor policies and labor unrest.

Conservative mobilization took shape in response to labor protest, which grew in urban and rural areas immediately after the first war. Despite the limitations imposed by conservative reaction, the radicals managed to win electoral support from the popular sectors attaining important victories, such as a second term for Yrigoyen in 1928 with 57 percent of the vote (Collier and Collier 145-149). Yet, a military coup overthrew Yrigoyen in 1930, inaugurating more than a decade of conservative governments sustained by electoral fraud and the banning of the pro-Yrigoyen faction in the UCR.⁴⁷ These dynamics yielded little policy innovation. The more radical unions were crushed, and except for particularistic expansions, no major changes in social legislation occurred.⁴⁸

⁴⁵ UCR stands for Civil Radical Union.

⁴⁶ For an analysis of the Radical Party, see Rock (1975).

⁴⁷ The radical Party Split between Personalistas (pro-Yrigoyen) and Anti-personalistas, more conservative.

⁴⁸ On the origins of social security, see Feldman, Golbert and Isuani (1988).

Perpetuation of conservative rule with fraud raised concerns among the military. In the context of World War II, the military believed this could foster a radicalization of the labor movement. A new military coup was carried out in 1943. The military initially sought to moderate the labor movement by responding to some of its demands. Juan Perón, one of the promoters of the military coup was appointed to the Secretariat of Labor and Social Security. From this position, he began to forge strong linkages with labor unions, supporting wage demands, the enforcement and expansion of labor legislation, and the expansion of social security to various categories of workers. In 1945, a law of trade unions was passed as well as a decree that allowed for the creation of voluntary health-care funds run by unions and funded with payroll contributions. This innovation created union-run medical funds, which eventually became one of the main sources of power of the union movement.⁴⁹

Perón's policies gained support in the labor movement and opposition within the military government. Discontented with Perón's ascendancy and his pro-labor policies, the military forced him to resign and eventually imprisoned him in 1945. Following his arrest, a massive mobilization of blue-collar workers demanded his liberation, which led the military government fearful of the potential of unfettered violence to release Perón from prison and to promise elections. In alliance with unions and the union-sponsored Laborist Party and Radical dissidents (McGuire 1995:209), Perón attained 52 percent of the vote in 1946.

In office, Perón sought to build a large coalition that would support him in power. Import substituting industrialization and employment were encouraged and expanded and social security legislation was extended to the self-employed and rural workers. Non-compliance in payment of contributions was high, however. By 1954, about half of the economically active population was effectively formalized (Feldman, Golbert & Isuani 1988: 36). Perón also reached out those outside the formal-labor market. He dismantled the main social assistance organization dealing with the poor, the Society of Beneficence, and created the Fundación Eva Perón, FEP, led by the First Lady. FEP was a complex agency. On the one hand, it was run in a personalistic way and it is known for distributing goods in an unmediated way.⁵⁰ On the other, it also ran several social-assistance institutions and services (i.e., orphanages). Although scholars have argued that because the FEP ran public hospitals it undercut the implementation of a universal health system, Ross suggests that the FEP closely collaborated with the Ministry of Health in the establishment of broad health policies (2007:157).

The most important innovation for outsiders under Perón's administrations—and unique in the region—was the creation of a universal health care system in 1946. The plan for this health system was “remarkably similar to the organization of the British National Health Service” (Ross 2007:147). Hospital beds doubled between 1945 and 1955 (See Belmartino & Bloch 1989:500). Public health campaigns were also launched, which successfully improved immunization, and reduced mortality rates sharply. Despite these achievements, the Ministry of Health, which was in charge of the system, lacked sufficient funding to accomplish its ambitious goals of building adequate infrastructure throughout the country (Ross 2007).

⁴⁹ See Thompson (1985), Belmartino & Bloch (1989).

⁵⁰ See Campetella & Gonzalez Bombal (2000), Tenti (1989).

Perón's second term (1952-1955) faced mounting troubles and culminated in a coup. Escalating political confrontation surrounding Perón's policies and leadership undermined his administration. The opposition accused the government of fraud in the 1951 elections, intimidation of opposition politicians, control of the media, and patronage. In 1955, a military coup overthrew Perón. This coup was preceded by a failed attempt to oust Perón, in which navy planes bombed the House of Government killing hundreds of people.⁵¹ This coup initiated several decades of virtually no democratic rule.

In sum, we see that social security benefits for insiders grew first in sectoral ways and then consolidated into a broader system that made benefits available to an important share of the formal workforce. Because Perón wanted to build a broad electoral coalition including previously enfranchised voters who had been mobilized by other parties (UCR, Socialists), he did expand large, universalistic policies for outsiders. Contributory pensions for rural workers and the self-employed were made available. Yet contributions in those sectors remained low. The universal health system was undoubtedly the most important initiative for outsiders.

Brazil

In Brazil, as in the other cases, the first social benefits were granted to workers in critical economic activities (i.e., railroads, docks). These concessions were designed to dampen social protest and weaken radical labor organizers (Malloy 1979: 45). The expansion of similar benefits to other categories of workers, and later the creation of a broader system of social security took place with the incorporation of the labor movement under Vargas in the 1930s and 1940s.

After assuming office, Vargas (1930-1945) passed social legislation providing pensions, disability benefits, and health insurance to a number of work categories on a group-by-group basis (Malloy 1979:69). Following a coup that granted Vargas authoritarian powers, these benefits were collapsed into a handful of social-security funds in the 1940s. Social security benefits and labor legislation passed by Vargas aimed at controlling and co-opting segments of the labor movement (Collier & Collier 1991; Malloy 1979: 56-57). Under this labor legislation, unions were severely constrained; preexisting unions were replaced with state penetrated labor organizations to avoid class conflict (Collier and Collier 1991: 169). Rural workers, urban informal workers, and the self-employed, which were largely unorganized were excluded from social security (see Malloy 1979: 56-7). Given the scope of the rural population, which represented 68 percent of the total population in 1940 (Love 1970: 16), social-security benefits reached a small minority of the workforce, protecting only 23.1 percent of the economically active population and 7.4 percent of the total Brazilian population in 1960 (Malloy 1979: 95).

Pensions were the most developed social security policy, and became a source of patronage under Vargas. In the following decades, distribution of pensions and pension agencies became important political resources for labor leaders and politicians in the PTB (Partido Trabalhista Brasileiro), the populist party created by Vargas in 1945. According to Malloy, the social security bureaucracy "had been colonized internally by many of the very social groups it

⁵¹ See Mc Guire (1997:74).

had sought to control” (Malloy 1979: 81). Health care, by contrast, was less developed during these period. Benefits varied significantly across work categories and some received no medical benefits at all. Health services were not a priority of social security funds, and were provided “only after other obligations had been met” (Malloy 1979:110). Aside from exclusion, there were extreme regional disparities in medical services which favored the core urban areas, especially in the south (Medici 1994: 25). Public-health initiatives reached primarily large urban areas leaving the countryside essentially unprotected.

Attempts to standardize and universalize pensions in the following years were thwarted. Under Kubistcheck (1955-1960), a new social security law was negotiated in Congress to improve the administration of the system. After intense bargaining, meaningful achievements were the standardization of contributions across different social security funds. The extension of social security to domestic and rural workers was rejected by conservatives, especially the PSD, Partido Social Democrático—the other party created by Vargas but rooted in the rural elites (Malloy 1979:103).

From 1930 to 1960, the political regime was either authoritarian or a limited democracy. The percentage of the adult population registered to vote was small, ranging from 16.1 percent in 1945 to 21.9 percent in 1960 (Chilcote 1974: 137; Love 1970:9). Despite women’s suffrage and compulsory voting, which were established in the 1934 constitution, restrictions on suffrage continued to exclude the illiterate (most of whom were rural inhabitants and urban outsiders). In the 1960s, for example, half of the population was disenfranchised due to literacy stipulations (Love 1970:24). In rural areas, where about 55 percent of the population resided in 1960,⁵² literacy requirements marginalized low income people from the vote. Together with limited suffrage, lack of mobilization and protest by outsiders discouraged the expansion of social benefits. Thus, there were no incentives for incumbents to extend benefits to the quiescent masses of outsiders in rural and marginal urban areas.

Overall, in the period between 1930 and 1960, social benefits were granted only to workers (and dependents) in the formal sector, a small minority of which became formalized through labor legislation and social security. According to Malloy’s estimates, in 1960, only 7.4 percent of the total Brazilian population was insured (1979:95). The few measures for outsiders at the time consisted of preventive health in urban areas, but these were extremely limited, or even negligible. The absence of “threats to survival” from outsiders who were largely disenfranchised and were not organized prevented expansion.

Chile

The extension of social policy for Chile’s formal sector began in the 1920s. As elsewhere it included the creation of sectoral benefits initially for the most powerful workers in the agro-export model, which were consolidated into a more comprehensive social security system in 1924. These benefits showed a particularly marked distinction across categories of workers, especially between blue-collar and white-collar workers and no protections were granted to the

⁵² Data from Love (1970:17). In 1950 the percent urban was 36, and in 1940, 32.

rural population and the urban informal workforce. In the following decades, some further changes were introduced that expanded pensions and improved health care with the creation of the National Health Service in 1952. This new program provided health assistance to blue-collar workers and to the indigent, yet its actual reach in urban marginal areas and in the countryside was limited due to lack of investments (See Borzutzki 2002:103).

Chile's democracy has been frequently presented as one of the most stable in Latin America in the 20th century. Yet, until the 1960s, political stability was sustained by a multiparty system based on limited franchise. The exclusion of the rural population through literacy restrictions and the absence of secret vote limited the representation of lower income sectors. Rural areas were controlled by conservative landowners. The expansion of the secret ballot starting in 1952, and rural unionization and land reform laws in the 1960s, would upset these arrangements. In the meantime, even if legally permissible, recognition of peasant unions was blocked by administrative action (Kurtz 2004b:101).

The labor movement was not a consistent partner in any governing coalition until the early 1970s (Collier and Collier 1991). The process of labor incorporation was carried out in Chile by an authoritarian regime fearing the escalation of labor unrest. In the 1920s, Alessandri of the conservative party was elected to the presidency on a platform promoting changes in social and labor legislation. These changes, however, were resisted by conservatives in Congress. In the face of no reforms, a military coup forced Alessandri to pass social legislation in 1924 and to create a labor code that limited mobilization and restricted labor representation (see Collier and Collier 1991: 533-541; Velenzuela 1978).

A stable democracy that excluded outsiders from the vote together with lack of mobilization from below limited the expansion of social benefits to outsiders. At the same time, and despite their early development, benefits for insiders featured marked differences across categories of workers.

Mexico

In Mexico, as in the other cases under study, social programs for the formal sector were initially developed following a group-by-group basis until they consolidated into a broader system of social security in the 1940s and 1950s. One fundamental aspect that distinguishes Mexico from Argentina and Chile and brings it close to Brazil is the limited reach of social security during this period. Estimates indicate that in 1970, only 18 percent of the total population was covered by the two large social-security institutes, IMSS and ISSSTE, and about 22 percent of the economically active population was insured.⁵³

Pensions were extended to critical categories of workers between the 1920s and 1930s in response to pressure from labor unions (Mesa-Lago 1989:144-145). The extension of pensions and health care to the broader industrial sector occurred in 1943, with the creation of the Mexican Institute for Social Security (IMSS). In the 1960s, benefits such as health care were

⁵³ Built with data from Zorrilla Arena (1988), and INEGI. Mesa-Lago's estimates are similar (1989: 150). In 1970, the President's report indicated that only 20% of the population had insurance (Zorrilla Arenas 1988: 207).

extended to federal civil servants and a new agency, the Institute for Social Security for State Workers (ISSSTE) was created. Both IMSS and ISSSTE developed their own medical facilities, which led to the formation of powerful unions in the following decades. In the 1960s, the self-employed and peasants could also make voluntary contributions to IMSS and qualify for protections, but that was hardly the case given that contributions were too costly for these workers. The vast majority of rural and domestic workers, which were largely low-income, as well as small producers and street vendors, remained outside the boundaries of social security.

In contrast with the other cases, social security was extended only in limited scope during the process of labor incorporation between 1917 and the 1930s identified by Collier and Collier (1991). Although labor legislation was passed, and official unions were recognized by the state and included in the governing coalition, social-security benefits were only granted to a small minority of the workforce at the time. The rural sector, which represented between 74 and 66 percent of the population,⁵⁴ was incorporated in the 1930s under the Cárdenas administration (1934-1940). A corporatist infrastructure for peasant representation and a vast land reform were passed. Cárdenas also attempted to pass a comprehensive social-security law catering to rural and urban workers (Pozas 1992: 32-33). However, attempts failed in the face of growing elite opposition to Cárdenas' pro-labor policies (Pozas 1992: 33).

After the period of popular mobilization under Cárdenas, there was a reaction of alienated economic sectors that opposed the state's alliance with the popular sectors (Collier and Collier 1991: 408). In the 1940 elections, a new right-wing opposition party, PAN, was formed backed by the industrial elite. PAN posed an unprecedented challenge to the governing party (and successor to the PRI) which then shifted to the center electing Ávila Camacho, a conservative, as successor of Cárdenas to mitigate the conservative reaction (Collier and Collier 1991: 407-420).

In the administration of Ávila Camacho (1940-1946) the influence of the labor movement on the government declined, and its role in the governing coalition became more subordinate. In the subsequent years the government managed to co-opt most of the opposition from business and the right into a multiclass, more conservative coalition (Collier and Collier 1991: 408-412). The PRI-led peasant confederation was also state-penetrated so as to control demands while delivering goods, particularly land. At the same time, the dominant-party system was strengthened by limiting dissent, moving the governing party (then the PRI) to the center, consolidating the power of the party apparatus—increasingly merged with the state—and weakening of that popular organizations.⁵⁵ These transformations intensified the non-competitive features of the political regime.

Benefits for outsiders were extremely limited. Health initiatives included immunization, which was delivered by the Mexican state in rural and urban areas.⁵⁶ In these urban regions, especially in the federal district, a few hospitals were also built yet the public health infrastructure was inadequate to reach the population without medical insurance.

⁵⁴ Depending on whether rural populations are those living in localities with less than 2500 or 5000 inhabitants, see INEGI (www.inegi.gob.mx).

⁵⁵ For an analysis of the dominant party-system, see Collier and Collier (1991); Collier (1992); Magaloni (2006).

⁵⁶ Several immunization campaigns were launched starting in the 1930s. See Zorrilla's chronology of social policy in Mexico based on presidential reports.

In sum, absence of electoral competition and mobilization from below discouraged the expansion of social policy for outsiders. Between 1940 and the 1980s, the PRI won every election with large majorities and opposition only emerged sub-nationally from the conservative PAN, which represented regionally-based upper-income groups and lacked meaningful ties to low-income populations. The urban and rural popular sectors, who were enfranchised in the post-revolution Mexican Constitution of 1917 were locked in by the PRI.

Consolidation of Benefits for Insiders

During the 1960s and 1970s, the formal sector grew in the context of industrialization. Social-security systems became more generous, particularly with the extension of health care services. Important transformations also affected outsiders during this period. Industrialization coincided with migration from rural to urban areas and the creation of broader urban electorates which sometimes upset the bases of conservative parties sustained on manipulation and/or exclusion of rural voters. At the same time, some countries experienced significant political changes with the expansion of suffrage that incentivized electoral competition for the newly enfranchised (who were mostly outsiders), and other countries experienced mobilization from below by movements representing outsiders' interests.

Several attempts to expand social policies to outsiders occurred. Rule-based expansions were launched in democratic Chile only, which experienced high electoral competition for outsiders, while more discretionary and unstable benefits were extended by authoritarian regimes facing pressure from below in Brazil and Mexico. In Argentina, high levels of regime instability, the ban on the Peronist Party, and open political violence thwarted proposals to deepen and enforce expansions for outsiders that had been created in the 1940s, particularly the health system. In all four cases, we see more or less extensive episodes of authoritarian politics, often in reaction to previous episodes of electoral competition and mobilization (which included different groups, not only outsiders). This period closed with new policies that were selective or unstable (except for health expansion in Chile and Argentina) and marked exclusion of outsiders from social protection.

Argentina

Between the overthrow of Perón in 1955 and re-democratization in 1983, few social policy initiatives were implemented. Health insurance was made compulsory for insiders and family allowances were extended to formal workers. Yet despite policy proposals were advanced to protect outsiders, no meaningful social-policy innovation took place.

The evolution of social benefits during these decades is related to the profound instability of the political system and absence of democratic rule. From 1955 through 1973, the military strictly banned the Peronist Party and kept Perón in exile. Throughout these years two civilian presidents were elected. These civilian incumbents were extremely vulnerable to military pressure and, and both were overthrown by coups. Between 1973 and 1976, a brief democratic

interregnum of Peronist rule took place. The brevity and political violence that marred this period dramatically overshadowed other policy concerns.⁵⁷

Policies for insiders were expanded in the context of labor unrest or to court union voters in elections in which the Peronist Party was banned. In 1958, when presidential elections were held, two splinters of the Radical Party, UCRI and UCRP, competed for the presidency.⁵⁸ Frondizi, of the UCRI, pursued ties with Perón in exile and with working-class voters and managed to win the presidency. In office, Frondizi sought to integrate the peronist labor unions with promises and concessions (James 1976: 274). Frondizi extended family allowances for some categories of formal workers and standardized pension benefits, setting them at 82 percent of the wage in activity (Feldman et al 1988:45).⁵⁹ Labor demands and military pressure weakened the Frondizi administration.⁶⁰ In 1962 Frondizi was ousted by a military coup after he refused to annul legislative elections in which “neo-peronist” parties⁶¹ had achieved electoral success.

Elections were held again in 1963, with the proscription of the Peronist Party and Frondizi’s UCRI. Arturo Illia (1963-1966) of the UCRP came to power and attempted social policy reforms. He sought to increase access to pharmaceuticals, and put together a proposal to expand nutrition and health programs among the lower-income (Golbert 2008). In a context of profound political instability, and facing massive labor-union opposition and unrest, he was ousted by a coup.

Starting in 1966, the Argentine Revolution, the new military regime, initiated a process of industrial deepening with the exclusion of the popular sectors and labor unions from policymaking and set up what O’Donnell has called a bureaucratic-authoritarian state (O’Donnell 1979). The leadership of the powerful CGT, National Confederation of Workers nonetheless negotiated with the state over salaries and further union control of the voluntary union-run medical insurance system created by Perón. The CGT demanded compulsory registration of all employees, and a union-friendly law governing their administration. The CGT’s behavior, and its attempt to form a union-party separate from Perón’s leadership triggered further divisions within peronism (see McGuire 1995; James 1976). When instability broke out again in 1969 with massive protests from unions outside the control of the CGT⁶² the military accepted union demands over the health funds to prevent escalation.⁶³ Facing growing pension expenses, the military further set out to centralize the pension system and standardize benefits,

⁵⁷ On health care, see Ross (2007:110).

⁵⁸ The main competitors in the 1958 were two radicals. The Radical Party split in 1956. One faction, the UCR *Intransigente* denounced the military as “anti-popular” and promised to preserve Perón’s social and labor legislation. The UCR del Pueblo, UCRP led by Balbin wanted to repeal many peronist laws and supported the military efforts to de-peronize society (McGuire 1995:213).

⁵⁹ The first family allowances were negotiated in collective bargaining and established in different laws from 1957 upto the early 1970s (see Rofman, Grushka and Chevez nd:10)

⁶⁰ The peronist left unions demanded “absolute intransigence vis-à-vis Frondizi” (James 1976: 274)

⁶¹ Neo-Peronist parties were allowed to compete as long as they were not connected with Perón.

⁶² Marxist non-peronist unions especially based in the auto industry, see James (1976; 1978).

⁶³ It should be noted that in 1971 the military created the Program of Medical Assistance for pensioners, which covered about 10 percent of the population in the following decades. See Belmartino and Bloch (1989:506).

only partly achieving the latter (Feldman et al. 1988: 51). Intense contestation from labor, youth organizations, and guerrillas put pressure on the military for Perón's return.⁶⁴ Incapable of achieving social peace, the military allowed for more open elections in 1973.

With democratic elections a left-wing peronist government came to power in 1973. The Cámpora administration (1973) promised social policy expansion. Social security for rural workers was improved and pension beneficiaries jumped from 41,000 to 62,000 in 1974 (Feldman et al 1988: 54). At the same time, the Cámpora administration sought to consolidate the health system devised in the 1940s, and to integrate it with formal-sector insurance creating a national integrated health system (Movimiento Peronista Nacional 1973: v.2). With the return of Perón to the country, Cámpora resigned and Perón was elected president, and assumed power in 1973. A new health care law was passed by Congress in 1974. In the context of dramatic instability and political violence, this law was not implemented. Perón died in 1974 and political violence escalated. The administration of his successor and wife, María Estela M. de Perón, was marked by extreme divisions among Peronists and political violence.⁶⁵ In 1976, a new military dictatorship (1976-1983) came to power and produced massive, unprecedented state repression and human rights violations. Social organizations were repressed and thousands of people murdered and disappeared.

The military retrenched social programs; they eliminated employers' contributions to social security (which were restored in the new democracy), excluded unions from the administration of benefits, and reduced social expenditure.⁶⁶ It was only at the end of the dictatorship and propelled by the defeat of the military in the Malvinas War in 1982 that massive human rights mobilizations and labor protest took place.⁶⁷ Human rights mobilizations were not organized around social demands but concerned the violations of human rights under the dictatorship. The democratic transition by "collapse" of the military dictatorship paved the return of democracy in 1983.

Between 1955 and 1983, profound political instability characterized by military dictatorships and limited democratic rule did not foster the emergence of any of the factors that here trigger expansion for outsiders, and no expansion happened with the exception of rural pensions (which failed to be enforced systematically) and the public health system. In the absence of democracy, mobilization from below and/or competition, the response of authoritarian regimes was no expansion.

⁶⁴ As analyzed by James (1976:277-285), the three components of the Perón Left were: a) combative unions; b) the revolutionary left, and c) youth movements and guerrilla groups. The latter were established in 1970.

⁶⁵ Aside from paramilitary repression of left-wing militants, tough security measures were passed, including the state of siege in 1974. See James (1976:287).

⁶⁶ See among others Belmartino and Bloch (1989) and Belmartino (1995).

⁶⁷ Human rights mobilizations had started in the 1977 but they were small and suffered from military repression. Unions began to mobilize before the War, in the context of economic recession of 1982. Yet mobilizations and protest grew dramatically after the Malvinas War. On labor protest, see Collier and Mahoney (1997).

Brazil

An important phase of reform and extension of social-security institutions in Brazil began in the 1960s, particularly during the military regime that O'Donnell has termed the Bureaucratic Authoritarian State (1964-1985). These expansions provided non-contributory pensions to rural workers and some minimal health insurance administered by rural unions. In the 1970s, incipient expansion of primary-care services, and more flexible rules to access pensions were also introduced for low-income sectors. Even if these initiatives were neither rule-based nor large-scale, they introduced important social-policy changes. Indeed, pension coverage grew significantly. Together with changes for outsiders, health care began to be provided to formal workers in more systematic ways leading to the emergence of a large number of private hospitals which were subsidized by the state. As we will see, these measures were introduced by authoritarian incumbents facing pressures from below and later on, some restricted form of electoral competition.

The coup was a reaction to the administration of João Goulart (1962-1964), which sought to mobilize popular support and attempted to respond to thriving left-wing groups, especially in rural areas.⁶⁸ Before the military came to power, the Goulart administration introduced pension changes that primarily benefitted outsiders but were not implemented under tenure due to its brevity. This innovation was a response to a surge in countryside mobilization by rural wage laborers (i.e., cane cutters), sharecroppers, landless families, and small farmers.⁶⁹ Pressure was particularly strong among sugarcane workers in the Northeast, who were organized in a movement of *peasant leagues*⁷⁰ and in organizations linked to the communist party (Chilcote 1974: 156; Pereira 1997; Houtzager 1998: 107). This mobilization was largely perceived as a threat to social peace and to national security, as politicians in Brazil and abroad feared a Cuba-like revolution.⁷¹

In response to rural unrest, Goulart submitted the Statute of the Rural Worker (*Estatuto do Trabalhador Rural*, ETR) to Congress, which was passed in 1963. The ETR extended existing labor legislation for urban workers to the countryside and established a corporatist structure of representation. At the same time, Goulart passed social-security legislation creating Funrural (*Fundo de Assistência ao Trabalhador Rural*), which extended non-contributory benefits to rural areas).

The two principal institutions organizing and competing for rural workers—the Communist Party and the Church—were supportive of the ETR for different reasons. While the church saw it as a tool to prevent radicalization, the communists saw it as a tool to mobilize rural

⁶⁸ When leaders of mass groups, such as the peasant leagues or the unions' strike committee, ran for office they would do it through the PTB but their ties to parties were tenuous at best Jenks (1979: 74).

⁶⁹ See Chilcote (1974: 155-160); Novaes (1991); Houtzager (1998); Maybury-Lewis (1994); Pereira (1997).

⁷⁰ The peasant leagues were formed in the Northeast between 1955 and 1964. They demanded redistribution of land to cultivators and launched dramatic waves of protest (see Pereira 1997: xv). They were banned in 1964 and several members formed part of the rural unions established by the ETR.

⁷¹ Goulart had previously attempted the approval of social and labor legislation for the countryside in the 1950s, when he was Vargas' minister of labor.

workers.⁷² Conservatives in Congress in turn assumed the new legislation would never be enforced (Houtzager 1998: 108). By contrast, Goulart set out to mobilize rural unions created under the auspices of the ETR as a support base (Houtzager 1998:110). By 1964, 2,000 unions were formed, as well as a national confederation, CONTAG (Confederação Nacional dos Trabalhadores da Agricultura), which was controlled by communists (Chilcote 1974: 159).

Together with the extension of social-security benefits for rural areas shortly before the coup, Goulart introduced changes in formal sector programs. In 1962, the retirement age for private sector workers was eliminated, with the possibility of retirement after 35 years of service (Stephanes 1998: 80; Malloy 1979: 119).

Goulart rapidly lost support from the larger parties in his coalition, the populist PTB and the PDS. Societal mobilization was resisted particularly by the opposition right-wing UDN (a conservative party which drew support in rural areas) and the military. After overthrowing Goulart, the military repressed urban and rural unions and allowed for only moderate union leadership (see Chilcote 1974: 159; CONTAG 2000; Maybury-Lewis 1994). Yet persistence of rural mobilization from below led the military to implement the social-security benefits passed under Goulart. In 1968, a strike of sugarcane workers broke out in the Northeast. Fearing the spread of activism in the countryside the military response was to recognize the legitimacy of the union's demands and offer social-security benefits (Houtzager 1998: 117). These benefits were extended to the whole countryside in 1971 to prevent the spread of militancy, and to channel demands through moderate unions involved in service delivery.⁷³ Pensions indeed grew significantly in the following years, while health assistance was more limited. Medical benefits consisted mainly of basic services contracted by rural unions. Access to hospital services was limited by the availability of facilities, which were lacking in rural areas, and scarce funding. Rural populations were therefore excluded from comprehensive medical assistance (see Malloy 1979: 138; Medici 1994).

These benefits helped the military to de-activate union militancy. Yet unlike initiatives launched by a democratic regime facing large-scale pressure, they were affected by selectivity and patronage. Unions had no way to denounce the repression and exclusion of more radical union leaders and the manipulation of resources, which the military effectively did to co-opt and moderate the rural unions. Under authoritarianism, rural unions could just use the opportunity to build their organizations and take advantage of the new system of labor relations. As analyzed by Maybury-Lewis (1994), some unions indeed succumbed to clientelism, while others used resources to strengthen their organizations and survive the military regime.

The military that overthrew Goulart also preserved some level of partisan competition. Contrary to other military dictatorships in the region, the military leadership did not see parties as a source of chaos—as the Chilean military led by Pinochet did—but as a fundamental tool to govern: to determine access to state positions, to achieve legitimacy, and to deal with the various regional powers in Brazilian politics, some of which were accommodated into the military coalition. In 1966, the military established a two party-system formed by ARENA (*Aliança*

⁷² On the Communist party see Chilcote (1974). On the peasant leagues and rural workers more generally, see Pereira (1997).

⁷³ The program was called PRORURAL.

Nacional Renovadora), the military party, and the MDB (*Movimento Democrático Brasileiro*), the opposition party. Partisan competition (even if extremely restricted) was perceived as fundamental for legitimacy. The opposition was in fact severely curtailed by the exclusion of candidates and the absence of elections in areas where it could pose a threat to the survival of the military government, especially in state capitals and districts where rural activism was high.⁷⁴

The implementation of pensions for rural workers further served to create a patronage structure for ARENA in rural areas. Pensions were implemented by local offices of Funrural which were staffed by politicians of ARENA. Since the beginning of the dictatorship, the military had an ambivalent relationship with patronage parties in their coalition. While they sought to undercut pervasive patronage in the state (Jenks 1979:77-78), the military nonetheless needed support from machine parties to govern and to secure continuity in power. On several occasions the military tried to undermine patronage linkages. For example, the military tried to extend the vote to illiterates, an initiative which was rejected by conservatives—especially PDS—in Congress (Jenks 1979:92), and to centralize Funrural in 1977, which was vigorously contested by ARENA (Jornal do Brazil, 02/06/1977).

The military initiated a number of reforms aiming at centralizing decision-making in social security to insiders to eliminate patronage. It unified the existing social security funds into a single institute, the national institute of social security (INPS).⁷⁵ At the same time, it excluded labor unions from policy administration (Malloy 1985). Further, the military extended access to health care for formal workers. To that end, it increased private-sector involvement in social security. For example, in 1967, the military allowed firms to withhold contributions to social-security health care and buy their own health services for their workers. This fostered the surge of private health insurance (e.g., HMOs). In 1974, the government further began to subsidize the expansion of private hospital facilities to contract services with social security insurance (Medici 1994: 27). Public facilities were inadequate to assist those without coverage.

In the 1970s, the military was divided over the continuity of the regime. Having achieved miracle-levels of economic growth, divisions emerged about how to achieve legitimacy and justify perpetuation in power. This eventually resulted in the launching of a limited political opening (See Jenks 1979; Collier 1999). The opening was immediately followed by an unexpected victory of the opposition party and a more decisive democratic transition.

An incipient expansion of health care for outsiders took place during the democratic transition. In the early 1970s, outbreaks of meningitis acquired epidemic proportions. To address the problem, the Geisel administration (1974-1978) launched an unprecedented vaccination campaign in 1974 that reached between 75 and 80 percent of the population (World Bank 1981: 24). The campaign in part revealed dramatic hurdles to implementing public health initiatives given the complete absence of infrastructure in several regions. In 1976, the military launched an expansion of public health in the northeast creating *Programa de Interiorização das Ações de Saúde e Saneamento*, PIASS. This program sought to show concern for public-health and to generate some basic primary-care capacity in the area. The program created hundreds of

⁷⁴ On parties under the military, see Jenks (1979).

⁷⁵ With the exception of the IAPS for public workers which was transferred in 1980.

health posts and relied on community agents to provide basic sanitation. Despite its importance, PIASS faced a common problem in creating permanent—even if precarious—infrastructure: lack of continuous funding for professional staff. The program was defunded by the military in 1979, showing the short-term, selective nature of the initiative, and several health posts were closed down.⁷⁶

The importance of PIASS is so much its public health achievements, but rather the network of doctors and local communities it helped form. The inclusion of left-wing public health doctors in the national health bureaucracy to implement PIASS, and the expansion of linkages between those doctors and research institutions, public-health schools and local communities in the process of implementing that and other training programs, led to the formation of an eventually large and influential movement for health reform. This movement designed and promoted a universal, participatory health system which became a critical demand of the democratization movement and the democratic transition.

In this context of increased competition starting in 1974, the military further launched semi-contributory pensions for the elderly and disabled. These benefits were distributed to increase the appeal of conservatives in the coming elections and were a source of patronage. Beneath the veneer of concern for the poor, survival of the regime and the electoral competitiveness of ARENA were the main driving forces of social policy creation. The role of social policy for the perpetuation of the military (and its party) can be seen in the importance granted to social benefits in electoral campaigns. In 1976, for example, the national board of ARENA instructed candidates to emphasize “Social security, rural pensions... vaccination against meningitis.”⁷⁷

As democratization moved on, these movements for health care reform and rural workers put pressure on the state for social policy expansion. They hammered out proposals for health and pension reform that were discussed with public authorities, and united these demands for social benefits to the struggle for democracy.⁷⁸ The movement for health care reform in particular grew dramatically. It lobbied vigorously to promote a universal health care system. Members of the movement also occupied positions in the state, especially in local secretaries of health, to advance their proposals. At the same time, this health care movement extended linkages to other social movements, especially community associations, church-based organizations, labor unions, doctors’ associations, medical students and women groups, to amplify their demands and achieve universalization (Abrantes & Almeida 2001; Escorel 1999, 2005).

In sum, in the 1960s and 1970s Brazil witnessed several innovations. Benefits for insiders were expanded with the consolidation of health care services and improvements in pension benefits. At the same time, after purging the rural workers’ confederation, the military extended pensions to rural workers to diffuse contention and co-opt rural unions. In the context of the

⁷⁶ Though there is little information on the evolution of PIASS, see Medici (1994) and McGuire (2001).

⁷⁷ [previdencia social, funrural..., vacinacao contra a meningite..”] See Arena 1976, in Grinberg (2009: 200)

⁷⁸ On the health reform movement, see work by Escorel (1999, 2005); Abrantes and Almeida (2001); Rodrigues Neto (1997); Fleury (1997). On the rural unions, see Pereira (1997); and Houtzager (1997, 1998), Maybury-Lewis (1994).

democratic transition, the military further expanded basic health measures, which were not stable policy developments and improved access to pensions. Rural workers and a movement for health reform that grew during the democratic transition put pressure on the state for policy change. These movements achieved significant victories in the new democracy, which are discussed in Chapter 4.

Chile

In Chile, social benefits were expanded further for formal workers starting in the 1950s. These expansions were accompanied with improvements in family allowances, and pensions. In the early 1970s, formal workers accessed significant social provisions in Chile. Social benefits were also extended to outsiders in the 1960s and early 1970s. New benefits included free health services, and the extension of social security to rural workers. The expansion of health care services, which was broad and more effectively implemented, was the only large-scale rule-based social policy for outsiders created among our four cases in this period.

Starting in the 1950s, Chile underwent further democratization. There was a significant expansion of the electorate, especially between 1964 and 1973. Registered voters grew due to changes in legislation which granted women the right to vote in 1949, provided for secret ballots, simplified registration, and created penalties for not voting in 1958 and 1963. These measures particularly extended competition in rural areas. Further, in 1970 literacy requirements were eliminated (Oxhorn 1995:50). Registered voters more than tripled between 1958 and 1970 (see Loveman 1979:260; Fleet 1985:31; Oxhorn 1995:50). The rapid increase in eligible voters increased competition for support of the urban poor (Schneider 1995:48) and rural populations who had been previously excluded.⁷⁹

The rise of the Christian Democratic Party (PDC) intensified competition in the 1960s.⁸⁰ The CD saw in the low income outsiders in shanty towns and the countryside a potential source of electoral support (see Oxhorn 1995). In fact the PDC managed to form an electoral coalition among outsider voters (rural and urban), the middle classes, and a significant portion of women (Fleet 1985: 43; Scully 1992). In the 1964 PDC candidate Frei won the presidential election by a landslide.⁸¹ In office, the Frei administration (1964-1970) sought to secure the support of the peasantry away from conservatives, and solidify and expand the support of the urban poor. Until the surge of the Christian Democrats, these sectors were not mobilized vigorously by the left, which found its natural constituency in organized labor (see Oxhorn 1995:51).

Electoral competition for outsiders propelled social-policy expansion. Frei implemented land reform and social legislation for rural workers and peasants, as well as housing, health care, and a vast program of “popular promotion” targeted to urban outsiders (Oxhorn 1995:52). The Frei administration actively organized residents in shanty-towns “on the basis of their

⁷⁹ Fleet sustains that before the 1950s Chilean politics had been “the purview of bourgeois and petit bourgeois groups with only modest participation by the industrial working class” (Fleet 1985: 31).

⁸⁰ It was a smaller party since the 1930s.

⁸¹ 62 percent voting for Frei were women and 75 percent were voting for the first time (Fleet 1985: 70; Schneider 1995: 48)

consumption needs, particularly housing” (Oxhorn 1995:51). It is estimated that nearly 22,000 organizations were formed by 1970 (including mothers’ centers, neighborhood councils, and youth centers) (Oxhorn 1995: 52). These organizations were expected to improve living conditions and to “help institutionalize support for the government among the “marginal” populations” (Fleet 1985:87). Because opposition groups rejected and feared the politicization of those organizations, they curbed funding for the popular promotion scheme, which was eventually discontinued in 1967 (Fleet 1985: 87). In rural areas, the peasant unionization law spawned 500 unions (Borzutzky 2002: 93). More importantly, health care facilities were largely expanded as well as primary care centers for outsiders (Borzutzky 2002: 111). The government further initiated a plan to reduce mortality rates and improve preventive health and extended free universal meals for children in public schools in 1964 (Graham 1991: 10).

In the late 1960s, the Frei administration lost support amid growing inflation and political polarization. The end of the Frei administration witnessed pent up demands and unrest, land invasions by shanty-town dwellers and police repression. The PDC, which had managed to attract a broad coalition in its ascent to power, began to face intense opposition from the left. The Popular Unity, UP, of the Socialist and Communist parties vigorously tried to mobilize shantytown residents away from the PDC (Oxhorn 1995:54).

Electoral choices became volatile during this period (Fleet 1985). In the 1970 presidential elections the UP won against the right-wing coalition by a slim margin, and Salvador Allende (1970-1973) came to power. During the campaign the UP promised social policies for outsiders (*Security for all* and *Health for all* were its slogans). These promises included the extension of social security with the replacement of the contributory system with a system of direct taxes; free medical care delivered by a participatory unified health system; and the extension of a housing program for low-income families (Stallings 1978: 126-127).

New services and benefits were extended under Allende (1970-1973). As in the case of Frei the emphasis was placed on reaching mothers and children first through primary care, milk distribution (in schools and hospitals) and vaccination (Borzutzky 2002:144). Social security coverage was expanded to the self-employed (Borzutzky 2002:140) which despite high evasion, extended social security significantly. At the same time, pension benefits were raised and health care for the formal sector improved (Borzutzky 2002).

Political mobilization of the popular sectors (outsiders and insiders) initiated under Frei generated massive reactions, which became more intense under the Allende administration. Together with social policies, Allende’s nationalization initiatives, agrarian reforms, and increased taxes generated a tremendous backlash (Scully 1995: 121). Massive conservative mobilization took shape, as street marches demonstrations and strikes and employers’ lockouts grew in 1972 (Stallings 1978:141-144). Facing runaway inflation, and after failed attempts at forming a coalition government, mobilization of the right culminated in democratic breakdown which, as in Argentina, ushered in a period of dramatic repression of popular associations, and political activity.

In sum, in Chile, electoral competition for the vote of outsiders resulted from the expansion of the suffrage which was accompanied by the surge of new parties that upset traditional politics. The Christian Democrats initiated a vigorous attempt at mobilizing the rural

sector and urban informal workers, intensifying electoral competition for that constituency. This resulted in Frei and Allende's creation of rule-based, large-scale social policies, such as the expansion of rural benefits (which nonetheless were harder to enforce) and health expansion.

Mexico

Social security coverage experienced an important leap in the 1970s, from 20 percent of the total population in 1970 to 44 percent in 1980.⁸² Industrialization and increased public employment, together with economic growth, help explain the extension of social security. The 1970s also witnessed attempts to extend coverage to outsiders. These were only partly successful, and resulting expansion was very limited.

In the late 1960s and early 1970s, the emergence of rural mobilization placed the issue of social-policy expansion on the agenda. Underlying countryside demands was a profound economic crisis in agriculture (interview Araujo) and the decline of the capacity of the PRI-affiliated peasant confederation to mediate rural conflict given the slower pace of land distribution starting in the 1940s (Kurtz 2004b: 170). Activism in the countryside resulted in the formation of more independent peasant groups (see Grammont & Mackinlay 2006: 699). New rural organizations thought their needs would be solved with public policies and development investments, and thus demanded not only land but production-oriented programs (interview Araujo).

These peasant mobilizations produced important state responses. Most of these responses consisted of production-oriented initiatives. In the early 1970s, President Luis Echeverría (1970-1976) launched a new wave of land distribution (Grammont & Mackinlay 2006). At the same time, credit institutions, such as Banrural and Conasupo, were created to help fund and commercialize agriculture production.⁸³ A rural development program, PIDER,⁸⁴ was also launched to provide technical support and funding for microenterprises (interview Rolando Cordera Campos). These new institutions provided the state and the National Peasant Confederation, CNC, with new resources to exchange with the peasantry and mobilize their support (See Kurtz 2004b). Echeverría's successor, José López Portillo (1976-1982), embarked on further social and infrastructure investments for rural areas. An ambitious program, COPLAMAR, the Commission for Depressed and Marginal Areas, was launched to improve infrastructure and to provide health care and training for peasants.

Only one of COPLAMAR's strategies, the provision of health care through IMSS, was implemented (interview Head of IMSS-Coplamar). IMSS became in charge of setting up and

⁸² 1970 figure built with data from Zorrilla Arena (1988), and INEGI. Mesa-Lago's estimates are similar (1989: 150). In 1970, the President's report indicated that only 20% of the population had insurance (Zorrilla Arenas 1988: 207).

⁸³ These institutions provided production inputs, credit, guaranteed prices, and provided marketing channels and storage facilities.

⁸⁴ Program of Public Investment for Rural Development, Programa de Inversiones Públicas para el Desarrollo Rural

providing primary health-care services in rural areas.⁸⁵ More sophisticated hospital services were not developed for that population. The remaining strategies of COPLAMAR either failed at implementation under López Portillo or were terminated during the economic collapse of 1982 (see Campos & Velez 1990).

Overall, rural protest in a non-democratic regime led to the expansion of discretionary benefits to the countryside. These were directed to reinforce the PRI's dominance in rural areas, which was successfully achieved with a decline in protest. The discretionary distribution of land and of production-oriented goods served the CNC (and even newer organizations) to manipulate resources and de-activate protest. IMSS Coplamar was an important innovation but modest and did not reach a large proportion of outsiders.

State Shrinkage and Targeted Benefits

The debt crisis in the early 1980s, and ensuing economic recession put pressures on middle income countries of Latin America to launch market-adjustment policies. Economic liberalization and privatization were accompanied with a growing consensus about the need to retrench insiders' benefits and create limited safety nets for the very poor.

In this context of pressures to adopt market reforms, there was broad cross-national and cross-temporal variation in social-policy initiatives for outsiders. The framework proposed in this study contributes to our understanding of the reasons behind these differences. Chile, for example, initiated market adjustment significantly early and under a military dictatorship. Market reforms served the goal of addressing economic troubles, but even more importantly, they formed part of a broader strategy to radically transform the political dynamics that had predated the military coup. In this case, more encompassing social benefits for outsiders were launched when the authoritarian incumbent faced "threats to survival." A similar strategy was followed by the incumbent PRI in Mexico, which did not produce any meaningful expansion in the context of the 1982 debt crisis but launched social policy innovations in response to unprecedented levels of competition in urban areas in the 1988 presidential election. Policies launched by these incumbents were not large-scale, institutionalized stable policies, as discussed below.

In Argentina and in Chile after re-democratization, lack of electoral competition and/or pressures from below generated no compelling incentives expansion. Small social programs for outsiders were launched in these cases. In Argentina the absence of meaningful protections, that is, rule based policies covering a significant portion of the outsider population with stable benefits continued even after a crisis of hyperinflation which produced dramatic hardship. In Chile, the new democratic governments did not launch institutionalized expansions despite high poverty levels in the early 1990s. In Brazil, by contrast, high levels of mobilization from below during the transition and the new democracy limited the implementation of adjustment policies

⁸⁵ According to the Presidential Reports issued by Lopez Portillo during his administration, 1,200 rural units were built under his term. (See Zorrilla Arenas 1988).

and further led to large, rule-based expansion of social policy for outsiders, which is analyzed in Chapter 4.

Argentina

With the return of democracy in 1983, large-scale innovations for outsiders were initiated. However these initiatives failed to be institutionalized and were dismantled. This was the case of a large food program created under the administration of Raúl Alfonsín (1983-1989) and a massive food stamp, *Bono Solidario*, BS launched under the administration of Carlos Menem (1989-1995).⁸⁶

Raul Alfonsín was the first Radical-Party candidate ever to defeat the PJ in fair competitive elections, and in 1983 inaugurated what would be the longest period of democratic politics in Argentina. Soon in office, the Alfonsín administration (1983-1989) passed and implemented PAN (*Programa Alimentario Nacional*) a large-scale food program. The scheme was designed in a technocratic top-down way and initially reached 15 percent of the households in the country, about 5 million low-income outsiders.⁸⁷ PAN was intended to be a rule-based scheme. It ran through a parallel government structure “to bypass the heavy state bureaucracy and make it more transparent” (interview, Top Official of PAN). Households were selected according to need, which was assessed using a *map of poverty* built with 1980 census data, as well as with information from municipal governments.

The Alfonsín administration attempted to reach out the lower income, the traditional bastion of the PJ, with this large-scale social program. This attempt was not successful. The implementation of PAN was marred by clientelism which backfired against the government.

Although PAN had a set of rules governing implementation, their disregard fostered its manipulation. Discretion operated in two ways. First, when PAN was announced, provincial governments demanded involvement in the program fearing that a large-scale program operated directly by the national government would affect provincial politics. Facing pressures from governors, the Alfonsín administration negotiated critical conditions of implementation. Specifically, it accepted governors’ involvement in the appointment of PAN’s agents, whose role was critical to the program’s success. In each province, a program delegate coordinated hundreds of PAN agents in charge of controlling the distribution of food boxes and providing nutrition education to beneficiaries.⁸⁸ This negotiation probably biased the distribution of food on the ground. According to a top official in charge of PAN’s implementation:

⁸⁶ There were two other food programs reaching the low-income both of which had been created in the 1930s. The largest was PROSONU, which provided free food in public schools, reaching in 1988 46% of the children below the poverty line, and 30 percent of the children in public schools. PROSONU was decentralized by the military in the 1970s. The other was the Mother and Child Program, PMI, which provided milk in public hospitals for pregnant women and children below 6. In the 1970s and 1980s the PMI was very small. See Grassi, Hintze and Neufeld (1994, Chapter 3).

⁸⁷ Interview Top official in charge of PAN. For a description of PAN, see Grassi, Hintze and Neufeld (1994:194-196).

⁸⁸ PAN had 2700 employees, most of which were PAN agents. It spent between 5 and 6.5 percent of its budget on administration expenditure.

“In direct assistance programs that distribute vouchers (like food-stamps) or goods, you have a struggle that has no political color: Who controls? the federal or the provincial government? And this is raised by members from your own party, and is more intense when governors belong to the opposition. We managed this well with PAN...We negotiated with each governor that half of PAN’s agents, who were those in contact with the community and with the ones who distributed the food, and who needed some training to perform their task, were appointed by the governor. We appointed the other half from the central office of PAN in the national government. By doing this, we could achieve some political equilibrium.” (author’s interview)

Second, despite the construction of the “map of poverty” there was limited information about potential beneficiaries. Municipal governments eventually became “a principal source of information” (interview Top Official PAN) to select beneficiaries, which probably allowed for discretion given the absence of standardized municipal systems of information. Furthermore, PAN agents could also select beneficiaries themselves (Grassi et al 1994:195), which undoubtedly biased access, as the appointment of agents responded to political negotiations.

The inability of the state to enforce the rules and to control distribution of food boxes on the ground undermined the program and made it an exemplar of clientelism in the public opinion. Despite being a significant innovation to provide for outsiders, PAN backfired against the government. The incumbent’s attempt to reach out a traditional bastion of the PJ, which has overwhelming support among the low income population, failed due to the absence of controls governing the distribution of the benefit. The fact that the PJ used accusations of clientelism to discredit the national government and undermine its legitimacy—shows how in the context of electoral competition for the vote of outsiders, discretion in large-scale policy can play squarely against the incumbent.

PAN lost appeal for the Alfonsín administration as the program’s legitimacy eroded. The PJ had a dramatic comeback in the 1987 midterms and won the presidential elections in 1989. The end of the Alfonsín administration was marked by high inflation which, after the failure of a stabilization plan, led to hyperinflation and a dramatic power vacuum. In the context of a profound recession, PAN was gradually defunded providing increasingly fewer benefits to fewer households (interview Top official PAN). Alfonsín stepped down six months before the end of his tenure, amidst looting and a bleak social scenario.⁸⁹ In 1989 Carlos Menem of the PJ took office and gradually discontinued and ultimately dismantled PAN in 1990.

Concern about looting and the potential emergence of broader lower-class conflict led President Carlos Menem of the PJ to issue a decree establishing the creation of the ambitious program Solidarity Bonus, BS.⁹⁰ A small version of BS was inaugurated in a few metropolitan areas as soon as Menem took office, while a bill institutionalizing the policy

⁸⁹ Dataset of Policymaking, Argentina, 1989.

⁹⁰ BS stands for Bono Solidario.

walked its way rapidly in Congress. The scheme would provide food-stamps equivalent to half a minimum wage to all families making less than one minimum wage—that is, low-income outsiders, and a voucher for medicines. The BS was expected to reach between 1.5 and 2 million households, more than 20 percent of the households at that time, and would be funded with a new tax on corporate income.⁹¹

The program was not implemented, however. First, lootings (and thus fears of social conflict) dissipated after Menem took office. Second, PJ governors rejected the policy, denouncing BS as an incursion of the national government in their provinces. PJ governors suggested that Menem would use the policy to interfere in provincial politics.⁹² They demanded the decentralization of BS and the distribution of benefits through revenue sharing, which rewards the less populated provinces.⁹³

The erosion of the threat of social conflict and governors' resistance made Menem reconsider the implementation of BS. Despite approval of a watered-down, temporary version of the BS, Menem announced that a workfare program run by municipalities and social organizations called *Plan Trabajar* would replace BS.⁹⁴

A few months in office, Menem launched one of the most sweeping programs of economic liberalization in Latin America. Seeking to achieve eluding stabilization and in a climate favorable to pro-market policies, he liberalized finance and trade, imposed a strict control on inflation by pegging the Argentine currency to the dollar, and privatized most state-owned firms. As a result of such transformations, Argentina gained access to financial markets, inflation was tamed and economic growth resumed.

Facing economic rebound, and despite the fact that this was accompanied by high unemployment, Menem launched no significant social policy to outsiders until the end of his second tenure. Because outsiders were loyal PJ voters, they were not organized into a social movement (Ostiguy 1994; Levitsky 2003) and there was no credible challenger competing for this electorate, large-scale policies for outsiders were not launched.

The Menem administration implemented small and/or discretionary policies. Menem pursued a two-pronged social-policy strategy whose main goal was to maintain the status quo and prevent voter disaffection and protest. On the one hand, the national government launched small, temporary social programs run by national agencies to show concern about poverty.⁹⁵ These programs were implemented in selective ways, as technocratic agencies did not fully control selection of beneficiaries on the ground (interviews Ministers of Labor Caro-Figueroa, Bullrich, and High Official of the Secretariat of Social Development). At the same time, governors implemented discretionary programs in strategic electoral bastions of the PJ,

⁹¹ Dataset of Policymaking, several newspaper articles (July-Sep, 1989)

⁹² Dataset of Policymaking, August 1989.

⁹³ Dataset of Policymaking, August 1989.

⁹⁴ The name was Plan Llamancay, which in quechua, an indigenous language, means Work, Dataset of Policymaking, September and October 1989.

⁹⁵ Based on several interviews with officials from Ministry of Labor and Social Development, Menem and De la Rúa administrations and program documents and materials of the Secretariat of Social Development.

especially in large metropolitan areas, to prevent voter disaffection.⁹⁶ The conurbano (city-belt) of Buenos Aires, a highly-populated and critical electoral bastion of the PJ was rewarded with a special fund—FRHC (Reparation Fund of the Conurbano) —which helped the governor, Eduardo Duhalde (1991-1999) feed a powerful clientelistic machine (see Levitsky 2003).⁹⁷

National ministries of labor and social development⁹⁸ did not distribute benefits in the conurbano, despite being the largest metropolitan area and especially hard-hit by unemployment, until the emergence of mobilization from below in the late 1990s (interview Top Official Social Development; Top official of Employment Programs). The province was viewed as “another territory” and national intervention there as “small drops of water” (interview Top Official Social Development). The Governor of the province of Buenos Aires, E. Duhalde, centralized the FRHC and launched public works, mainly school and neighborhood infrastructure programs, which were implemented with discretion.⁹⁹ At the same time, he funded a food program, the Life Plan, under the supervision of his wife, Hilda Duhalde. The Life Plan, which reached 400,000 households (about 20 percent of the conurbano’s population), was distributed on the ground by 30,000 volunteer neighborhood women, or *manzaneras*, which formed a complex network of support for the Duhalde administration.¹⁰⁰

In a context of no electoral competition for outsiders, the most fundamental role of the *manzaneras*’ network and party offices was to identify discontent and respond accordingly to preserve the status quo. The absence of electoral competition for outsiders—and, thus, the absence of other parties on the ground—facilitated the expansion of clientelism. As suggested by an unemployed leader in the conurbano:

“The peronists are always present on the territory, with their local brokers, the social plans. They have thermometers and they control the thing... In poor neighborhoods here, you can find 6 or 7 [PJ] *basic units* and there is no single radical *comite*.¹⁰¹ [other parties] don’t have thermometers... The peronists pick up the phone and say: “there’s trouble here, things are getting nasty’...and intervene” (interview unemployed leader).

At the same time, these distributional networks were initially able to respond to the emergence of organizations that challenged their dominance. As recalled by another unemployed leader, “you opened a soup-kitchen in one shanty-town and you had the machine opening one next to yours, which is welcome... but why didn’t they do it before, when it was necessary instead of coming with the machine and intimidating you?” (interview unemployed leader).

⁹⁶ For example special allocations of the national treasury created under Menem.

⁹⁷ See Repetto (2001:212-225); Danani et al (1997).

⁹⁸ At that time it was the Secretariat of Social Development.

⁹⁹ See Repetto (2001: 212-225); Danani et al (1997).

¹⁰⁰ See in particular Zaramberg (2004).

¹⁰¹ Basic units are Peronist Party offices. Comités are Radical Party offices.

Overall, since re-democratization the state provided limited social assistance to outsiders and selectively implemented clientelistic programs to maintain the status-quo. The main reason for this was the absence of electoral competition for outsiders and mobilization from below. This scenario began to change in the late 1990s and large-scale social policy expansion occurred, as analyzed in Chapter 3.

Chile

Beginning in 1975, the Pinochet dictatorship implemented sweeping market-oriented reforms (Schamis 1999; Silva 1996; Etchemendy 2004) and significant changes in social policy. First, the dictatorship reorganized the health care system, which had undergone significant expansion in the previous years. The reform established that the extreme poor would obtain free care, while low-income outsiders would pay according to their income. It further introduced private health funds within social security health insurance, which were targeted to high-income workers. This segmented health services and seriously reduced cross subsidies. At the same time, it eliminated employers' contributions to social security. The most dramatic change affecting insiders was the privatization of the pension system, which made the Chilean social security system the exemplar of marketized reforms in 1980.

The dictatorship implemented important changes in programs for outsiders. Aside from limiting access to the health care system, Pinochet reduced the school-meals program created by Frei and expanded transfers to low-income households. Those transfers included non-contributory pensions for the extreme poor (which were limited to a fixed quota of benefits) and temporary workfare benefits, which were created in 1975 and expanded dramatically in 1982 and 1983.¹⁰² By the late 1980s, workfare benefits had been discontinued, and virtually negligibly, family allowances had been extended to the very poor. All of these transformations were largely decided and implemented top down.¹⁰³ The only expected change that Pinochet could not pursue further was health reform, given the opposition of the medical association (Castiglioni 2002; Medlin 1999) and the political pay-off that the primary-care system built by Frei and Allende produced in terms of declining infant mortality rates since the 1960s (interview Health Minister of Aylwin).

The Pinochet dictatorship (1973-1989) came to power in a context of hyper-mobilization with the goal of depoliticizing civil society and putting an end to the ambitions of the left. Parties were banned, and leaders and activists repressed, exiled and murdered. The Pinochet dictatorship not only sought to impose a long-term transformation of the political system by force, but also to prevent what the military understood as the political mobilization of the lower classes by "opportunistic politicians" (Scully 1995:122). The dictatorship implemented pro-market policies

¹⁰² These are Minimum Employment Program, PEM and Employment Program for Heads of Household, POJH. The former was created in the 1970s and the latter inaugurated during the economic crisis.

¹⁰³ There is a broad literature on Pinochet's reforms. See among others, Medlin (1999); Castiglioni (2002); Madrid (2003); Mesa-Lago (1994,1999); Razcynski (2000); Graham (1991); Borzutzky (2002).

as well as those recommended by the conservative “gremialista” current, which occupied key positions in the Secretariat of Planning, ODEPLAN.

Gremialistas were a conservative movement originally formed by students at Catholic University in 1965, after the PDC youth movement turned to the left (see Huneus 2007a:231-232). The gremialistas became the main youth group opposing the Popular Unity government. Gremialistas sought to extend ties to the poor (namely outsiders in urban and rural areas) to build support for the right and undercut the power of the left. The gremialistas understood that inability to reach out outsiders, especially since the extension of the suffrage in the 1950s and 1960s, had facilitated more recently the rise of the Christian Democrats and the left, undermining the power of the right.¹⁰⁴

Market-oriented reforms involving privatization, economic liberalization, and the reduction of public employment implemented by Pinochet produced significant dislocations. With growing unemployment and poverty, the dictatorship extended targeted programs selectively to prevent the mobilization of outsiders. Workfare benefits were extended in 1975 at the beginning of market-reforms, when state downsizing began and unemployment grew to two digits. At the same time, the military created non-contributory pensions. Social benefits were distributed selectively by local governments, which sought to disarticulate potential resurgence of popular activism (Oxhorn 1995:194-195).

A dramatic collapse of the economy in 1982 led to a further expansion of temporary employment programs. In 1983 a cycle of protests by broad sectors of the population broke out (see Oxhorn 1995, Chap.7; Schneider 1995, Chap.5). Labor unions and shanty town dwellers were critical in this wave of protests. Political parties supported the protests and demanded a return to democracy (Scully 1995:123; Schneider 1995: 160). As stated by Schneider “the surge of protest activity catapulted parties back to the political arena” (1995: 161). Parties saw protests as a way to start negotiations over the transition, or as a means to overthrow the military, as it was the case of the Communist Party (see Schneider 1995).

The Pinochet dictatorship, an authoritarian regime facing broad protest and economic failure, refused to negotiate a democratic transition. In 1980, the Pinochet dictatorship had written a new constitution that established a plebiscite to be held in 1988 to determine whether the dictatorship would continue or whether elections would be held. That time frame was expected to allow the military to consolidate economic and institutional reforms and deflect potential criticism by more clearly defining the transition (Pollack 1999: 73). At the same time that this measure initially helped raise the legitimacy of the regime, it also placed the dictatorship, and the right parties supporting it, in the need to prepare to mobilize voters’ support. The unexpected economic crisis in 1982 intensified the need to raise the legitimacy of the regime and solve the economic debacle. The military feared that protests would erode support for the military and result in a contested plebiscite (See Schneider 1995:193).

The dictatorship responded to protests by brutally repressing demonstrators, particularly shanty-town dwellers. Repression was dramatic and eventually contributed to a decline in contention. Between 1983 and 1985, at least 200 civilians were killed by the army and the

¹⁰⁴ See Pintos, which presents several of the party’s and the right’s ideas (2006:31).

military in demonstrations (Lozza 1986:22 in Schneider 1995:182). Further, hundreds were wounded, arrested and tortured.¹⁰⁵ At the same time that it repressed protest activity, the military extended workfare programs to diffuse mobilization. Expansion of these workfare benefits has been seen as a major factor in reducing unrest (Graham 1991:17). As unemployment declined, workfare programs were phased out rapidly until they were deactivated in 1987.¹⁰⁶ Huneeus further suggests that the military cut workfare benefits to punish unemployed workers who mobilized against the dictatorship. These cuts were more drastic in areas where protest activity was more intense (Huneeus 2007a:365).

Even though social benefits were implemented by a technocratic agency (ODEPLAN), their distribution served the development of UDI, the “political branch” of the gremialista current, which became a “political movement” in the wake of the economic crisis, and a party at the end of the dictatorship.¹⁰⁷ The gremialistas exerted influence to place UDI members in local governments which delivered ODEPLAN policies.¹⁰⁸ Since the decentralization initiated by Pinochet in 1974, municipalities became critical for the delivery of social services and policies coordinated by ODEPLAN.¹⁰⁹ Gremialistas focused an important part of their political activity at that level, especially in low-income areas (Huneeus 2007a:258). With the expansion of social programs during the crisis,¹¹⁰ mayors became critical to the formation of linkages with lower-class groups in order to de-activate mobilizations, and to build electoral support for UDI in future elections.¹¹¹ Indeed, UDI activists set out to recruit local leaders and associations, and “challenge the communists in each shanty-town” (Pintos 2006: 131).

The activity of local governments became increasingly immersed in partisan concerns as the plebiscite of 1988 drew close and before the 1989 elections.¹¹² After the defeat of the dictatorship in the 1988 plebiscite, a transition—in which the military initially retained significant institutional power—began. Opposition parties united in the *Concertación de Partidos por la Democracia*, which won the elections handsomely.

In sum, the dictatorship implemented harsh state shrinking measures. However, it also created social policies for outsiders in large-scale to de-activate mobilizations surrounding the 1982 crisis and to face subsequent electoral challenges. At the outset, the military strove to preclude the future re-emergence of the left and to win the support of the low income. However,

¹⁰⁵ A detailed chronology of the protest movement and state repression can be found in Schneider (1995: Chap.5).

¹⁰⁶ Beneficiaries were selected among the 20% poorest measured in terms of a range of indicators (Graham 1991: 9). The index took into account a battery of indicators which made “income” not that relevant as a measure of eligibility (House ownership, durables etc.).

¹⁰⁷ See Pinto (2006); Graham (1991: 20-21).

¹⁰⁸ Minister of Interior of Pinochet (1974-1982) Sergio Fernandez, appointed several mayors ‘most of whom were recommended by Jaime Guzman (UDI leader)’ (in Pinto 2006:62).

¹⁰⁹ See Graham (1991:9); Oxhorn (1995: 194-195).

¹¹⁰ Together with local governments, mobilization was done through the Secretary of youth which came to organize 900 centers for training and education of low income youth. Youth were critical for UDI, as they were not “contaminated with previous political experience.

¹¹¹ In the 1989 elections UDI got 14 seats in the lower chamber. 10 of those legislators had been mayors under Pinochet (Pintos 2006: 65).

¹¹² See interviews to UDI officials at the time in Pintos (2006).

in contrast with a democratic incumbent, repression was a fundamental tool also used by the Pinochet dictatorship to control mobilization against the regime. The policies were not institutionalized, stable and broad reaching social benefits, as the ones Chile developed in the new century, and were accompanied by attempts to co-opt urban outsiders and by repression during the cycle of protest propelled by the crisis.

Mexico

The dramatic economic collapse produced by the debt crisis of 1982 affected Mexican politics and policy in fundamental ways. This economic crisis was produced after the López Portillo administration responded to dramatic falls in the price of oil in 1980—which constituted about 60 percent of Mexico’s revenue—with nationalistic policies and a default on the foreign debt. This unleashed the debt crisis in 1982, which rippled elsewhere in the region.¹¹³ Incoming President Miguel De la Madrid (1982-1988) applied painful orthodox policies of adjustment in an international climate that was favorable to the expansion of markets and liberalization.¹¹⁴

Under De la Madrid, no new initiatives for outsiders were launched. By contrast, state infrastructure projects were stopped and social services underwent cuts, especially affecting salaries. After lack of expansion in a context of austerity, in 1988 a large social-investment fund involving several different social schemes was launched immediately after Carlos Salinas’s election to the presidency, representing the PRI. These programs, which were unprecedented, were nonetheless highly discretionary.

The absence of social-policy expansion under De la Madrid can be understood as resulting from lack of social mobilization from below and electoral competition in the dominant-party regime. However, conflict began to surge in the 1980s leading to credible challenges to the dominant-party system. Three factors can be linked to the erosion of the PRI’s power. The first was the high social cost of De la Madrid’s measures to cope with the debt crisis, which caused voter dissatisfaction (See Collier 1992; Magaloni 2007). The second was the use of open fraud by the PRI in the 1985 legislative elections. In the face of declining support and the growth of PAN, De la Madrid resorted to fraud to ensure legislative supermajorities, and fueled voter disaffection (Collier 1992, Rodriguez and Ward 1995:7; Lujambio 2001:77).¹¹⁵ Finally, the PRI’s delayed response to an earthquake that ravaged the Mexico City in 1985 causing extensive material losses, raised popular discontent with the incumbent. This lack of prompt state responses prompted the surge of autonomous organizations in Mexico City, which later coalesced in a popular movement *Assembly of Neighborhoods*. This movement pressed for

¹¹³ These included the nationalization of the banks, which in part encouraged upper and middle income voters and businessmen to support PAN (Lujambio 2001:76).

¹¹⁴ Under De la Madrid, real GDP growth fell to -0.9% (Wise 2003:168); the minimum wage fell 48% in real terms and contractual wages 47% (Murillo 2001: 116) and the informal sector was hurt by recession, high unemployment (about 5.3%) and cutbacks in food subsidies.

¹¹⁵ In 1984 electoral authorities recognized 4 PAN victories but denied 5 additional victories claimed by PAN. In 1986, there was extensive fraud in the gubernatorial election in Chihuahua and PAN showed remarkable strength in other races in Baja California, Durango, and Sinaloa.

housing policy (Burhn 1997) and mobilized against the PRI. In the following years, Mexico City became a bastion of the opposition, which defeated the PRI in every district of the city in the 1988 presidential elections.¹¹⁶

Disaffection with the PRI fueled voter abstention and eventually electoral competition with the surge of credible challengers. In the late 1980s, the availability of voters which had deligned undermined elite cohesion in the PRI. The Democratic Current, a faction of the PRI with strong ideological differences with De la Madrid's policies, found incentives to split as augmenting discontent raised chances of gaining electoral support outside the party (Burhn 1997: 114; Magaloni 2006). In 1987, a few months before the elections, Cuauhtémoc Cárdenas, son of Lázaro Cárdenas who had spearheaded land reform in the 1930s, formed the National Democratic Front (FDN)—which later on became the Party of the Democratic Revolution (PRD)—in alliance with small parties that had tended to support the PRI.

The FDN initially showed few chances of seriously challenging the PRI in the 1988 presidential election. In fact, the PRI leadership did not foresee challenges to their supremacy until a couple months before the 1988 elections. At that point, opinion polls—which were not frequently employed in Mexico—began to show the unexpected growth of the FND (Salinas 1999: 265; interview Cárdenas).

The 1988, presidential election showed unprecedented levels of electoral competition and represented an unexpected setback for the dominant-party. This had fundamental implications for democratization and for social policy. The immediate reaction of the PRI to the electoral result, which allegedly involved a run-off, was to use fraud against the FDN and assume office. After the controversial results, President Carlos Salinas (1988-1994) agreed with PAN on institutional changes to make elections more transparent in order to gain legitimacy and to ensure legislative support.¹¹⁷

Salinas further sought to regain popular support to perpetuate the PRI in power. Market reforms provided an opportunity to re-shape the PRI coalition and win electoral support. This new coalition was cemented through rents in privatizations benefiting upper-income groups; a favorable exchange rate that in an open economy boosted consumption of low-cost imported goods among the middle classes; and a large-social development fund, PRONASOL, which benefited the lower-income communities (Kessler 1998). Significant changes in social policy for insiders were not carried out, as Salinas needed labor support during marketization.

Social-development programs coordinated by the umbrella *Programa Nacional de Solidaridad*, PRONASOL, became critical to Salina's attempt to perpetuate the PRI in power. PRONASOL was announced in Salinas' inauguration speech and implemented immediately after Salinas assumed office.¹¹⁸ Because the regime was nondemocratic, this expansion did not consist of large-scale, individual rule-based benefits, but entailed highly centralized, discretionary social investment schemes (road building, electrification schemes, support for micro-enterprises)

¹¹⁶ This movement was linked to pre-existing neighborhood associations (Ramirez Sainz 1994), especially those forming Movimiento Urbano Popular (MUP).

¹¹⁷ On these reforms see Magaloni (2006).

¹¹⁸ Inauguration Speech reproduced in *La Jornada*, December 2 1988. PRONASOL initially absorbed a large share of overall existing public social investment and other scattered schemes.

directed to low-income communities. Critically, PRONASOL was intended to serve the president's goal of reshaping the PRI and making it more competitive. It helped him establish linkages with low-income constituencies and identify leaders who could better represent their communities on behalf of the PRI, thus contributing to boosting the party's electoral strength.

As suggested in the analytic framework, non-democratic regimes experiencing electoral competition tend to prefer centrally coordinated policies. PRONASOL was initially run from the Office of the President. Program officials connected directly with communities, bypassing local administrations (from the PRI and the opposition) and traditional corporatist channels of distribution, especially in rural areas. PRONASOL leadership considered corporatist organizations (PRI-affiliated peasant and labor unions) and local politicians ("dinosaurs") an obstacle to the electoral success of the PRI. It was their view that communities wanted "a different type relationship than the one traditionally established between the PRI and the poor" (interview Cordera Campos)

PRONASOL was expected to restore legitimacy for the PRI and help rebuild the party top-down. The provision of "fast flowing" resources was expected to show communities the remarkable power and effectiveness of PRONASOL's structure, which responded to the president, vis-à-vis the local-vested interests and local-party politicians, and to facilitate the incorporation of alternative activists and groups into a more competitive PRI (interview Head of one of Pronasol's schemes). The use of PRONASOL as a tool to re-shape political support top-down can further be seen in the way presidential involvement worked. As the Director of one of PRONASOL's schemes said, "[when the president came to the ground] who did the president meet with? With PRONASOL committees, not with local politicians"(interview).

PRONASOL employed ample discretion in its selection of beneficiaries (communities, groups of producers). Despite some differences in the operation of the various schemes, the standard procedure was that local communities and pre-existing social organizations formed Solidarity Committees and submitted project proposals that were approved by PRONASOL officials, and voted on in popular assemblies. Solidarity Committees were a central arrangement that helped PRONASOL strengthen and entice organizations and community leaders to later "absorb them into the PRI" (interview Director of one of Pronasol's schemes); or form a new Salinista party (Regional Director of Social Organization of Pronasol, interview). It is estimated that between 1989 and 1994, 100,000 solidarity committees were formed and administered the project proposals (SEDESOL 1994:10-11).

Discretion operated at two levels: first, in the selection of the communities and projects that would be funded, and second, in the selection of groups of beneficiaries within the communities. There is no systematic data on *whose* projects were approved, how PRONASOL mobilized communities to form Solidarity Committees, or which individuals benefited. Interviews with PRONASOL officials indicate that funding decisions were fundamentally shaped by the nature of organization in the community rather than by clear eligibility rules, or just by the partisan affiliation of the local government.¹¹⁹ For example, the head of one of the

¹¹⁹ I interviewed the Director of Pronasol from its creation in 1988 to its demise in 1998, Carlos Rojas; Rolando Cordera Campos, social policy expert and member of PRONASOL's advisory board; the director of Social Concertation; Director of Enterprises in Solidarity; Director of Women in Solidarity; Director of Jornaleros Program

schemes of PRONASOL suggested that resources were distributed according to “the political map” in the communities.

The development of new community leadership was also important. As stated by one top official, generating new leadership was “not an intention of the program,” but “a natural outcome” as “leadership rapidly emerged with the formation of committees” (Rojas, interview). Identifying new leadership was particularly relevant for Salinas, who perceived existing caciques and corporatist organizations incapable of channeling demands (interview Cordera Campos), whereas with PRONASOL, communities “appointed the people they found most representative to the committees,” (Rojas, interview) thus identifying new leaders. Special PRONASOL activities were launched to promote participation in communities in which mobilization was hard. For example, the unit “social organization” in PRONASOL had the task of fostering interaction between PRONASOL and communities (Regional Director of Social Organization, interview).

The selection of beneficiaries was left in the hands of Solidarity Committees. There were no rules to carry out the selection. The former head of PRONASOL suggests, “People are wise. We told them ‘there are fifty scholarships for this school’ and it is impressive the way, the neatness with which they would choose the beneficiaries” (Rojas, interview).

In sum, PRONASOL was launched by the incumbent in a non-democratic regime facing electoral competition for outsiders. It was designed “in the heat of the [1988] campaign and the emergence of Cárdenas as a real alternative candidate” (interview Cordera Campos). It served the overall goal for the incumbent PRI to continue in power and to mobilize and compensate outsiders undergoing large-scale economic changes with investments and temporary benefits. The fact that political regime was non-democratic and that the opposition, though growing, was still weak and posed no serious challenges after 1988, facilitated the implementation of centralized, discretionary social programs. These programs were deployed according to the priorities of the Salinista leadership in the party, and did not develop long-term commitments between the state and beneficiaries. In fact, it was not even among the priorities of the PRI to have *all* solidarity committees active after public works and investments had finished (Rojas, interview), and most of them died out. The goal was to link (and co-opt) new leaders into the party and reach disaffected voters in new ways. The relevance of PRONASOL as a key component of the new president’s agenda was clear when Luis Donaldo Colosio, President of the PRI (1988-1992) and Secretary of Social Development (1992-1993), was selected to succeed Salinas. Among his virtues, Colosio was recognized by Salinas for “for his work with the social bases through PRONASOL” (Salinas in Castañeda 1999: 290).

4. Conclusions

In the second half of the 20th century, an insider-outsider divide that left at least half of the population unprotected was formed in these countries. The persistence of this divide was not

Director of Social Mobilization in the Northern Region of Mexico; as well as other professionals and advisors of PRONASOL.

the mere result of structural conditions or limited industrialization. It was related to political dynamics that took place since industrialization. The most important factors for the expansion of social policy to outsiders were the existence of pressures or “threats to survival.” These threats have consistently been mobilization from below and electoral competition for outsider votes. Hardly any initiative providing large-scale rule-based benefits was launched during this long period. It was only in democracies in which incumbents competed for the votes of outsiders that these initiatives took place.

Other factors—such as ideas about universal coverage, or economic crises—are not consistently relevant to explaining the absence of protection. Indeed, universal health care services funded with direct taxes were established with the rise of electoral competition in Chile and Argentina.

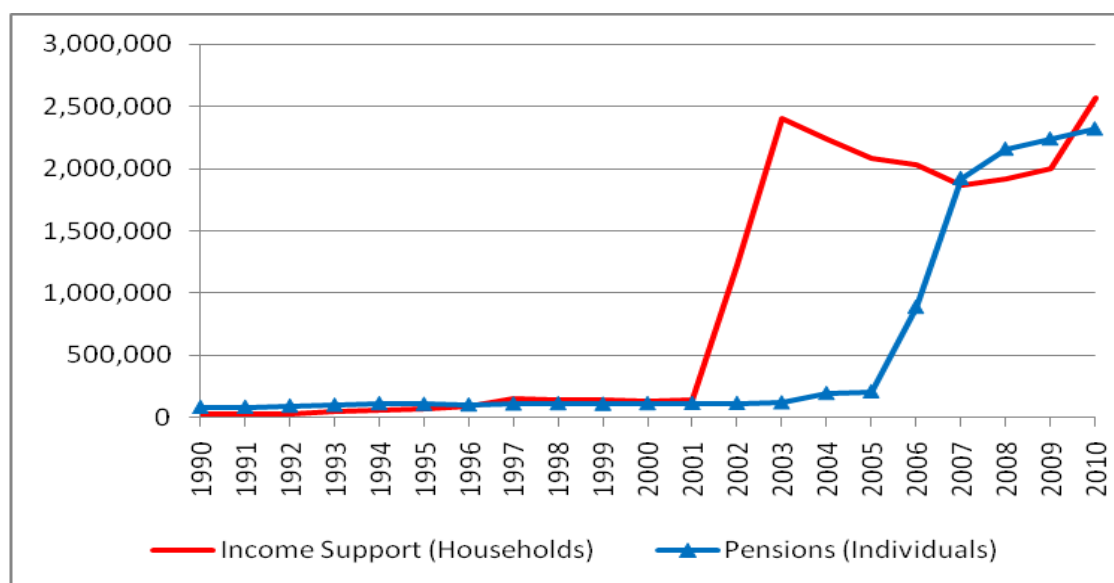
Finally, we have seen that if rule-based, large-scale social policies for outsiders have not been established, other social policy responses to outsiders have been launched during this period. These responses varied depending on whether or not the regime was democratic, and whether or not there were threats to survival. Based on the analysis, clientelistic benefits for outsiders seem to play a more relevant role in Latin American politics under two specific circumstances: under authoritarian regimes in which incumbents face threats to survival, or in democracies without such threats.

Chapter 3. Mobilization from Below and Inclusive Social Policy in Argentina

1. Introduction

This chapter analyzes the expansion of inclusive policies for labor-market outsiders in Argentina. Inclusive social policies have extensive coverage, provide flat-rate, relatively equal benefits to a large pool of outsiders, and are participatory, as several include social organizations formed by outsiders (i.e., unemployed and informal poor workers) in policy implementation. Social policies for outsiders were expanded in Argentina starting in 2002. Between 2002 and 2008, income-support, pensions, and health benefits were extended in unprecedented ways. As shown in Figure 3.1, from 2002 to 2008 at least 2 million households, which represent about 20 percent of total households in the country, received income-support benefits for outsiders. In 2009, several of these income transfers were replaced with more generous family allowances, which are similar to those provided to low-income insiders.

Figure 3.1.
Evolution of Income-Support and Pension Benefits for Outsiders, Argentina 1990-2008



Source: Estimates with Data from INDEC, ANSES, and Ministry of Social Development (see Appendix 2)

Likewise, starting in 2006 outsiders aged 65 and more became eligible for old-age pensions, an expansion that by 2008 extended coverage to over 2 million new beneficiaries, about half of the population in that age group. Finally, changes in primary care facilitated access to services and to free-prescription drugs, benefiting 15 million people, about 40 percent of the country's population when the initiative was launched.

This dramatic and rapid expansion of social policy for outsiders in Argentina took place as a result of mobilization from below. This mobilization was led by a movement of unemployed and low-income informal workers that forged ties with labor unions and community associations. Contention and institutionalized pressure allowed the movement to attain important policy expansion. Incumbents of different parties responded to demands for social benefits with large-scale policies, particularly when the movement's disruptive capacity was high.

Electoral competition for outsiders or macro-economic changes did not produce these social policy innovations. As commonly established in the literature, since re-democratization the lower classes in Argentina have been largely supportive of the PJ, *Partido Justicialista* or Peronist Party. Furthermore, during this period, no opposition party sought to actively mobilize these outsider voters away from the PJ.¹²⁰ In fact, voters with informal-sector jobs or unemployed workers with low levels of education have historically been the core electoral support of the PJ (Ostiguy 1998, Chapter 5; see also Levitsky 2003:105, 183).¹²¹ Therefore, although Argentina had a democracy for many years since 1983, the absence of high levels of electoral competition for outsiders prevented large-scale-social policy expansion¹²² until the emergence of mobilization from below in the late 1990s.¹²³

At the same time, socio-economic factors, such as economic crisis and changes in levels of economic growth, poverty and unemployment have not triggered expansion. Social policy innovations for outsiders have been implemented both in contexts of high and low economic growth and recessions. As discussed in Chapter 2, economic crises did not trigger expansion in Argentina in the late 1980s and mid-1990s. As analyzed in the next sections, these factors by themselves did not decisively affect decisions to adopt new social programs for outsiders since the late 1990s, when incipient expansion began. As we will see in this chapter, poverty and unemployment have varied significantly since democratization and even during the period in which these social policy innovations took shape, without these changes alone driving expansion.

In the next sections of this chapter I will show how mobilization from below compelled incumbents to expand social benefits, and I will characterize and explain the kinds of policies that were built. First, I analyze the emergence of collective action on the part of unemployed and low-income informal workers and trace the first waves of protest and social policy responses to their demands. The first wave occurred under the second administration of Carlos Menem of the PJ, (1995-1999), which responded to the emerging movement with a limited expansion of workfare benefits to curb contention. Another wave of protest took shape more forcefully under the administration of De la Rúa (1999-2001) of the Alliance, which first cut back workfare

¹²⁰ For example, the FREPASO, which was formed by a splinter of the PJ and left-wing politicians, did not embark on mobilizing these sectors away from the PJ. Juan Pablo Cafiero, one of the founders of FREPASO, suggested: "FREPASO ended up being a middle-class, university-related political construction of the City of Buenos Aires...with little presence in the neighborhoods. It did not live up to its peronist origins, its peronist base. In some way it became anti-peronist [*se gorilizó*]. Frepaso became a force that forgot its origins (Interview Cafiero).

¹²¹ In his study of Peronism, Ostiguy refers these sectors as "the lower third" (See Ostiguy 1998).

¹²² This is further analyzed on Chapter 2, when I discuss earlier attempts at mobilizing outsiders with social policy.

¹²³ For the period ranging from 1983 to 1997, see Chapter 2.

programs and eventually embarked on massive social policy expansion to curb dramatic protest. This expansion was aborted by the collapse of the De la Rúa administration.

In the third section of the chapter, I show that massive protest and fear of collapse drove the interim Duhalde administration (2002-2003) of the PJ to expand social policy for outsiders dramatically and rapidly to ensure social peace. These initiatives inaugurated a sustained phase of expansion of social programs for outsiders continued by the administrations of Néstor Kirchner (2003-2007) and Cristina Kirchner (2007-). Negotiation with social movements and allied labor unions led to broad, relatively generous, and participatory social policies. Further, pressure from below led the national government to create rule-based schemes rather than clientelist, selective benefits as social movements pressed for rule-based policies to prevent the manipulation that could exclude them from receiving benefits. The fourth section analyzes the choice of policy content in the three policy areas under study: income support, health care, and pensions. Analysis of these policy domains helps uncover the process of policy design and the mechanisms by which movement participation in policymaking resulted in inclusive social policies. The final section assesses alternative explanations to the expansion of inclusive policies in Argentina focusing on structural, political, and ideational explanations.

2. Emergence of Mobilization from Below and Social policy Responses

In Argentina, social benefits have been expanded in response to mobilization from below by unemployed and low-income informal workers. The emergence of a broad movement formed by different groups and federations of the unemployed and state responses to this mobilization are fundamental to understanding the evolution of social policy since 1997—when incipient expansion began. This section analyzes the first waves of protest by unemployed workers, which broke out between 1997 and 1999 and 2000 and 2001. These waves show how pressure from below compelled incumbents to expand social policy. This policy response was initially small-scale when the movement emerged, and as the movement expanded and forged alliances with labor unions, pressure from below propelled large-scale expansion.¹²⁴ This section further serves the purpose of showing that social policy expansion was not just a direct consequence of the 2001 political and financial crisis, but that political dynamics of demand-making and state responses were already underway before the economic collapse. These dynamics are moreover fundamental to understanding why social policy expansion resulted in an inclusive model.

2.1. Emergence of Protest and Policy Responses 1997-1999

The first wave of unemployed protests broke out in 1997 during the second administration of Carlos Menem of the PJ (1995-1999). The movement took shape after Menem's landslide re-

¹²⁴ The unemployed workers' movement is in fact formed by different organizations and federations of unemployed workers. I will refer to a movement for the sake of simplicity. These organizations have different views with respect to partisan politics, but have mobilized all together or in blocks around social policy demands. Since organizations entered an alliance with the Kirchner coalition, divisions have intensified. However, despite differences they tend to support each other around relevant social policy demands, as discussed in this chapter.

election in 1995 (See Levitsky 2003 183-184; Ostiguy 1998). Economic conditions began to deteriorate under Menem's second term. A recession triggered by the Mexican peso crisis and by the effects of the privatization of the pension system, implemented in 1994, contributed to a dramatic surge in unemployment. In 1995 unemployment reached two digits, affecting 19 percent of the economically active population, EAP.¹²⁵

As discussed in Chapter 2, in this context the national government created a few targeted income-support programs to show concern for unemployed workers. Despite its limited scope of coverage, one workfare scheme, *Plan Trabajar*, which provided a temporary benefit to less than 10 percent of the unemployed,¹²⁶ became critical for the development of the unemployed workers' movement. Indeed, in 1997, the national government distributed benefits from *Plan Trabajar* to diffuse an isolated protest by unemployed workers that had ended up in violence. Distribution of workfare benefits to protestors triggered an unexpected and large wave of protest in several provinces, however. Benefits from *Plan Trabajar* came to be considered cherished "jobs" in the context of skyrocketing unemployment.¹²⁷ From April through June 1997, unemployed workers and community associations supporting their demands for *Plan Trabajar* held on average 1.6 protests per day. These acts of protest involved roadblocks and demonstrations in 7 of 24 provinces, some of which were isolated by protests for days.¹²⁸

Although this wave of protest was not strong enough to trigger large-scale policy expansion, it did produce important innovations. The Menem administration made three important changes in workfare benefits, which allowed it to reduce contention. First, the state expanded the number of workfare beneficiaries from 62,083 in 1996 to 126,246 in 1997¹²⁹ (See Table 3.1 below). Second, together with an expansion of *Plan Trabajar* the national government created two other workfare schemes, *Servicios Comunitarios* (Community Services) and *Programa de Emergencia Laboral* (Emergency Employment Program) with similar features as *Trabajar* but with more flexible rules. These programs were inaugurated to have readily available benefits to allocate during protests (interviews High Official Ministry of Labor). Third, the federal distribution of workfare benefits was altered to prevent contention in densely populated metropolitan areas. The province of Buenos Aires, previously excluded from national targeted programs, began to receive workfare benefits in 1997 (interview High official Ministry of Labor). It was in those areas that the largest bastions of the unemployed movement gradually took shape.¹³⁰

Access to national workfare benefits was fundamental for the emergence and consolidation of a movement of unemployed workers. *Plan Trabajar* financed small public works and community services launched by associations and municipalities, which hired unemployed workers for a short-term. *Plan Trabajar* had a series of features that promoted the

¹²⁵ Data from INDEC, www.indec.gov.ar.

¹²⁶ On workfare programs, see Golbert (1998).

¹²⁷ See chapter 2.

¹²⁸ Author's Dataset of Protest (Appendix 1 discusses how the dataset was constructed).

¹²⁹ This is the average number of beneficiaries in each year. Estimated with data provided by the Ministry of Labor, See Garay (2007: 312).

¹³⁰ As discussed in Chapter 2, the GBA was excluded from national social policy for political reasons.

formation of an unemployed movement around it.¹³¹ The first feature was the low supply of benefits relative to demand, as workfare benefits initially reached only 8 percent of the unemployed. This fact, combined with the absence of clear criteria for beneficiary selection and for determining the renewal or nonrenewal of benefits when the temporary benefit was terminated (after 3 or 6 months), encouraged groups of unemployed workers to engage in demand-making and/or protest. The third fundamental feature encouraging collective action was that popular associations could administer program benefits by setting up community projects in which the unemployed fulfilled their workfare obligations (i.e., soup kitchens, small manufacturing workshops, orchards). This feature created allies and “co-beneficiaries” in preexisting community groups and new popular associations formed by unemployed workers, both of which sought to access program benefits.

Associative administration of benefits empowered these movements of unemployed workers and community associations linked to them. It increased their membership base, as benefits could be used as selective incentives to recruit members. Moreover, it provided financial resources, as several associations of the unemployed began to collect membership dues from workfare beneficiaries to finance community projects and protest activity. These movements extended their organizational infrastructure with workfare benefits.

Together with community associations, part of the labor movement became a fundamental ally of the unemployed. In 1998, the largest federations of unemployed workers forged alliances with two labor confederations, CTA (*Central de los Trabajadores de la Argentina*), and CCC (*Corriente Clasista y Combativa*). The CTA gathers public-sector workers’ unions and split from the historic labor confederation CGT (*Confederación General del Trabajo*) in 1992, after it supported market-oriented reforms. CCC in turn is a smaller federation of public-sector and industrial unions. Labor unions saw in the unemployed movement a key ally to press their own demands for better salaries, working conditions, and against state downsizing. At the same time, alliances with unemployed organizations allowed these labor unions to represent a broader “workers’ movement” rather than the more narrow formal-sector working class traditionally affiliated by labor unions (interview Lozano, CTA). This is a fundamental difference between the CGT and the new “social movement unionism,” represented by the CTA. Alliances with unions became critical to expand the movement of unemployed workers geographically and to increase pressure on the state to expand workfare benefits.

Electoral competition for outsiders did not grow significantly under Menem. However, unemployed organizations began to create a new distributional structure on the ground which affected to some extent the dominance of the PJ’s local patronage networks.¹³² As discussed in Chapter 2, after re-democratization, the PJ became a machine party. In big metropolitan areas hit by recession it extended linkages to the lower classes, the core electoral constituency of the party, through patronage networks (see Levitsky 2003).

The growth of the unemployed movement had two related effects on these networks. First, emergence of an alternative distributional structure generated incentives for local PJ

¹³¹ See Garay (2007).

¹³² On patronage networks, see Levitsky (2003, Chapter 6); Auyero (2001).

activists, especially those involved in community work, to exit patronage networks and enter the movements of the unemployed. For example, in the metropolitan area of Buenos Aires, where a critical PJ machine was located, networks of unemployed workers grew with former PJ activists and *manzanas* [neighborhood women].¹³³ The latter were community volunteers involved in distribution of a provincial food program, “Plan Vida,” [Life Plan] often considered a pillar of PJ machine politics.

Second, facing competition from unemployed networks, some local machines began to demand more substantial policy responses to deliver in their districts and contain the exit of activists. These demands pushed public authorities to further consider social policy expansion to reduce conflict on the ground. Therefore, aside from the expansion of workfare benefits to protestors, responses to demands by local partisan machines began to be implemented. For example, the province of Buenos Aires integrated several *manzanas* in the local public administration (interview Cafiero, Minister of Social Development, province of Buenos Aires) in order to retain them. In 2000, the province of Buenos Aires further established a primary-care plan, *Seguro Público*, which initially covered only the *manzanas* and their families (interview High Official Ministry of Health Province of Buenos Aires).¹³⁴

In sum, the first wave of protest resulted in the formation of a movement of unemployed workers demanding social policy benefits for outsiders. Some of these organizations came to form federations that put pressure on the state for policy expansion and enjoyed strong support from part of the labor movement. Their emergence also began to build pressure for policy expansion from within partisan clientelistic networks, which faced a new challenger on the ground.

2.2. Large- Scale Protest and Social Policy Responses

A new wave of protest broke out in 2000 after the inauguration of President Fernando De la Rúa (1999-2001) of the Alliance for Jobs, Justice, and Education, a coalition of the Radical Party and the center-left FREPASO.¹³⁵ This new wave of protest helped the organizations of the unemployed grow significantly, launch massive protests with union allies, and gain strength from a broader cycle of contention that emerged against the De la Rúa administration in 2001. The expansion of the movement during this new wave of protest was fundamental for the creation of massive social benefits for outsiders. Table 3.1 below shows that between 2000 and 2001, protest by federations of the unemployed grew dramatically. These protests expanded geographically, taking place in half of the provinces, and the number federations in the movement grew from 7 to 14.

¹³³ See Garay (2007: 315). Svampa and Pereyra (2003: 92, 132,186).

¹³⁴ Facing the threat of social conflict, provincial governments also created workfare schemes. By 1998, 14 out of 24 provinces run a workfare program. Secretaría de Política Económica (2003).

¹³⁵ The Alliance for Jobs, Justice and Education included the Radical Party and FREPASO, Frente País Solidario, *Front for a Country with Solidarity*, which included a splinter of the PJ and small left-wing parties.

Table 3.1. Mobilization from Below and Social policy Expansion (1993–2003)

Year	Mobilization from Below			Social policy Responses	
	Acts of Protest	Duration (Days)	Provinces with Protests ^a	Workfare Benefits (Year Average)	Expansion?
1993	0	0	0	26,263	No Major Innovation
1994	0	0	0	33,365	
1995	0	0	0	48,909	
1996	1	6	1	62,083	Plan Trabajar
1997	66	183	7	126,264	Incipient Expansion
1998	20	22	6	112,076	
1999	21	49	12	105,895	
2000	103	180	14	85,665	Cutbacks
2001	157	273	13	91,806	Failed Expansion
2002	394	570	21	1,172,871	Large Health & Workfare Benefits, Pension Exp.
2003	200	224	17	2,171,265	

Sources: Workfare benefits elaborated using data provided by the Ministry of Labor. Protest data are from Dataset of Protest (see Appendix 1).

^aTwenty-three provinces and the city of Buenos Aires.

The De la Rúa administration made three crucial decisions that severely undermined its political stability, triggering large-scale contention.¹³⁶ First, it cut down workfare benefits and other small programs, all of which were perceived as distributed by PJ clientelist networks. The intention of the government was to redesign these benefits in order to prevent their manipulation (interviews Ministers of Social Development Fernández Mejjide and Cafiero). Between March and August 2000, workfare beneficiaries decreased from 150,000 to 50,000, and protest broke out forcefully. Second, the administration increasingly reduced public expenditure with the intention to preserve the exchange-rate system established by Menem, known as convertibility, which had pegged the Argentine currency to the US dollar in 1991. In combination with other factors—such as the international financial crises in the late 1990s, and the privatization of the pension system in the mid-1990s—this exchange-rate system had compromised economic activity. This reduction of public expenditure came at a time of growing recession, which intensified protests by the movement of the unemployed. Finally, together with social policy retrenchment the De la Rúa administration cut down public-sector salaries and pensions in 2001 in an effort to reduce the public deficit. These measures propelled labor discontent against the government, especially from the CTA, which was a strong ally of the largest organizations of the unemployed.¹³⁷

In the face of growing pressure from below in demand for social benefits the Ministries of Social Development and Labor drafted several proposals to expand social policy. The scope of

¹³⁶ See Woodruff (2005); Levitsky & Murillo (2003).

¹³⁷ These were at the time, Federación Tierra y Vivienda (FTV) and Corriente Clasista y Combativa (CCC). See Svampa and Pereyra (2003; 2005) and Garay (2007: 315-316).

coverage of the policies proposed by the ministers increased as social pressure became higher. Despite contention, however, these measures were not decisively supported by the president.¹³⁸ In 2000, the Ministry of Social Development announced two means-tested schemes, *Solidarity* and *Heads-of-Household*, for households in extreme poverty (about 300,000 at the time). *Solidarity* provided a grant for children conditional on school attendance.¹³⁹ In turn, *Heads-of-Household* provided a grant to single mothers in exchange for completing high-school education (interviews Fernández Meijide and Secretary of Social Policy and Policies for the Elderly, Isuani). Unlike *Solidarity*, which was never implemented, *Heads-of-Household* was launched reaching just 3,000 beneficiaries.

More ambitious proposals were designed in 2001 as discontent mounted and the national government's legitimacy eroded. The Ministry of Social Development announced the gradual implementation of the *Pact for Childhood* an encompassing initiative that included *Seguro Infantil* (Child Insurance), providing support for households in extreme poverty, and the universalization of family allowances, which were at the time granted only to formal-sector workers (interview Secretary of Social Policy Vinocur). Universalization of family allowances would extend the benefit to 3 million children of outsiders. Simultaneously, the Ministry of Labor proposed to reallocate existing family allowances to children in households earning less than three times the minimum wage, thereby making the benefit available only to outsiders and low-income formal workers.¹⁴⁰

Facing skyrocketing conflict de la Rúa eventually decided to expand social policy to contain protest and survive in office. The President passed by decree the "Argentine Plan," a package to "reactivate the economy with social justice." The plan sought "to strictly safeguard" the convertibility system and to introduce "completely revolutionary measures" to fight poverty (De la Rúa 2001).¹⁴¹ The "Argentine Plan" included the Comprehensive System of Family Protection (SIPROF) which involved the reform and expansion of family allowances proposed by the Ministry of Labor, school grants for teenagers, and a small pension for the extreme poor aged 75 and more. Family allowances were expected to reach 6.8 million children instead of the 3.6 million benefited at the time.¹⁴² Furthermore, school grants would be extended to 700,000 teenagers and pensions would benefit 60,000 seniors (Decree 1386, De la Rúa 2001, interviews

¹³⁸ Rather than generating fast policy responses that would diffuse conflict, the De la Rúa administration initially disregarded unemployed protests. The government embarked in prolonged negotiations with the unemployed over benefits, which increased contention. As stated by former minister Cafiero: "The De la Rúa administration did not see conflict...They [the cabinet] thought those [protests] were provincial problems. They always said 'these are intra-peronist fights, we should not get involved'..." (interview Cafiero).

¹³⁹ See *La Nación* 03/12/2000. *Solidarity* would cover 100,000 households.

¹⁴⁰ Both ministries looked for financial support from World Bank credits to fund their programs. The World Bank endorsed the proposal of the Ministry of Labor (interview Cafiero).

¹⁴¹ See "El Mensaje Presidencial Completo," *La Nación* 11/01/2001, "El Nuevo Escenario: ya están listos los decretos con el paquete económico," *La Nación* 11/01/ 2001; Sistema Integrado de Protección a la Familia, Decree 1382.

¹⁴² Quoted in "El Nuevo Escenario: definiciones oficiales" *La Nación* 11/04/ 2001.

Ministers of Labor Bullrich and Caro-Figueroa, Secretary of Social Security San Martino).¹⁴³ Implementation of SIPROF would further replace existing targeted benefits, particularly workfare schemes. Despite the need for decisive action, implementation of SIPROF was scheduled for January 2002 (interview Bullrich).¹⁴⁴

De la Rúa's reform of family allowances was strongly resisted by labor unions and by the federations of the unemployed.¹⁴⁵ Family allowances are an important component of workers' income and SIPROF involved significant cuts for formal workers (interviews National Secretaries of CGT Mastrocolla and Rodríguez). CGT unions completely opposed transforming family allowances into "social assistance" for "low-income workers" (interview Rodríguez),¹⁴⁶ and contended the government had "invented a 'revolutionary system' of family allowances that takes money away from the poor and gives it to the poorest."¹⁴⁷ New benefits were not supported by the organizations of the unemployed either. In fact, some federations joined labor unions in protest against the reform of the system of family allowances.¹⁴⁸ Minister of Labor Patricia Bullrich, mentor of the policy, attributed lack of support to the fact that "it was a time of political combat" (interview). Former Secretary of Social Security, San Martino coincides: "No one supported the policy. Times were too hard to find partners" (interview).

Aside from confronting the government, groups of unemployed workers and labor unions rejected that this proposal had been made without consultation with social actors. The movement of the unemployed and the CTA further demanded universal benefits and found De la Rúa's plan inadequate. In December 2001, the CTA, allied federations of the unemployed, and other social movements formed the National Front against Poverty FRENAPPO, [*Frente Nacional contra la Pobreza*] and organized a "popular" referendum in which close to 3 million people voted in support for universal family allowances, unemployment insurance, and pensions.¹⁴⁹ Unlike SIPROF, these benefits were to be similar to those received by the formal sector (interview Lozano).

SIPROF received a fatal blow when the CGT successfully contested the reform of family allowances in the courts¹⁵⁰ and compromised its implementation.¹⁵¹ Facing defeat, De la Rúa

¹⁴³ Presidential Speech available in "El Mensaje Presidencial." At that time, there were about 500,000 people aged 70 and more without income, see SIEMPRO (2002).

¹⁴⁴ "A partir de 2002 entrará en vigencia el nuevo esquema de asignaciones familiares" *La Nación* 11/02/2001.

¹⁴⁵ See "Movilización de la CGT rebelde por la soberanía y los jubilados" *La Nación* 11/21/2001.

¹⁴⁶ See "La CGT de Daer quiere acordar con De la Rúa," *La Nación* 11/17/2001.

¹⁴⁷ Moyano, union leader of CGT suggested that "the president should make a patriotic decision and call for an early presidential election." See "Movilización de la CGT rebelde por la soberanía y los jubilados" *La Nación* 11/21/2001.

¹⁴⁸ The CCC, one of the largest unemployed federations participated in a demonstration against De la Rúa's measures. The reform of family allowances was one of the most contentious issues. See "Movilización de la CGT rebelde por la soberanía y los jubilados" *La Nación* 11/21/2001.

¹⁴⁹ See "Masivo apoyo a un seguro de empleo," *Clarín* 12/18/2001.

¹⁵⁰ See "Dos fallos favorables a la CGT" *La Nación* 11/13/2001.

¹⁵¹ Even before the court's decision, De la Rúa initiated conversations with legislators and his cabinet to find an alternative to SIPROF. The main problems with the new system were lack of funding to pay for new benefits and labor-union resistance to retrenchment of formal-sector benefits. See "El Programa social: Polémica en torno de las asignaciones familiares", and "Asignaciones Familiares: No cambiarán en enero" *La Nación*, 11/24/2001.

ignored advice from part of his cabinet and produced no rapid alternative response to quell conflict (interviews Bullrich and Cafiero).¹⁵² Former Minister Patricia Bullrich contends “On several occasions I warned De la Rúa that if we did not do anything for the extreme poor and if we did not provide a subsidy for the unemployed the spiral of violence would be unstoppable.”¹⁵³ Despite having the option to refloat the *Pact for Childhood*, which was not as politically controversial as SIPROF, or to expand workfare benefits,¹⁵⁴ the De la Rúa administration delayed policy responses and lost credibility.

Ill-fated policy decisions triggered De la Rúa’s resignation in December 2001. In a desperate effort to save the convertibility system and the banking sector, the national government froze bank accounts. A deep political and financial crisis broke out and debilitated the government. These restrictions were particularly deleterious for the informal economy, which relied on cash payments. Lack of compensatory measures triggered further unemployed protest. Facing incessant protest from the unemployed, labor unions, and depositors protesting over the frozen bank accounts, President de la Rúa declared a state of siege. This measure immediately triggered massive anti-government protests. De la Rúa resigned the next day amidst violent riots, unleashing a deep political and financial crisis. In the context of a dramatic cycle of protest in which multiple grievances coalesced against the government, a power vacuum was produced. In the following weeks three presidents resigned until Eduardo Duhalde of the PJ assumed power as the interim president in January 2002.

In sum, the first waves of protest involved the emergence of a new social actor, federations of unemployed workers, which put pressure on the state to expand social policy. This movement gained allies in the CTA labor unions and its demands were further supported and amplified by anti-government protests that emerged at the end of the administration of De la Rúa. Incumbents responded in different ways to mobilization from below, but in all cases embarked on social policy expansion to reduce conflict and avoid political instability or even collapse. The Menem administration, which faced a much smaller, emerging movement dealt with protest more successfully, expanding benefits and limiting dissent. The De la Rúa administration chose the opposite path. It initially ignored demands, cut down benefits, and finally set out to expand a policy too controversial to be implemented. Facing large-scale conflict on multiple fronts, the De la Rúa administration collapsed, leaving the question of addressing the demands of the unemployed and the broader cycle of contention to his successors, who launched large-scale social policy responses in negotiation with unemployed workers and with allied unions in order to survive in office.

¹⁵² To replace SIPROF the government announced it would provide food stamps to 3 million low-income families in 2002. Dataset of Policymaking, Argentina.

¹⁵³ Quoted in “Combate contra la Pobreza,” *La Nación* 12/18/ 2002.

¹⁵⁴ There were proposals from the Secretary of Employment to double the number workfare beneficiaries in 2002. See “Planes de empleo, la otra pulseada,” *La Nación* 10/22/2001.

3. Intense Mobilization from Below and the Expansion of Inclusive Social Policy

Interim president Duhalde (2002-2003) made a U-turn in social policy for outsiders. Facing dramatic levels of protest (see Table 3.2 below), and lacking legitimacy, Duhalde initiated a phase of rapid social policy expansion. Pressure from below by organizations mobilizing outside the party system, and a broader cycle of contention targeted to the political class, pushed Duhalde to negotiate with the unemployed workers' movement, and to launch social policy expansion to calm unrest and gain legitimacy. Further expansion was carried out by the administrations of Néstor Kirchner (2003-2007) and Cristina Kirchner (2007-) of the PJ after Duhalde's short tenure. Facing high levels of contention, Kirchner managed to incorporate some of the largest federations in his broad coalition. After entering into the alliance, the federations of the unemployed pressed for social policy expansion from within the state and the incumbent coalition. Expansion of social policy under the Duhalde and Kirchners' administrations resulted in inclusive social policy.

Table 3.2 summarizes the main features of resulting social policy in each selected policy area: income support, health care, and pensions. Policy expansion involved extensive, relatively generous, and flat-rate benefits. At the same time, new schemes included some level of participation of social organizations in policy implementation, either in policy oversight, administration and/or in formulation of policy proposals affecting implementation.

Table 3.2. The Policy Model: Inclusive Policy for Outsiders in Argentina c. 2009

Policy Area	Scope of Coverage	Benefit Level	Participation in Implementation	Dates of Expansion
Income Support	80% of children in school age	High Family Allowances same as insiders'	Administration, local policy councils, national deliberative councils	2002, 2009
Health	100%	Free primary care and Free-prescription drugs (pre-existing, free hospital services)	Councils linked to service delivery; oversight	2002-2003
Pensions	100%	Equal to minimum pension of insiders	National councils	2003, 2006-2008

Sources: See Appendix 2.

Below I analyze why these governments launched the expansion of rule-based social policies starting in 2002. It should be noted that these administrations belonged to the PJ, which had not shown particular concern for large-scale social policies before 2002, and had embarked on market reforms and state shrinkage in the 1990s.

3.1. Intense Protest and Social Policy Expansion

Dramatic mobilization by the organizations of unemployed workers, and a broader cycle of protest triggered by the financial and political crisis compelled president Duhalde to make bold decisions. First, he passed by decree the expansion of social policy to achieve social peace and ensure survival. Second, after one of his predecessors had declared the default on the foreign debt, Duhalde devalued the currency, ending the infamous convertibility system and generating favorable prospects for Argentine producers in buoyant international commodity markets. The new exchange rate facilitated agro-exports and the re-installation of export dues, which had been eliminated by the Menem administration in 1990 and had been used to fund food programs in the past. Social policy expansion helped contain protest, whereas macroeconomic changes partly helped fund new benefits and eventually fueled economic growth, which reached levels above 8 percent starting in 2003 (See Figure 3.7. section 5).

Intense contention generated credible threats to political survival and compelling incentives to expand social policy at a rapid pace. In January 2002, soon after taking office, Duhalde passed by decree the creation of the Unemployed Heads-of-Household Program (UHHP), a massive workfare scheme for outsiders. As stated by his Spokesman, the creation of the program “had to do with survival. This country was on fire” (interview Amadeo).

Duhalde also declared a public health emergency to prevent the collapse of the health-care system, especially of public hospitals serving outsiders. Furthermore, he expanded primary-care services and pharmaceutical benefits for outsiders. These measures responded to pent-up activism by health NGOs, labor unions, and the organizations of the unemployed. In the first weeks of 2002, health workers and associations of patients with chronic conditions launched campaigns and engaged in protest activity to denounce lack of pharmaceuticals and speculation on the part of pharmacies and labs. These associations further initiated legal action against the state to ensure access.¹⁵⁵ Hospital workers staged a number of strikes for better labor conditions and for medical supplies in early 2002. Their unions and associations moreover launched a national campaign and demonstration in favor of public health, which gathered thousands.¹⁵⁶ At the same time, federations of unemployed workers organized 35 protests in 2002 in which they demanded pharmaceuticals to distribute through their associations in low-income neighborhoods, compared to less than 10 in 2001.¹⁵⁷ Demands for pharmaceuticals and health services were thus another focal point of contention in the broader context of mobilization of 2002.

Pension expansion was initiated amidst a new wave of protest by unemployed federations in demand for pensions and income-support benefits in early 2003. Despite austerity and overall state disorganization produced by the political and financial crises, these policy initiatives were

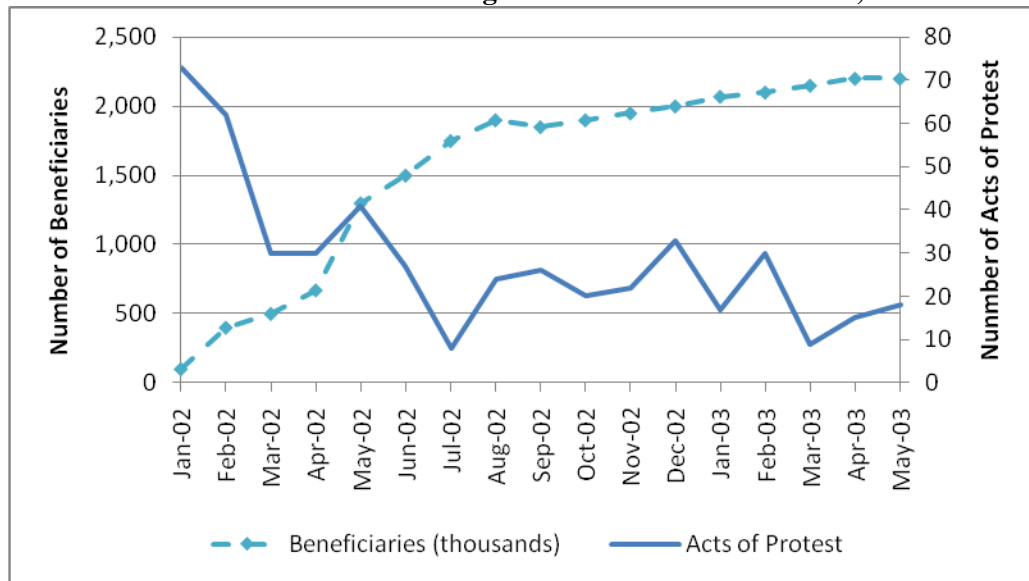
¹⁵⁵ Dataset of Policymaking, Argentina. See for example, “Las farmacias se quejan por falta de medicamentos,” *Clarín* 01/05/2002. On January 7th, 2002 several NGOs demanded the state to continue providing AIDs treatments and met with public authorities. See, “Acusaciones cruzadas por problemas en la entrega y venta de remedios,” *Clarín* 01/08/2002. Other NGOs demonstrated in demand for insuline, “Prometen resolver antes del lunes la falta de medicamentos,” *Clarín* 01/11/2002.

¹⁵⁶ Dataset of Policymaking, Argentina.

¹⁵⁷ Dataset of Protest.

implemented at surprisingly rapid pace. Implementation of the UHHP was immediate. Between January, when the expansion was first announced, and May 2002, 1.2 million benefits were extended, and by October 2002, the UHHP had reached 2 million beneficiaries.¹⁵⁸ Health benefits and an incipient expansion of pensions were also implemented rapidly to dampen high levels of social mobilization. Figure 3.2. below shows a decline of contention propelled by the distribution of social policy benefits during the Duhalde administration (Jan. 2002-May 2003).

Figure 3.2. Evolution of Protests by Unemployed Workers and Workfare Beneficiaries during the Duhalde Administration, 2002-2003.



Source: Data on workfare benefits provided by Ministry of Labor; acts of protest from Dataset of Protest (See Appendix 1).

Mobilization from below further pushed Duhalde to create rule-based benefits. As stated by the president’s Spokesman:

“the political class was terrified ...and it was clear that this program [the UHHP] would be administered with a *magnifying glass* and provided directly to beneficiaries” (interview Amadeo).

Discretionary, clientelistic benefits and inefficient implementation were perceived unfit for this context as they could undermine the government.¹⁵⁹ In order to prevent manipulation of benefits, policymaking was centralized in the hands of the national government. The Duhalde administration understood that provincial governments lacked the capacity to implement large-

¹⁵⁸ “La protesta cae con los planes sociales” *La Nación* 11/22/2002.

¹⁵⁹ As stated by a public official involved in the design of UHHP, “there was no space for clientelism in the crisis” (interview Top Official, Ministry of Labor).

scale social policies fast¹⁶⁰ and that they had traditionally “swallowed” social expenditure for the poor (interview, Cafiero Duhalde’s Chief of Staff). For this reason, the Duhalde administration believed new policies had to be implemented by the national state. Pressure was initially exerted by provincial governments, which hoped to administer workfare benefits themselves. Concerns about political survival effectively made subnational authorities accept new policies and cooperate with the President. In the context of large-scale mobilization involvement of partisan networks in the distribution of social benefits, or delays and inefficiency could severely affect the legitimacy of the incumbent and trigger further conflict. In the words of Amadeo, “the central issue of the program [UHHP] was credibility. If the government failed to pay the benefit at 8 am [on pay day], you had a disaster” (interview Amadeo).

In order to quell protests and build legitimacy the Duhalde administration also provided channels of participation to social actors in policymaking. Duhalde set up the Argentine Dialogue, a forum sponsored by the United Nations Development Program, which debated and approved Duhalde’s policy measures. The Argentine Dialogue was attended by representatives of the government, business, agro-producers, labor, the federations of unemployed workers, and different religious entities. Further, Duhalde himself and his ministers met on several occasions with movement leaders, holding formal and informal meetings to discuss social policy decisions and negotiate a “truce” to contention.¹⁶¹

Demands by the unemployed, often in alliance with labor unions and with other social movements with proximate interests, set the priorities of the social policy agenda. Early mobilizations demanded income-support benefits and the expansion of health services, the latter carried out jointly with NGOs and health workers. Pension expansion, by contrast, became a critical demand of the federations of the unemployed in late 2002. The largest federations negotiated pension benefits for outsiders in exchange for protest moderation in December 2002, when different federations held massive acts in commemoration of the collapse of the De la Rúa administration. In the absence of rapid policy implementation, protests for pensions grew intensely between January and February 2003. Facing intense protest, President Duhalde promised movement leaders the creation of 1 million pensions for outsiders, and launched an incipient expansion.¹⁶²

Aside from broad, generous policies, the organizations of unemployed workers demanded participation in policy implementation.¹⁶³ Policy inclusion increased chances of expanding their organizational power (interview unemployed leader) and of supervising policy implementation. Given the level of contention and the need to negotiate on the part of the Duhalde administration, such participation was attained to some extent in all the policies that were launched. Duhalde created a national advisory council in charge of supervising the implementation of the UHHP and local participatory councils to facilitate the implementation of the program. The creation of

¹⁶⁰ Interview with key social policy advisor of the Duhalde administration.

¹⁶¹ Dataset of Protest.

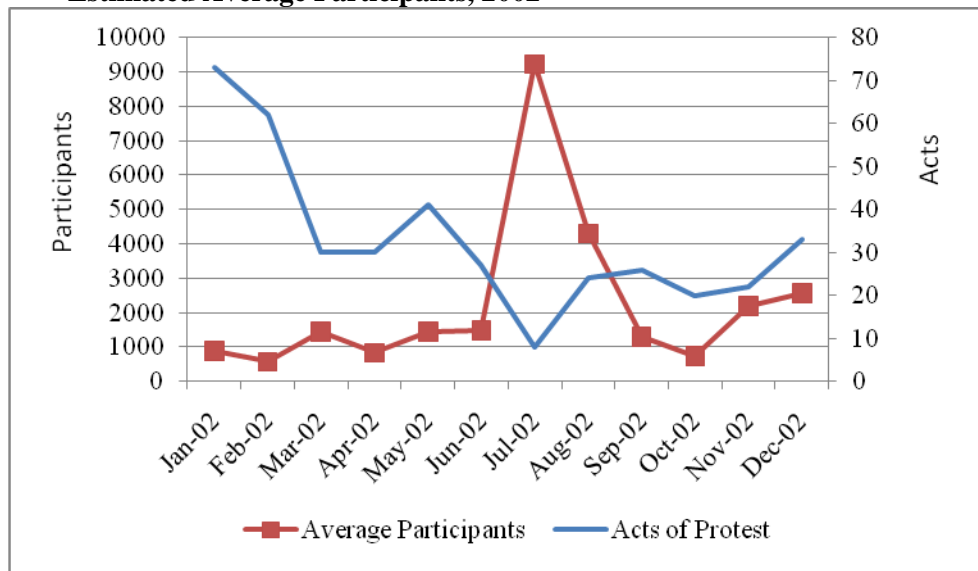
¹⁶² Chronology built with Dataset of Protest.

¹⁶³ After meeting with the Minister of Labor, leaders of the unemployed movement Luis D’Elia and J.C. Alderete told the press that they had negotiated the participation of their organizations in the councils, Dataset of Policymaking, Argentina.

councils was favored by the Duhalde administration to channel unemployed activism into the councils and out of the streets and to avoid accusations of clientelism in program implementation. The movements further demanded participation in the distribution of free prescription drugs. In negotiation with unemployed leaders, the Ministry of Health refused to grant pharmaceuticals to community organizations, but included NGOs in oversight (interview, Head of Remediar). Finally, pensions were initially created within the UHHP for unemployed workers aged 60 and more. Those pensions were supervised by federations participating in the councils.

Social policy expansion under Duhalde was indeed dramatic and involved active negotiation with the federations of the unemployed. However, a credible threat to survival materialized in June 2002. Two unemployed protestors were killed by the police, triggering a massive backlash against violence. Facing demonstrations with record-level participants demanding his resignation and elections, Duhalde called for early elections, which were held in March 2003. Figure 3.3. below shows the evolution of unemployed protest and average participants in 2002. Reactions to violence took shape in July 2002 when the unemployed mounted massive protests with the support of labor unions and opposition parties. The number of protests went down immediately after violence broke out, but the acts enjoyed an unprecedented number of participants.

Figure 3.3. Acts of Protest by Unemployed Workers' Movements and Estimated Average Participants, 2002



Source: Estimates in Dataset of Protest (See Appendix 1).

3.2. Social Pressure within the Governing Coalition and Social Policy Expansion

Nestor Kirchner of the PJ won the presidential election in 2003. Three candidates of the PJ and three former politicians of the Radical Party had run for office. Kirchner mustered a victory with the political support of Duhalde. The federations of the unemployed, as well as the CTA, initially mistrusted Kirchner's relationship to Duhalde. The outgoing president was associated with the political machine confronted by the movements of the unemployed and with Menem's market-oriented policies.

Kirchner faced high levels of protest in 2003. Between January and May 2003 when he assumed office, unemployed workers' organizations performed 89 acts of protest.¹⁶⁴ Partly to calm the protests and to separate his administration from Duhalde's, Kirchner began to forge a new relationship with these movements, incorporating some of the largest federations into his coalition and including movement members in the public administration. These federations mobilized thousands of unemployed workers after social policy expansion in 2002 and were available for partisan linkages. Between 2001 and 2003 the number of federations had grown from 14 to 33 (Dataset of Protest) and claimed to mobilize between 100,000 and 80,000 members in the metropolitan area of Buenos Aires alone.¹⁶⁵

¹⁶⁴ Dataset of Protest.

¹⁶⁵ Dataset of Protest.

Social policy expansion was perceived by Kirchner as critical for reaching out to these movements and limiting contention. Aside from preserving income transfers and boosting the healthcare expansion initiated by Duhalde, the Kirchner administration (2003-2007) launched important social policy innovations, including a dramatic expansion of the pension system, a demand which had been left largely unanswered by Duhalde. Other changes in social policy during Kirchner's tenure involved a 50-percent increase in education spending, improvements in teachers' salaries and social benefits, the construction of 700 schools,¹⁶⁶ 400,000 houses for low-income families,¹⁶⁷ and extension of basic services (running water and sewage).¹⁶⁸ One of Kirchner's key promises was to reduce unemployment to one digit during his tenure. Public works formed a critical aspect of Kirchner's job creation strategy.

As part of the *Frente para la Victoria* (FV), the Kirchner faction in the PJ, some of the largest movements of unemployed workers pushed for social policy change from within the state. By 2006, at least 50 members of these movements held positions in the state, including the Secretariat of Community Organization of the Ministry of Social Development and the Commission of Land and Housing. In fact, there were representatives of these organizations in virtually all national ministries. At the same time, appointment also began to grow in local public administrations. These movements had ample access to the government of the province of Buenos Aires, where one unemployed leader became Vice-chief of cabinet, and members of his federation held positions in the Ministry of Health (interview, Official Ministry of Health province of Buenos Aires). As stated by a local public official in the Greater Buenos Aires, "The goal of the Kirchner coalition is to bring social conflict into the state to generate solutions to the problem of poverty and unemployment".¹⁶⁹

With growing revenue due to sustained GDP growth and strong central power, the new administration faced low barriers to policy expansion. Centralization of social policy resources, initiated in the context of the dramatic social mobilization under Duhalde, was strengthened by special powers granted to the national government to administer state revenue during the crisis. In particular, the capacity to administer revenue from export taxes, which is not distributed automatically through revenue-sharing criteria, empowered centralized decisions.¹⁷⁰ The dramatic growth of national power lowered subnational resistance to social policy expansion. During his tenure, as the threat of social conflict diffused, Kirchner used social funds for public infrastructure, housing, and other public works to satisfy governors' demands for resources. Large-scale social programs (UHHP, pensions, and health care initiatives such as the free-

¹⁶⁶ See www.750escuelas.gov.ar (accessed 2010).

¹⁶⁷ In 2001 a study by SIEMPRO found that 1.7 million households, about 20 percent of total households, resided in houses with some infrastructure deficiency. See Secretaría de Desarrollo Urbano y Vivienda, n/d, with 2001 data from SIEMPRO. The plan was continued by Cristina Kirchner. By 2009, the government had carried out 470,000 housing solutions (new houses or improvement of existing houses). See www.vivienda.gov.ar (accessed 2010).

¹⁶⁸ The plan seeks to universalize running water and sewage nationally by 2020. For 2011, the plan foresees 100 percent access to running water and 80 percent access to sewage in the Metropolitan area of Buenos Aires. See Ministerio de Planificación (2008).

¹⁶⁹ Quoted in "[Cada vez más piqueteros son funcionarios municipales](#)," La Nación 09/14/ 2006. In 2006 there were local level officials in 10 municipalities and in several ministries at the national level.

¹⁷⁰ On export taxes and their expansion, see Fairfield (2010).

prescription drugs program) continued to be, however, implemented by the national government in a more centralized way.

Policies inaugurated by Kirchner were extensive. During his administration the number of beneficiaries of social programs for outsiders grew dramatically, largely through the expansion of pensions, which reached over 2 million outsiders aged 65 and more. At the same time, despite a significant decline in unemployment due to increased economic activity and pro-employment policies (subsidies, public works, and support for micro-enterprises), the scope of coverage of income support benefits remained stable. Indeed, unemployment declined from 17.2 percent in May 2003, when Kirchner took office, to 8 percent at the end of his tenure in 2007.¹⁷¹ Large-scale policies for outsiders allowed Kirchner to respond to demands for social benefits and avoid confrontation. Reductions in the scope of coverage would upset the organizations of the unemployed, increase pressure from below, and potentially make these organizations available for linkages with opposition parties.

Further social policy innovations were launched under the Cristina Kirchner administration (2007-). The Presidential election of 2007 was won handsomely by Cristina Kirchner, the candidate of the *Frente para la Victoria*. Despite sharp differences within the PJ between Kirchner and Duhalde's faction, only a small sector of the party ran its own list. Electoral competition for outsiders did not take shape in this election, as the opposition was largely competing for the middle-class vote in large urban areas. In an attempt to expand the appeal of the FV among the middle classes the vice-presidency was offered to Julio Cobos of the Radical Party.¹⁷²

Compared with the Néstor Kirchner administration, which faced no significant conservative opposition, the Cristina Kirchner administration faced massive protests of agricultural producers. These protests, which included roadblocks and a 90 day lockout by producers, were launched in opposition to a rise in the export tax on soybeans, and the establishment of a sliding scale to calculate the tax rate (see Fairfield 2010). The massive protest generated intense confrontation and undermined the government. Loyal unemployed associations and labor unions mobilized actively to back the government. In the struggle with producers, Cristina Kirchner argued that part of the revenue produced by the tax increase would be used to fund the construction of public hospitals. Given mistrust for the government, accumulated grievances and staunch opposition to the government's tax policy, the proposal was not considered by producers. Facing dramatic opposition, the government submitted the tax initiative to Congress and the bill was killed by the opposition and by PJ politicians. Critically, facing a tie in the Senate, Vice-President Cobos voted against the President.

After the battle with producers, the Cristina Kirchner administration embarked on major policy reforms. In 2008 it nationalized the pension system. This measure entailed a large transfer of resources—previously in the hands of private-pension funds—to the state. The government argued that nationalization would protect future pensions threatened by the international crisis unleashed in 2008, which would further undermine the already inadequate funds accumulated in

¹⁷¹ See www.indec.gov.ar

¹⁷² The national leadership of the Radical Party did not endorse Cobos' alliance with the FV.

savings accounts since the privatization of the system in the mid-1990s. The proposal was submitted to Congress, which passed the bill quickly with the support of the PJ and left-wing legislators (Poder Ejecutivo Nacional 2008).¹⁷³ The nationalization of the pension system in fact also helped pay for the expansion of pension benefits for outsiders initiated by Néstor Kirchner and other social policy innovations.

In 2009, the government passed by decree largest social policy innovation for outsiders: the expansion of family allowances. This initiative was similar to the one advocated by the federations of the unemployed and the CTA in 2001. The decision to universalize family allowances also came after a surge in pressure from below. In 2009, the movements of the unemployed pressed for new income support benefits. In August, Cristina Kirchner launched a workfare program, *Argentina Trabaja* (Argentina Works), which employed 100,000 unemployed workers in cooperatives that carried out public works. Although the national government funded the scheme, beneficiaries were to be selected by municipalities. The small scope of coverage of the benefit opened the door to manipulation and, as expected in the analytic framework, led to large-scale protest.

Protests by the movements of unemployed workers broke out in September 2009. The movements complained that access to the program was selective given that the benefit did not reach all eligible beneficiaries, and declared that municipalities were enrolling workers in clientelistic ways. Massive protests and encampments outside the Ministry of Social Development were organized. These protests demanded “*Trabajo para todos sin clientelismo*” [Work for all without clientelism]. Although these protests were primarily launched by movements not affiliated with the Kirchners’ coalition,¹⁷⁴ government allies also threatened to launch massive protests to ensure access to the program.¹⁷⁵

In response to pent-up activism Cristina Kirchner resurfaced the idea of expanding family allowances to outsiders.¹⁷⁶ In October 2009, she passed by decree a reform of the existing legislation for formal workers, which extended the benefit to low-income outsiders.¹⁷⁷ This measure was a clear response to heightened activism and demonstrations.

Though protest continued occasionally around the workfare program, the expansion of family allowances contained mobilization from below. It also prevented accusations of clientelism, as the benefit has clear eligibility rules and is administered by the largely technocratic national social-security agency. These benefits became the largest of all income-support transfers for children in the region. The allowance allots 12 percent of a minimum wage

¹⁷³ The bill was sent to Congress in October 2008 and passed in November that year (see Poder Ejecutivo Nacional Mensaje 1732, 10/21/2008)

¹⁷⁴ For example, the movement *Barríos de Pie*, which had been part of the Kirchner government in the past, was part of the protests.

¹⁷⁵ Luis D’Elia, one of the strongest supporters of the Kirchner administrations among the leaders of the federations of the unemployed admitted he had been pressing from within the government to change the implementation of the policy and publicly stated that if changes were not made to the way the program was implemented, all the social movements would launch massive protests. See *La Nación* 02/10/2010.

¹⁷⁶ In interview, the Vice-minister of Social Development stated family allowances would be passed at some point, probably under the C. Kirchner administration (author interview in 2007).

¹⁷⁷ Decree 1602/2009.

per child and is paid to a maximum of 5 children per family. Moreover, it is not extended only to school-age children, but to all children aged 0-18 years. To improve health conditions and to expand school enrollment among adolescents, 20 percent of the benefit is conditional on school attendance.¹⁷⁸

In sum, dramatic social pressure led to a process of policy expansion that was initiated by Duhalde, who faced credible threats of collapse, and was continued by Néstor Kirchner, who, facing dramatic mobilization from below, incorporated some of the largest movements of unemployed workers into his coalition and used policy expansion to ensure social peace and cement the loyalty of his new allies. In 2009 the Cristina Kirchner administration launched large-scale innovations, such as the expansion of family allowances, which took place in response to protests for rule-based, universalistic social policy.

Despite the similarities between Duhalde's and the Kirchners' policies, there is some variation in terms of the level of participation involved in policy implementation. The Kirchner administration did not inaugurate new social policy councils aside from existing ones. As members of the governing coalition, the unemployed were provided with state appointments to legitimize the administrations' policies, and to offset the influence of other PJ politicians who had strategically supported Kirchner but who did not particularly favor policy expansion. The organizations of the unemployed were granted some participation in public works run by the Kirchner administration and in a small program of community training. As expected, then, when outsiders press from within the incumbent coalition, participation is more likely to take shape within the state rather than in policy councils, where the role of autonomous, pre-existing, social movements is less closely associated with support for the incumbent. A high level of participation of organizations in policy implementation is thus more likely when pressure is exerted outside the incumbent coalition.

4. Inclusive Social Policy: Domains of Expansion

The creation of inclusive social policies was driven by mobilization from below led by movements of unemployed workers, labor-unions and other social movements. This mobilization prompted incumbents to expand social benefits and to negotiate expansion with social movement leaders, who demanded encompassing, generous, and participatory benefits. Below I analyze each policy area to characterize the specific policies that were created and discuss the choice of an inclusive model, that is, of benefits with universal or near-universal coverage, relatively high benefit levels, and participatory implementation.

Income Support

The Unemployed Heads-of-Households Program (UHHP) represented a watershed in income-support benefits for outsiders. This massive workfare program was Duhalde's main response to large-scale mobilization from below as soon as he assumed office in 2002. This benefit was

¹⁷⁸ After the expansion of family allowances, the government launched a program to provide a netbook to each child in public schools, hoping to grant this benefit to about 6 million children by 2012.

created as “a right of social inclusion” for outsiders with children 0-18.¹⁷⁹ Over time and as unemployment decreased, households began to receive family-support benefits instead of workfare benefits.

In 2003, before Kirchner assumed the presidency, the unemployed workers’ movement demanded more workfare benefits (Dataset of Protest). The UHHP was a social right but the state set a deadline for applications in order to limit access. After intense protests in early 2003, the Duhalde administration launched two smaller programs to complement the UHHP: *Families for Social Inclusion* and *Community Employment Program* (PEC). *Families* targeted households with earnings below the minimum wage. It paid a flat-rate allowance and granted additional benefits per child conditional on school attendance and health checkups. PEC, by contrast, was a workfare program administered by community organizations, which hired unemployed workers for community services and public-works projects. PEC was established to respond to protests after access to UHHP had been limited by the government (interview, High official, Ministry of Labor).

Under Néstor Kirchner (2003-2007) the share of family-support benefits grew relative to workfare benefits. Due to an increase in employment, the coverage of the UHHP declined. Beneficiaries of UHHP were encouraged to migrate to a newly created job training scheme and particularly to *Families*. While in 2003, over 90 percent of beneficiary households received workfare benefits, in 2007 only 60 percent were receiving these benefits, and the rest accessed family support. In 2009, after a new wave of protest, the Cristina Kirchner administration universalized family allowances to children 0-18. This meant an important expansion of coverage. At the same time family allowances became the main type of income support benefit received by outsider families, reaching 84.5% of beneficiary households.¹⁸⁰

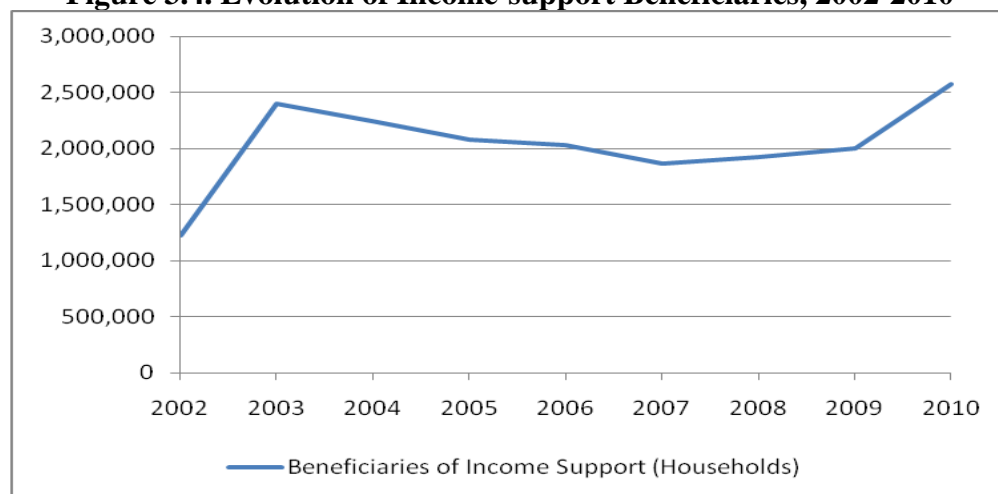
Scope of coverage. The scope of coverage of transfer programs is extensive. From 2002 to 2010, coverage reached between 1.9 and 2.5 million households (between 20 and 25 percent of total households in the country) (see Figure 3.4, below). With the expansion of family allowances in 2009, at least 80 percent of children 0-18 in outsider households received benefits in early 2010.¹⁸¹

¹⁷⁹ The UHHP was created by Decrees 165/02 and 565/02.

¹⁸⁰ Author’s estimates with data from Ministry of Social Development, Ministry of Labor and ANSES.

¹⁸¹ I am counting here beneficiaries of family allowances plus beneficiaries of a smaller program for low-income mothers with seven children or more. It should be noted that more children may be receiving child-support benefits as I am not counting the number of children receiving child support benefits from subnational governments, such as the City of Buenos Aires, which has its own program, *Ciudadanía Porteña*.

Figure 3.4. Evolution of Income-support Beneficiaries, 2002-2010



Source: Estimates with data from ANSES, Ministry of Social Development, and Ministry of Labor. See Appendix 2.

Benefit Level. All income transfers created from 2003 through 2009 have had high benefit levels. The UHHP was initially aimed at replacing wages. It was set equal to the lowest replacement rate of formal-sector unemployment insurance, which ranged from 150 to 300 pesos at that time, and 75 percent of the minimum wage. As stated by former Minister Cafiero and key participant in the design of the UHHP: “the benefit level was set at 150 pesos because the minimum wage of a local public-sector workers was 200 pesos and mayors asked the government not to pay any more than that” (interview Cafiero). Over time, as unemployment went down significantly, income-support benefits were understood as complementary income (interview High Official Ministry of Social Development) as the expectation was that every household headed by outsiders had some income from employment. The benefit levels should thus be compared to “family support” received by formal-sector workers, especially to family allowances, rather than to wages. Table 3.3. compares the minimum wage and benefits for households with two children from 2002 through 2010 relative to the poverty line.¹⁸² We can observe that the minimum wage stood at 31 percent of the poverty line at the time of social policy expansion in 2002 and around 100 percent at the end of the period. The UHHP, by contrast, stood between 24 and 19 percent of the poverty line since its creation until 2005, when the government began to encourage beneficiaries to switch to *Families* or the training scheme. These other schemes provided benefits comparable to or higher than formal-sector family allowances. In 2007, the estimated average benefit was 21.6 percent of the poverty line. The expansion of family allowances to outsiders in 2009 increased the benefit level received by the average household (2 children and 2 adults), and more particularly by large families. Indeed, in

¹⁸² The poverty line is comparable to that promoted by the ECLAC. It estimates household expenditures on food, transportation, clothes, health care, and housing.

2009 families received an allowance equivalent to about 12 percent of the minimum wage per child up to five per household.

Table 3.3. Benefit Levels of Income-Support Schemes¹ and of the Minimum Wage Relative to the Poverty Line, 2002-2010 (percent)

	Minimum Wage	Insiders' Family Allowances	Outsiders' Family Allowances	UHHP	Training Scheme	Families
2002	31.8	12.7	--	23.9	--	--
2003	28.2	11.3	--	21.1	--	21.1
2004	48.2	11.5	--	20.7	--	20.7
2005	65.9	15.5	--	19.4	--	25.8
2006	73.7	14	--	17.6	35	23.4
2007	86.7	15.6	--	16.2	32.5	21.7
2008	100.5	20.4	--	15.3	30.6	20.4
2009*	133.2 ^a 102.5 ^b	33.3 ^a 25.6 ^b	33.3 ^a 25.6 ^b	--	n/d	--
2010*	129.6 ^a 99.7 ^b	31.1 ^a 23.9 ^b	31.1 ^a 23.9 ^b	--	n/d	--

¹ Estimates for a household of four (2 adults plus 2 children). Estimates correspond to May each year except for 2009, for which estimates correspond to December. (See Appendix 2)

Source: Elaborated with data from INDEC (Poverty Rate); Ministry of Finance (Minimum Wage); Ministry of Social Development, and ANSES (Transfers).

* Estimated Poverty line for 2 adults + 2 children. The poverty line measured by the government has been contested from 2008. I use two poverty lines to estimate the benefit levels for 2009 and 2010. Benefit levels a) are estimated with the poverty line built by INDEC (The National Statistics Agency), and b) with a poverty line that is 30% higher than the one estimated by INDEC.

Participation. Implementation of income-support benefits has involved some form of social participation. National and local councils were created to increase transparency and reduce social conflict in the implementation of the UHHP. The national council included representatives of industry and agriculture associations as well as organizations of unemployed workers, labor unions, and public officials. It became a key institution in the early years of the program. Furthermore, the national government actively promoted the creation of local councils involved in oversight activities. Local councils had to control the workfare obligation. In practice, councils performed a large part of the administrative work involved in registering applicants for the UHHP (i.e. helping them fill out the application forms and solve administrative problems affecting their benefits). According to an official of the Ministry of Labor, councils were fundamental because “they reduced social conflict” during the early stages of implementation (Interview).

Under Kirchner, participatory mechanisms remained in place. The national council of the UHHP became the Social Policy Council and local participatory institutions remained active in some districts but not in others depending on local politics. Workfare benefits have continued to involve active community and social movement involvement in policy implementation and

administration. New participatory mechanisms were not systematically created for the implementation of family allowances. However, networks of community associations and NGOs were significantly involved in the dissemination of the benefit, and in helping families sign up for the benefit in low income areas.¹⁸³

As previously discussed, the creation of large-scale income support benefits has been a response to protests and pressure from social mobilization. These benefits were often negotiated with unemployed-movement leaders. The federations of the unemployed and their allies demanded universal benefits since the De la Rúa administration. In 2002, the Duhalde administration perceived large-scale policies as necessary to calm discontent and achieve social peace. The massive scope of the UHHP, which reached all the unemployed and low-income informal-sector heads-of-households, was seen by social activists as the fruits of their struggle (interview CTA). According to a movement leader, the massive expansion was “our conquest, of the 10 percent [organized unemployed workers]” (interview movement leader). In the context of dramatic protest, the government could have expanded benefits on a smaller scale for those mobilizing. However, this option would have produced further protest to expand benefits to those marginalized by state policy. Given the level of deprivation after the crisis, small-scale distribution of benefits would lead to high levels of protest. The response was therefore a large-scale expansion.

The coverage of income transfers remained large despite the dramatic decline in unemployment under Kirchner. For example, 493,000 people, about 24.5 percent of UHHP beneficiaries, obtained formal-sector jobs between 2003 and July 2007.¹⁸⁴ Even after protest had declined under Kirchner, reducing the scope of coverage of these benefits was perceived to be unlikely. This would meet rejection from the movements of unemployed workers. The perception that social policy had to be large-scale was broadly shared by government officials under the Kirchner administration. According to the Secretary of Employment, “From the moment UHHP was created you have to think of social programs of at least 1 million beneficiaries” (interview Deibe). Vice-minister of Social Development concurred: “UHHP was the big transition towards universality” (Interview Arroyo). The scope of coverage of income transfers eventually grew when in the face of protests the Cristina Kirchner administration launched the expansion of family allowances. Beneficiaries of *Familias* and virtually all beneficiaries of UHHP were transferred to the program of family allowances, while employment programs such as PEC and the training scheme, which have other rules and benefit levels, were preserved.

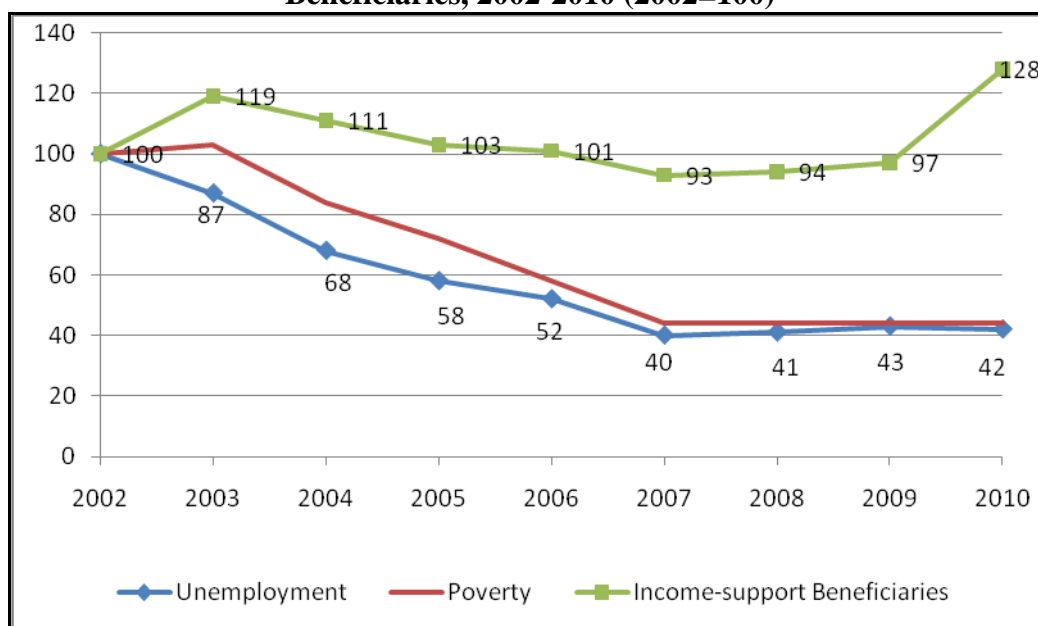
Overall, between 2002 and 2008, the number of outsiders receiving benefits remained quite stable, even grew at the end of the period, despite the decline in unemployment and poverty. Figure 3.5 below shows the evolution of beneficiaries, as well as of the poverty and unemployment rates (see Figure 3.5 below). It should be noted that the 2008, 2009, and 2010

¹⁸³ For example, in 2010 a network of 1000 NGOs and social movements discussed strategies to promote and support school enrollment of drop-outs in the National Encounter for the Right to Education. They disseminated the benefit and encouraged drop-outs to sign up and go back to school. See *La Nación* 03/10/2010.

¹⁸⁴ Elaborated from data of the Ministry of Labor in “En 4 años bajo 55% la cantidad de gente que recibe el plan Jefes” *Clarín* 08/14/2007.

poverty rates measured by the government underestimate the poverty level.¹⁸⁵ I thus use the 2007 poverty rate of 22 percent for those years. According to the INDEC the poverty rate was 20, 13, and 9 percent for 2008, 2009, and 2010 respectively.

Figure 3.5 Evolution of Unemployment, Poverty, and Income-Support Beneficiaries, 2002-2010 (2002=100)



Source: Estimates with data from INDEC, Ministry of Labor, and Ministry of Social Development.

Health Care

Health care was another major area of social policy expansion for outsiders. Protests in demand for medical supplies and pharmaceuticals had broken out early on in the context of mass mobilization surrounding the 2001 crisis and pushed the government to launch new policy initiatives. In the face of protests, and foreseeing declining access to medical supplies, the Duhalde administration initiated a massive free prescription drugs program, *Remediar*, and began investing in primary care and medical supplies. *Remediar* aims at providing free prescription drugs to 15 million users of the public health system. *Remediar* is run by the national state, which purchased and distributed drugs to health centers directly without intervention of sub-national governments. *Remediar* is also accompanied by a new law

¹⁸⁵ There are strong accusations against the government for tinkering with the inflation rate, which among other things depresses the poverty line.

establishing the use of generic drugs, which has allowed the state to reduce significantly the price paid for prescription medications.

The political scenario helped lift barriers to policy change. First, it facilitated the direct intervention of the national government in the provision of pharmaceuticals. As perceived by the Vice-Minister of Health in 2002:

“The effectiveness we needed to achieve with *Remediar*, the speed with which we needed to implement the program, and the severity of the crisis lowered the political resistance [of the provinces] ... I believe that several things which would seem unthinkable in other moments were achieved in the context of the crisis.” (interview Vice-Minister of Health Rosso).

Second, pharmaceutical labs, typically opponents to generics, came to see *Remediar* as an opportunity for making profits. If the state became a large-scale provider of generics for a “previously non-existing market of 15 million people,” about one third of Argentina’s population, labs had a chance to increase their sales dramatically (interview High Official of Remediar).

Officials in the Ministry of Health perceived that pharmaceuticals had to reach patients effectively. If drugs were captured by clientelist networks, or if they were sold instead of distributed for free, the policy would harm the credibility of the government and *Remediar* would be defunded. A top official recalls:

“Majors would go and take the boxes of medicines from health centers ... we told the minister that the party [the PJ] was destroying the program. The minister had a meeting with mayors of the Greater Buenos Aires¹⁸⁶ in the headquarters of the Peronist Party in the City of Buenos Aires, and told them ‘I have the word from President Duhalde that if you touch the medicines I will cut your hands off.’ There was still some trouble ... but they did not touch them anymore” (Interview, High Official of Remediar).

Scope of Coverage. In terms of scope of coverage, *Remediar* and primary-care are universal. In 2002, *Remediar* provided free-prescription drugs in 37 percent of existing public primary-care centers, and in March 2003 it was implemented in all 5,414 primary-care centers. *Remediar* provides 80 percent of prescription drugs free of charge (Ministerio de Salud 2006). Universality was considered the proper answer to elude the problems of clientelism. If programs were massive, non-selective, and non-targeted, the scope of coverage would help prevent manipulation (interview High official of Remediar). This ran counter to the preferences of the Inter-American Development Bank, which funded part of the program by allowing pre-existing credits to be allocated to public health (interview, High Official of Remediar). The ministry, however, defended the idea of universality and committed itself to assessing whether pharmaceuticals

ended up in the hands of higher income people with health insurance (interview, High Official of *Remediar*).¹⁸⁷

Benefit Level. Health services are relatively generous. With *Remediar*, free-prescription drugs represented 80 percent of the drugs used in outpatient treatments.¹⁸⁸ At the same time, primary care became free, as *Remediar* banned the use of “voluntary” contributions bonuses requested to patients in public health centers. Finally, since the 1940s, public-hospital services have been free for all (see Chapter 2).

Participation. Social organizations participated in the implementation of these new programs. There were two main forms of participation, one that pre-existed new policies and the other that was implemented with the new programs. First, public-service providers in the fields of health and education have a participatory mechanism, an association similar to the PTA called “cooperadora,” which tends to be quite participatory, especially because a large number of health centers emerged out of community initiatives to begin with (interview Tobar). Second, NGOs were included in oversight activities. These activities helped control the implementation of *Remediar* and channel demands from organizations pressing to distribute pharmaceuticals themselves. A high official of Remediar remembers:

“Some of these associations used to distribute pharmaceuticals [before the creation of Remediar], and came to us demanding pharmaceuticals to distribute themselves... What we negotiated was that volunteers from [these organizations] would audit the distribution of pharmaceuticals in health centers. In some places people believe that these organizations run the program.” (interview)

Pensions

The expansion of pension benefits for people aged 65 and more was undoubtedly the most dramatic change in social policy for outsiders under Néstor Kirchner (2003-2007). This expansion was accompanied by a substantial overhaul of the contributory-based pension system. Mobilization from below to extend pension coverage began in 2000. The federations of the unemployed, which generally pressed for workfare benefits, increasingly demanded other benefits such as pensions. Protest around pensions broke out dramatically in 2003. Having met with president Duhalde to discuss pension expansion, the largest unemployed federations staged massive protests to demand their rapid implementation.¹⁸⁹ By the end of his tenure, Duhalde had accomplished an incipient expansion of pensions. The government extended a small program of

¹⁸⁷ 16 percent of Remediar users have health insurance provided by a union-run scheme, which provides partial discount on pharmaceuticals. Those using Remediar were low-income rural workers or elderly with social insurance who lived in poor areas in which there are no pharmacies nearby (Interview, top official of Remediar).

¹⁸⁸ Argentina has other, pre-existing programs that provide free treatments for AIDS patients and cancer patients.

¹⁸⁹ Dataset of Protest.

non-contributory pensions and created *Jefes Mayores*, a new benefit for unemployed workers aged 60 and more.

When Néstor Kirchner assumed office, he sought to court the federations of the unemployed to reduce protest and mobilize them as part of his coalition. The Kirchner administration understood that the provision of pensions to outsiders had to be linked to an overhaul of the existing pension system, which had been partly privatized in 1993. The contributory pension system was in shambles since the 2001 crisis, when pension funds scored dramatic losses. The public part of the system was running a large deficit; payroll contributions had been reduced in 2001 to stimulate consumption, making pension revenue extremely low; and benefit levels of existing pensions had deteriorated dramatically.

One of the main features of the existing pension system was that the private or capitalization component of the system was favored by legislation. Indeed, since its reform in 1993, the pension system offered active workers a choice between a revamped public pay-as-you-go (PAYG) system, and a partly privatized scheme that included a basic pension and a funded scheme administered by private pension funds.¹⁹⁰ Access to PAYG was restricted, however. Workers could not transfer from the partly-privatized scheme to the public system. Under Kirchner, Congress passed legislation which strengthened the PAYG side of the system, which allowed workers to transfer from the private option to the public PAYG.¹⁹¹ At the same time, benefits offered by the public system were made more appealing for older workers, encouraging them to choose the PAYG option. These changes aimed at bringing savings back to the state. Similar changes had been consistently and unsuccessfully advocated by legislators of the FREPASO in the 1990s. Their proposals inspired the legislation submitted to Congress by the Executive, which was supported by the opposition and by the CTA and allied legislators in Congress. Once in place, the new legislation provided the PAYG fund with considerable resources.¹⁹² Transfers from pension funds, and growing revenue from earmarked and payroll contributions—which were consistently rising in a context of stable and high GDP growth under Kirchner—provided a stable source of funding to undertake an expansion of pension benefits to outsiders.

Together with this reform of the PAYG side of the system, different measures flexibilized access to pension benefits for outsiders.¹⁹³ These changes opened the door to the universalization of the system. ANSES, the pension institute, allowed people who had reached retirement age to obtain a minimum pension, the modal benefit level in the system, and complete the years of contributions they owed by paying a subsidized moratorium out of their pension benefit.¹⁹⁴ At

¹⁹⁰ For a description of the system, see Alonso (2000), Madrid (2003).

¹⁹¹ The new law was passed by Congress in 2007.

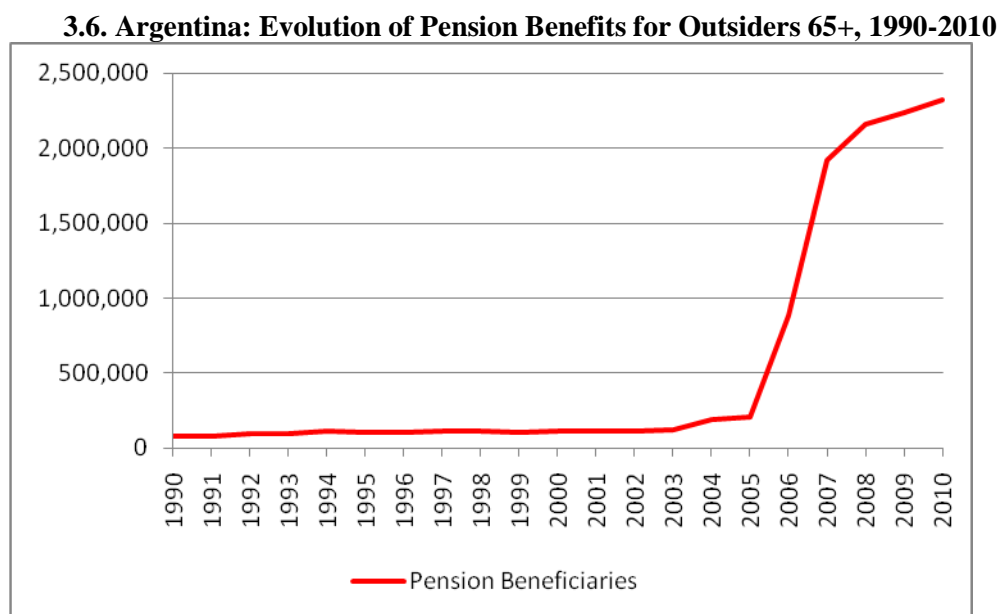
¹⁹² Data from Anses available at www.anses.gov.ar and Afip available at www.afip.gov.ar. See also, “Jubilacion: El beneficio real de los traspasos” in *Clarín* 04/22/2007 and “Los fondos menos conocidos de un sistema previsional lleno de plata” in *Clarín* 12/29/2007.

¹⁹³ Resolutions of ANSES, pension institute, and AFIP, the tax agency.

¹⁹⁴ To apply for the benefit, people had to pay the first installment of the moratorium. Several subnational units agreed to pay the first installment for people in their districts. Large provinces and municipalities in the Greater Buenos Aires agreed to make those payments. This way majors and governors could claim credit for the new benefit

the same time, it allowed the unemployed who had completed the required years of contributions but were below retirement age to cash a pension.¹⁹⁵

Scope of Coverage. Pension reforms universalized access. The number of outsiders with pension benefits jumped from 91,000 in 2001 to over 2 million in 2008 (see Figure 3.6.).¹⁹⁶



Source: Estimated with Data from ANSES, INDEC, and Ministry of Social Development.

Benefit Level. The benefit level of new pensions is high, equal to the lowest pension paid by the contributory system to insiders. Aside from receiving a pension, outsiders became eligible for a number of benefits enjoyed by formal-sector pensioners. These include a food allowance; access to the health-insurance scheme for formal-sector pensioners (PAMI), which provides full health coverage and pharmaceuticals; highly subsidized recreation activities and vacation packages; and family allowances for dependents.

Participation. The Kirchner administration did not inaugurate new participatory mechanisms for pension beneficiaries. Participatory mechanism existed prior to pension expansion under the

together with the national government. See *Programa de Inclusion Previsional* in www.anses.gov.ar. (accessed 2009)

¹⁹⁵ Pensioners are granted a minimum pension out of which the state deducts a fixed installment for unpaid contributions. Survivors can also obtain pensions from spouses if they complete the years of contributions. Monthly installments initially represented a large percent of pension benefits for those without a contributory record. However, after the moratorium was launched the minimum pension was increased on several occasions, while the monthly installment remained frozen. In this way, monthly payments represent increasingly lower portions of pension benefits.

¹⁹⁶ Disability pensions constitute less than 10 percent of total pension benefits.

old pension system: an advisory and executive council formed by representatives of over 100 pensioner associations. These councils circulate information to pensioners and collect demands from pensioner representatives. Their role is much less relevant to that of participatory mechanisms in other policy areas, as pensioner associations are rather inactive politically and these councils do not encourage activism. The main links between the state and outsiders in terms of pension policy work through the social movements involved in the Kirchner coalition, rather than through these councils.

The inclusive model adopted for pension expansion can be understood as a response to the demands of the movements of the unemployed for pension benefits and as a way to consolidate the support of the lower classes. Pension expansion was an effective way of reaching out massively to outsiders. It is true that pension benefits could have been targeted to the very poor only by establishing a means test. The government understood that non-poor beneficiaries were few, thus the creation of a means-tested scheme was not particularly useful. At the same time, by universalizing “contributory” rather than “means-tested pensions,” the state could finance new pensions with revenue from the ANSES, the social-security agency that administers formal workers’ benefits instead of raising new tax revenue. Moreover, social-security experts argued that means-tested pensions were hard to implement, and were vulnerable to manipulation in the selection of beneficiaries (interview Social Security consultant). Selective benefits could result in clientelist implementation, making expansion backfire against the government. Finally, the expansion of broad benefits would also benefit the middle classes, particularly women with more unstable work trajectories. The urban middle classes were the most volatile sectors of the Argentine electorate. Pension expansion could thus also favor the FV electorally.

The benefit level of the pensions received by outsiders was set equal to that of the minimum pension paid by the contributory system. Given that the new benefit was indeed paid by ANSES, and defined as “contribution based” even though it was heavily subsidized, public officials thought that it had to be set equal to a minimum pension. If set below the legal minimum pension, the new benefit could trigger law suits against the pension system.¹⁹⁷ According to the Undersecretary of Social Security:

“I think this pension benefit should have a lower benefit level. We had the intention to do it that way. We discussed that with Massa [the head of ANSES], but he said, and I think he was right, that new pensioners could argue that they were discriminated and sue the state. Thus to avoid lawsuits the decision was to pay [new pensioners] the minimum benefit paid by the contributory pension system” (interview Undersecretary of Social Security).

Finally, the lower level of participation observable in the implementation of pensions is likely to be related to the fact that pressure to expand this policy was exerted within the incumbent coalition. In these cases of mobilization from below, movement pressure may be

¹⁹⁷ There is an important level of litigation in the Argentine pension system.

more effective in influencing decision-making, but movements have to share political decisions with competing interests in the government. In these cases, policies tend to be inclusive but less participatory.

5. Assessing Alternative Explanations

This chapter has emphasized the importance of mobilization from below to the expansion of social policy. Indeed as discussed in previous sections, other potential explanatory factors have not played a decisive role in explaining policy expansion. Unlike the other cases under study, electoral competition for outsiders has not been a major factor in decisions to expand social benefits in Argentina. Electoral competition for outsiders has in fact been limited. On the one hand, low-income outsiders have typically voted for the PJ, forming its staunchest electoral constituency even during the implementation of market reforms. Lack of competition from other parties seeking to pry away the Peronist vote has undoubtedly facilitated these dynamics. Further, the spread of PJ clientelistic networks during the 1980s and 1990s has helped maintain the loyalty of low-income PJ voters, preventing discontent (Levitsky 2003) and recreating Peronist identity among the lower classes (Ostiguy 1998; Levitsky 2003). Electoral competition for outsiders only took shape within the PJ throughout the period under examination, and especially in legislative elections. The main episode of credible competition occurred during the 2009 legislative elections, when the PJ was divided in some electoral districts into two separate forces, both competing effectively for outsiders in those districts. Electoral competition may grow in the future. To date, it has not been high, and based on the analysis of the decision-making process and the timing of expansion it has not affected politicians' decisions to initiate these innovations. For example, the expansion of family allowances in 2009 occurred several months after the legislative elections and took place as a response to pent-up mobilization.

The role of economic factors in policy change has to be assessed. Economic crises seem relevant to the expansion of social policy. Indeed, the first massive expansion in 2002 took place amidst a dramatic financial collapse. However, the economic crisis did not by itself produce the governments' response. As we have seen, demands by unemployed workers predated the financial crisis of 2001 and a major expansion was aborted for political reasons under the De la Rúa administration. The decision to expand social programs by President Duhalde in 2002 was largely linked to political survival, as four presidents had to resign before he assumed office in a context of massive protest and financial collapse. Social policy was, as we will see in Brazil under Itamar Franco, "a salvation board" for an incumbent facing massive mobilization. Social policy expansion allowed Duhalde to stabilize his administration and control protest. In fact, his tenure was abruptly terminated not because of economic reasons, which were initially severe, but because of the violent repression of a demonstration by unemployed workers, which compromised his continuity in power. After the murder of two protestors, massive demonstrations demanded Duhalde's resignation and called for new elections.

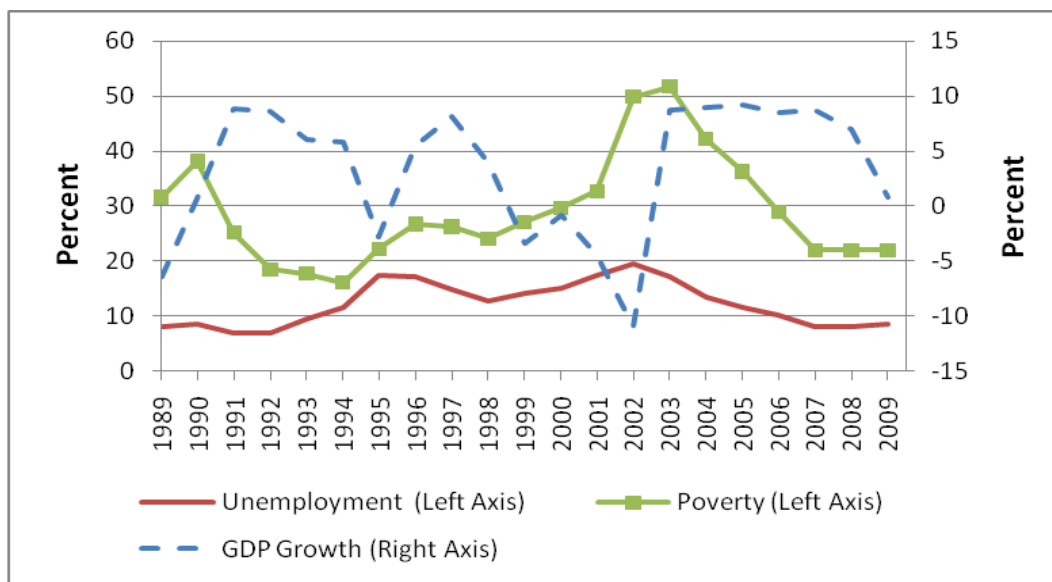
Furthermore, economic crisis had taken shape in Argentina in 1989 (which was particularly severe) and in 1994. These crises did not trigger expansion (see Chapter 2). In the absence of mobilization from below that could be articulated in the context of these crises, or of

opposition parties that could mobilize the outsider electorate against the incumbent, the 1989 and 1994 crises did not propel the creation of large-scale programs. Fearing disorder, the government responded with a large policy proposal that was eventually aborted in 1989 (see Chapter 2). The 1994 crisis, which produced 19 percent unemployment in the first half of 1995, did not trigger immediate policy responses. Instead, a small workfare program, *Plan Trabajar*, was created in 1996 to show some concern for skyrocketing unemployment. The benefit initially reached less than 8 percent of the unemployed. It should be noted that economic crises could also result in the contraction of social policy, which was obviously not the case in 2002.

Economic growth (a simple measure of the absence of strict financial constraints) is usually understood as necessary for governments to launch new social programs. The initial expansion of income support benefits and health care (and incipient pension expansion) were launched, as we have seen, in the context of dramatic negative growth in 2002 (see Figure 3.7 below). Expansion of pensions and family allowances, did not occur during the economic downturn. A smaller pension expansion was implemented after Duhalde promised to create 1 million pensions in negotiation with unemployed protestors in 2003. After Duhalde's short tenure, the Kirchner administration faced the task of delivering pension expansion. This began incipiently between 2003 and 2006 as the government pursued a major reform of the pension system, which provided the initial funding to extend pensions to outsiders. At the end of the Kirchner administration, 2 million outsiders were receiving pension benefits, and coverage of people 65+ was virtually universal.

The expansion of family allowances followed a similar logic. It occurred after a new wave of protests by unemployed workers. These protests surged in response to a new, small, national workfare program that was implemented in clientelistic ways by local authorities. Indeed, the creation of a small workfare program, whose access was determined selectively by mayors, produced demands for rule-based universal benefits. The Cristina Kirchner administration responded with the extension of rule-based, and generous family allowances. The creation of family allowances for outsiders was a long-standing demand of the CTA, which is associated with some of the movements. Although protests were launched by movements that were not linked to the Kirchners' coalition, loyal allies also criticized manipulation and clientelism, which they had fought painfully while building their incipient organizations during the Menem administration. Concern about destabilizing protest and accusations of clientelism led Cristina Kirchner to respond immediately with large-scale policy benefits.

Figure 3.7. Evolution of Socio-economic Factors 1989-2009



Sources: GDP 1989-1992 from Murillo (2001b:136), 1995-2008 from INDEC (www.indec.gov.ar), 2009 estimated with data from Ministry of Finance; Poverty headcount, year average from EPH, INDEC (for 2008-2010, I use 2007); Unemployment from INDEC (1992-2006, 2009); and 2007-2008 elaborated from Table 4, page 40 (http://www.mecon.gov.ar/peconomica/informe/informe64/version_completa.pdf accessed 08/08/09).

If new policies launched in 2002 in the context of declining living conditions (measured with unemployment and poverty rates), the more recent expansion of pensions and family allowances did not take shape in comparable contexts. Indeed, unemployment and poverty have gone down dramatically relative to 2002 (See Figure 3.7).

It is clear that when incumbents face higher electoral competition for outsiders or large-scale mobilization from below, their popularity, and their hold on power, is loosened. Incumbents fear that chances of survival will be further affected unless decisive measures are taken. Doing otherwise can compromise the administration, as in the *extreme case* of De La Rúa, whose lack of immediate action led to a dramatic political crisis. At the same time, movements usually mobilize when incumbents are more vulnerable, either because there is a broader context of mobilization (as in 2001 and 2002) or because the government is losing credibility. In these cases, incumbents seem more prone to making concessions. This was the case of the Duhalde administration in its final months, and of the Cristina Kirchner administration after intense confrontation with rural producers undermined its stability. These situations can be profitable for powerful actors with mobilization capacity and an agenda centered on concrete demands for the outsider constituency.

The inclusive model of social policy that was adopted in Argentina was designed in negotiation with or in response to the demands of movements pressing for policy expansion.

These innovations were not adopted and the specific models were not designed according to models of social protection that diffused across the region. Indeed, the design of non-contributory pensions, family allowances, and health care benefits does not correspond to clearly identifiable blueprints. By contrast, their benefit levels, scope of coverage, and participatory mechanisms were local responses to political needs. The universalization of family allowances and pensions had little resemblance with policy models disseminated by multilateral development agencies. These agencies have generally recommended targeted programs, rather than the extension of costly benefits for insiders to outsiders, as it was the case under the De la Rúa administration when the Work Bank endorsed the proposal to target formal-sector family allowances to the very poor. The policymaking process in these policy areas, moreover, was largely influenced by social movement demands and by the urgency of the political context. For example, the massive workfare benefit launched in 2002 was not only extended “fast” but according to a national government official, was designed “ex-post,” as its implementation¹⁹⁸ anteceded critical design decisions. Instead of adopting a particular, appropriate model, the goal was to respond quickly to demands. As we will see, this trajectory differs significantly with the cases of Mexico and Chile, where the policy process was shaped by other kinds of threats and dynamics, and where policy design involved a larger role for technocratic procedure in order to ensure accountability, restore legitimacy, and to isolate social demands, which are the main sources of policy change in Argentina and largely in Brazil.

6. Conclusions

This chapter has drawn on the analytical framework advanced in this study to explain why Argentina built inclusive social policies for outsiders. As expected in the framework, high levels of mobilization from below led incumbents to expand large-scale, rule-based social policy starting in 2002. Fearing threats to survival, at some points even collapse, the Duhalde administration expanded large-scale policies in response to pressure by a powerful movement of unemployed workers. This movement had gained allies among community associations and the CTA, which amplified its mobilization capacity. After the first expansion in 2002, the Kirchner administrations expanded social policies with the aim of integrating these movements into their coalition, and contain demands.

Social benefits inaugurated since 2002 have been inclusive, that is, they have reached a large pool of outsiders, with generous, and participatory provisions. This policy choice is explained by the active participation of social movements in policy design. These movements of unemployed workers and their union allies demanded universalistic benefits similar to those of insiders. In fact, some benefits in Argentina (and likewise in Brazil, analyzed next) were eventually integrated into pre-existing policies for insiders. This was the case of pensions and family allowances. Social movements further advocated participation in policy implementation to prevent manipulation of access and to empower their organizations. As established in the

¹⁹⁸ See also *Clarín* 01/07/2002.

framework, the key factor accounting for the creation of inclusive benefits in Argentina and has been the involvement of social movements in policymaking.

Chapter 4. Social Mobilization, Electoral Competition for Outsiders and Inclusive Social Policy in Brazil

1. Introduction

This chapter analyzes social-policy expansion in Brazil, which in the early 1990s was the most unequal country of Latin America and one of the most unequal in the world.¹⁹⁹ Brazil expanded social programs for outsiders significantly starting in the 1980s. A universal health-care system was adopted in 1988 and implemented in the 1990s, and pre-existing pensions for rural workers²⁰⁰ and new pensions for low-income seniors and the disabled were expanded dramatically starting in the early 1990s, providing almost universal coverage for people 65+ a decade later. Further, a number of income-support programs, of which *Bolsa-família* has been the most prominent, have been extended to low-income families and children conditional on school attendance and medical checkups. By 2008, transfers from *Bolsa-família* reached 11.3 million families, close to 25 percent of Brazil's population (See Figure 4.1). These large-scale services and cash-transfers have helped reduce inequality and child labor, increase school enrollment, and boost consumption, which has particularly benefited small, rural localities.²⁰¹ Finally, these social policy expansions have established participatory councils at the national and subnational levels, allowing for social organizations and labor unions to participate in policy deliberation and oversight. It is estimated that in 2000 about 100,000 people participated in health care councils alone. Further, between 2003 and 2007, more than 3 million people participated in state-sponsored meetings to debate public policies.²⁰²

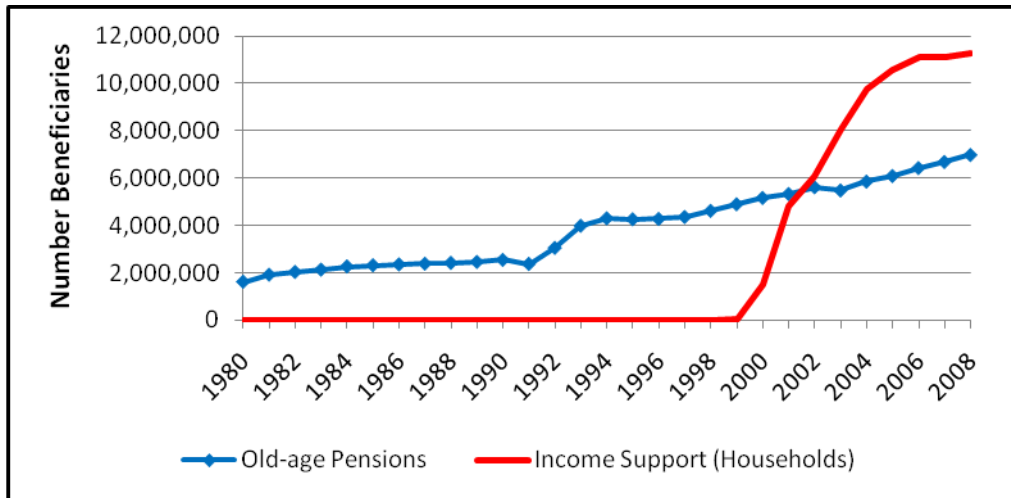
¹⁹⁹ On the characterization of inequality in Brazil and its comparison with other countries, see Lieberman (2003).

²⁰⁰ See Chapter 2 for a discussion of these policies.

²⁰¹ See Delgado & Cardoso (2003); Schwartz (2000); IPEA (2006); Secretaria de Comunicação Social (2008:65).

²⁰² See Secretaria de Comunicação Social (2008:73).

Figure 4.1. Evolution of Income Support and Pension Benefits for Outsiders, Brazil 1980-2008.



Sources: Pension beneficiaries estimated with data from Yearbooks of Social Security (Several Years). Income-support beneficiaries include only national-level benefits estimated with data provided by MDSCF. See Appendix 2.

Aside from occurring in a country marked by secular inequality, this expansion is puzzling. Indeed, far from being regarded a successful democracy, the literature has considered Brazil a particularly salient case of failed democratic politics. Scholars have argued that patronage politics and fragmented interests have prevented all encompassing “equity-oriented reforms” (Weyland 1996a) and that weak parties have created problems for democratic governance, severely limiting the quality of democracy (Mainwaring 1995: 355). Scholars have further found that political institutions discourage national policy goals that would “improve the life for the average citizen” from succeeding in Congress, by blocking legislation and facilitating, instead, the status quo characterized by pork and patronage politics (Ames 2002).

The case of Brazil is more complex than the other cases in this study in that both factors causing expansion—mobilization from below and electoral competition for outsiders—have led to social policy formation at different points in time in different policy areas. Mobilization from below propelled health care and pension expansions starting in the late 1980s. Powerful movements called for policy change and participation in policy design, producing inclusive policies at the beginning of the new democracy. Because social mobilization around income-support programs was much weaker at this time, and because the largest movements were focused on food distribution and agrarian reform, mobilization did not lead to the expansion of income transfers (which were indeed promoted by politicians of the left since the 1980s). Electoral competition for outsiders was not relevant in this period, as low-income voters were locked in by machine parties and left parties promoting redistribution were incapable of reaching these voters. However, this changed later on as the left expanded its reach among outsiders in the 1990s.

The expansion of income transfers for low-income families began as a response to electoral competition for outsiders starting in 2000 and particularly in connection to the highly competitive 2002 presidential election. The incumbent coalition, which included conservative party machines, expanded transfers to offset the appeal of the rising Workers' Party among outsiders. The Workers' Party had implemented income transfers in local administrations in the 1990s, and threatened to pry those voters away from conservative machines. In accordance with this study's framework, the expansions propelled by competition and designed from above were initially restrictive. With the victory of the left in 2002, income programs were expanded massively. Social movements allied with the government pushed for broad, participatory policies for the low-income sectors, thereby producing inclusive benefits.

In the next sections of this chapter I analyze how social mobilization from below and electoral competition for outsiders have compelled incumbents from both conservative and left-wing coalitions to launch expansions, and I explain which kinds of policies were built and why.

2. Democratization, Mobilization from Below, and Inclusive Expansion

The first social policy expansions in Brazil's new democracy were propelled by mobilization from below. Until the late 1990s, conservative machine parties in which ARENA²⁰³ politicians had regrouped,²⁰⁴ such as the PFL (*Partido da Frente Liberal*), or in which patronage politicians of the MDB had forged new structures, such as the PMDB (*Partido do Movimento Democrático Brasileiro*), mobilized the vote of outsiders. Low-income voters supported conservative candidate Fernando Collor de Mello overwhelmingly in 1989, and Fernando Henrique Cardoso in 1994 and 1998, who was allied to conservative parties.²⁰⁵ Until the rise of the left in the late 1990s, and in particular starting in the 2000 mid-term elections, competition for the outsider vote was not prominent.

By contrast, mobilization from below emerged during the democratic transition in the 1980s. As discussed in Chapter 2, a political opening was launched from above in 1974 by the military as it sought to increase its legitimacy and remain in power.²⁰⁶ With "decompression" repression was eased, and restrictions on opposition activity and the press were gradually lifted. Civil society groups and social movements began to expand rapidly and voice demands (Sader 1988; Keck 1992; Seidman 1994; Kowarick 1994).²⁰⁷ A "new unionism" of highly militant unions in automobile plants and the metal industry in São Paulo became a fundamental factor in

²⁰³ ARENA stands for *Aliança Renovadora Nacional*, National Renovation Alliance. It was the military party during the dictatorship. See Chapter 2.

²⁰⁴ It should be noted that ARENA in turn was largely based on the PDS, a patronage based party of the Brazilian oligarchy created by Vargas. On the parties under authoritarianism see Jenks (1979) and Kinzo (1988).

²⁰⁵ Cardoso formerly belonged to the PMDB. During the Constituent Assembly the PMDB split into a more conservative and a more progressive bloc. The progressive bloc founded the PSDB.

²⁰⁶ See Skidmore (1989); Collier (1999: 134-138).

²⁰⁷ There is a broad literature on these movements. On the new unionism, see Seidman (1994); Keck (1989, 1992). On the rural workers' unions and social movements, see Maybury-Lewis (1994); Houtzager (1998, 1997); Novaes (1991); on urban movements, see Mainwaring (1989); Kowarick (1994); Escorel (1999); Gohn (2003); Alvarez (1989).

opposition to authoritarianism and in demands for higher wages and broader social rights. Together with unions, a large number of urban social movements and church-based communities also surged and expanded. Rural mobilization was revitalized in opposition to the military dictatorship and in demand for better living conditions. Women's movements, a public-health movement, and other grassroots movements and associations proliferated during this period. These different movements pressed their own demands and joined together for democracy and social rights. In particular, after the two-party system established by the dictatorship was dismantled, the new unionism and several social movements founded a left-wing party, the *Partido dos Trabalhadores*, PT, to advance their interests in the partisan arena (Keck 1992).

Although they did not dictate the pace of democratization, these movements contributed to its unfolding (Collier 1999: 136). This was especially true in 1984 when social movements, labor unions, and opposition politicians mounted a massive campaign for direct presidential elections (*Diretas Já* Campaign). These elections were not carried out until 1989, but mobilization put pressure on incumbents to deepen the transition. Further, social movements were important in pressing for popular participation in the writing of a new constitution, one of the banners of the MDB, the opposition party during military rule. Finally social movements were critical in the constituent assembly, which was an important corollary of the mobilization that characterized Brazil's transition (Michiles et al. 1989). Mobilization from below caused several social-movement demands to be debated and included in the new constitution. This section traces the process of demand-making, policy adoption and implementation of social policies concerning health care and pensions advocated by these movements. Income support programs were not advocated by social movements despite their promotion by some politicians of the PT. Social movements concerned about income were centered on agrarian reform during this period.

2.1. Mobilization from Below in the New Democracy

In 1985, President José Sarney assumed office, putting an end to Brazil's long democratic transition. Sarney's appointment came after Tancredo Neves, who had been elected by the Electoral College, passed away unexpectedly before taking office. Sarney had been selected Vice-President in last minute negotiations between the PMDB,²⁰⁸ and the pro-military PDS (*Partido Democrático Social*) (see Skidmore 1989: 30-31). Facing high social mobilization and suffering from little legitimacy, Sarney promised to address social demands. His government slogan became, "everything for the social," (*tudo pelo social*).

As soon as he took office, Sarney launched a constitutional reform, which the PMDB had championed throughout the transition. Shortly before the constituent assembly convened, Sarney responded to social-policy demands advocated by social movements. In particular, he launched major changes in health policy advocated by the Public-Health Movement (PHM),²⁰⁹ which

²⁰⁸ PMDB, Brazil's Democratic Movement Party, is the successor of the MDB, "the opposition party" under the military.

²⁰⁹ The movement is generally referred as Movimento Sanitário, Sanitaristas, Movimento da Reforma Sanitária. In order to highlight the fact that the movement was *not only* formed by public-health doctors, I call it Public-Health

pressed for a universal, participatory health care system. Leaders of the movement had joined the Sarney administration with the support of the left-wing faction of the PMDB (Escorel 1999), and occupied key positions in the Ministry of Social Security. This movement pressed for health reform not only from the state, but also from society. Doctors' research institutions, community associations, and labor unions formed part of the broader mobilization for health care expansion (Escorel 1999; Abrantes-Pêgo & Almeida 2002; Rodrigues Neto 1997). In 1986, the PHM hammered out a proposal for health care reform at a massive health conference attended by representatives of hundreds of civil society associations.²¹⁰ That same year, Sarney universalized access to the social-security health care system and in 1987 initiated the *Sistema Decentralizado de Saúde* (SUDS). These measures approved universal access to medical services—previously available only to formal workers—and transferred the administration of the new system to the states. The goal of SUDS was to integrate existing health-care institutions (those catering to formal-sector workers and the ministry and subnational secretariats of health) in order to expand access.

With these measures, Sarney sought to contain social activism for health care reform and gain support among social movements. At the same time, decentralization of health services to the states allowed Sarney to protect vested interests that resisted aspects of the reform proposed by the PHM (Weyland 1996a: 159). Conservative politicians who had benefited from the administration of the social-security system under the military rejected the decentralization of health services to the municipality demanded by the PHM. This decentralization would affect the interests of state-level officials, politicians, and private contractors who benefited from generous contracts established by the institute of social security, INAMPS, at the state level.²¹¹

Sarney also promised to support the demands of rural workers for pension expansion. In 1986 he passed by decree an extension of benefits for rural workers, which improved access to medical services and accident insurance (FdSP 06/11/1986).²¹² Further measures were nonetheless debated in the constituent assembly where major reforms were formalized and entrenched as constitutional rights.

The Constituent Assembly

Major health care and pension expansions were adopted in the Constituent Assembly (CA). The CA was marked by unprecedented social participation and direct influence in social

Movement. On the movement, see Rodrigues Neto (1997), Fleury (1997), Escorel (1999), Abrantes-Pêgo & Almeida (2002), Escorel, Nascimento, & Elder (2005), Escorel & Bloch; Sousa-Campos (2005), Labra (2005). On health reform, see Arretche (2005), Rehem (2003).

²¹⁰ Escorel & Bloch (2005:99). It should be noted that Brazil has a long history of Health Conferences sponsored by the state. Conferences were created in 1937 under Vargas and their composition changed over time. Until 1986, these conferences were mainly elite affairs. In 1986, conferences became broader and highly participatory, with the inclusion of civil society groups (see Escorel & Bloch 2005).

²¹¹ GM 05/15/1990; Hesio Cordeiro, leader of PHM and former Minister of Health of Sarney stated that “the social security institution” and “conservative politicians linked to the interests of private-health corporations” boycotted the implementation of SUS under Sarney in “Remédio para a Saúde” JdoB 06/18/1990.

²¹² Names of newspapers have been abbreviated. See Appendix 2.

policymaking. Social movements perceived the CA as a critical arena to achieve their goals and pressed vigorously to advance their demands. The outcome of the CA was the inclusion of a set of social rights in the new constitution.

Social movements advocated various social-policy proposals in the CA. With respect to health care, the PHM advocated the creation of a universal, decentralized, and participatory health system, *Sistema Único de Saúde* (SUS). The creation of SUS was agreed upon by the members of the movement; politicians from different parties, particularly the left wing of the PMDB (which later on formed the PSDB); and left-wing parties, which had little presence in Congress before the assembly convened.²¹³ The main opposition to SUS stemmed from politicians and interests representing the interests of private hospitals. However, measures undertaken by Sarney before the assembly convened, such as the adoption of SUDS, signaled that SUS would be approved in the CA.

Another fundamental demand was the reform of rural pensions. Rural unions advocated the extension of pensions to women, a reduction in the retirement age to acknowledge significantly lower life-expectancy rates in rural areas (as well as earlier entry in the labor market), and a benefit level of one minimum wage. These demands were advanced by CONTAG, the national confederation of agriculture workers, which formed a powerful interest group.²¹⁴ The third major demand was the passage of non-contributory, universal pensions for seniors and for the disabled without social-security benefits. A network of social-assistance associations, church groups, and supporters of old-age pensions in the Ministry of Social Security and Social Assistance pressed this demand.²¹⁵

Despite the fact that the Constituent Assembly was carried out reluctantly by Sarney and that left-wing parties close to some of the social movements had little electoral weight at the time, social movements achieved important victories. SUS and rural and non-contributory pensions were successfully passed. To achieve their goals, social movements exerted pressure and persuasion in the constituent assembly in different ways. First, after intense lobbying, social movements were allowed to submit popular amendments to the first draft of the constitution (Michiles et al. 1989). Movements then gathered signatures to support particularly controversial issues.²¹⁶ Overall, twelve million signatures were gathered in support of 71 popular amendments to the constitution.²¹⁷ Radical agrarian reform was the most supported amendment. This proposal

²¹³ The main ideas in the proposal for SUS had been hammered out in the VIII Health Conference, attended by 4,000 participants, including the main actors in the health field (unions, providers, social movements, and the state) (Escorel et al 2005: 78). After the conference, the Commission for Health Reform was established by the Sarney administration to draft the formal proposal and bills that would be advanced by the movement in the CA.

²¹⁴ See also Houtzager (1998) and Barbosa (2008). With the administration of Sarney, unions pressed to obtain benefits previously granted only to urban workers, such as sickness payments and maternity leave. See “Projeto prevê extensão da Previdência a todos os trabalhadores rurais” JdB 01/22/1986.

²¹⁵ The creation of that benefit was a longstanding demand of the movement of APAES (Associações dos Pais e Amigos dos Excepcionais), see “Previdência: Mais Benefícios” JdT 05/19/1988; “Batalha começou na Constituinte” CB 12/25/1993.

²¹⁶ Given that each citizen was allowed to sign up to 3 amendments, it is estimated that signatures represented somewhere between 6 and 18 percent of all the citizens registered to vote (Michiles et al 1989:104).

²¹⁷ “Emendas populares obtem mais de 11.2 milhões de assinaturas” JdoB 08/16/1987.

was sponsored by the MST (*Movimento dos Trabalhadores Sem-terra*), CUT (the labor confederation), and the CPT (the Church Pastoral Commission), and gathered close to 1 million signatures. Less controversial reforms, such as SUS, were not the focus of this type of activism.

Third, social movements engaged in intense lobbying in the assembly. Some organizations, especially the church, labor unions, and rural workers, had permanent staff devoted to lobbying. These organizations, moreover, had offices throughout the country. This capillarity allowed them to gather signatures and organize mobilization activities in different localities to press legislators in their districts. Lobbying activities were often accompanied with informational campaigns about the movements' demands, attendance in sessions, and protest marches.²¹⁸

Opposition to reforms emerged in specific areas. However, mobilization made it more costly for legislators to block these reforms than to support them, or to introduce these reforms with changes to the movements' proposals. The "Centrão" (big center)—a bloc formed by conservative legislators of the PMDB, PFL, and PSD—opposed specific aspects of social reforms. The most controversial issue for conservatives was agrarian reform, of which a more watered down version was eventually passed. At the same time, although SUS was broadly supported by legislators, an issue that generated opposition was the PHM's demand to nationalize private hospitals, a demand that did not prosper. Finally, extension of disability pensions was eventually passed, but was resisted by the Ministry of Social Security and would be curtailed in the future.²¹⁹ In short, despite resistance and negotiations over policy content, the new constitution provided the institutional framework for important social policy expansions.

The implementation of these reforms required enabling legislation. This opened the door for potential delays, as well as reforms to the new rights. Activists and politicians involved in the CA expected new battles in Congress. The Sarney administration failed to speed up the implementation of new rights. The final years of Sarney's tenure were marked by high inflation and the failure of successive stabilization plans (see Weyland 2002). Sarney did take some steps in health care, such as the last-minute decree transferring the INAMPS to the Ministry of Health to lead the implementation of SUS.²²⁰ Yet, it was left to his successor to pass new legislation and implement the new constitution.

2.2. Resistance to Expansion and Social Mobilization

The administration of Fernando Collor de Mello (1990-1992) had to pass enabling legislation and implement the new rights proposed under Sarney's government. Collor came to power with

²¹⁸ For example, the CNBB (the Brazilian Conference of Bishops) and the CUT, the confederation of the social-movement unionism printed 100,000 thousand brochures each on the constitutional reform, and on reforms on labor laws and social rights (Michiles et al 1989). See also, JdB 07/28/1987, p. 3; "CUT arma defesa dos itens pro-trabalhador" JdB 07/28/1988. During the debate of the agrarian reform, for example, CONTAG had a permanent group of 1.2 thousand militants attending sessions, JdB 06/12/1987 p.2.

²¹⁹ The minister of Social Security criticized lack of definition of the term disability. "Para Archer, Previdência não vai falir," CB 07/ 24/1988.

²²⁰OEdSP 03/09/1990.

a conservative coalition led by the National Renovation Party, PRN, after defeating the Workers' Party in a runoff. Collor was the first president to be elected in competitive and free elections after the elimination of literacy requirements, which granted the right to vote to at least 10 million illiterate.²²¹ His victory was unexpected. Collor was an "outsider politician"²²² who lacked a minimally established party. As a candidate, he launched an effective campaign against the political class, state bureaucracy, and corruption, achieving unexpected electoral support. He claimed to represent the poorest, the "shirtless," and reached voters in an unmediated way, relying on extensive TV advertising.²²³ At the same time, he marshaled the support of political machines during the runoff and effectively defeated the Workers Party. Outsiders voted massively for Collor. Studies show that in the runoff 71.7 percent of low-income (primarily outsider) voters supported Collor, compared to 28.3 percent who supported the PT candidate Luiz Inácio Lula da Silva (see Singer 1999: 170 table 2.6.A).²²⁴

Despite promising increased social expenditure, Collor forestalled the implementation of new social rights.²²⁵ Pushed by social-movement pressure, Congress nonetheless passed the new health-care and pension laws in 1990 and 1991, respectively. However, Collor initially vetoed several articles in these laws, which delayed implementation. With respect to the new health care system, Collor sought to protect a highly centralized decision-making structure.²²⁶ The critical issue was to leave funding decisions in the hands of the national and state governments to preserve arrangements set up under the military. Two goals were pursued: a) to channel scarce resources primarily to the existing network of private hospitals that had thrived under the old system, in particular with subsidies in the 1960s and 1970s, and b) to protect the interests of the existing social-security health agencies and their patronage arrangements set up by ARENA politicians in the past.

To achieve these goals, Collor vetoed several provisions of the first health-care law passed by Congress in 1990.²²⁷ Facing pressure from the PHM, a new law was passed that reestablished some of these provisions. Facing legislative defeat, the Collor administration simply did not put the new legislation in practice. The critical issue for Collor was to limit the ability and power of municipalities to administer the health care system, what the PHM called "municipalization." This was achieved first with a veto on the article that established automatic transfers from the federal government to municipalities based on demographic criteria.²²⁸ That article was eventually passed in the second law, due to intense pressure from the PHM and local

²²¹ On the changes in literacy requirements, see Schneider (1991: 352).

²²² On Collor, See Weyland (1996a, 1996c, 2002); Boas (2009).

²²³ On Collor's campaign, see in particular Boas (2005, 2009), Weyland (2002).

²²⁴ Low-income voters are those with household income below 2 minimum wages. Similar patterns characterize the first round. Collor obtained the support of 57 percent of low-income voters (See Singer 1999).

²²⁵ For example, Collor repeatedly announced 10 percent GDP spending for health care. See, "Collor reafirma meta de elevar para 10% do PIB gastos com saúde até 95," GM 06/25/1991. See however lack of implementation in "Orçamento de 92 mantém a saúde em estado grave" OG 01/02/1992.

²²⁶ Chronology built with Dataset of Policymaking. On health policy under Collor, see also Arretche (2005); Levovich et al (2001); Rodrigues and Zauli (2002).

²²⁷ OEdSP 09/21/1990 p. 14.

²²⁸ OEdSP 09/21/1990 p. 14.

authorities (Arretche 2005: 295), but direct transfers were not established in practice. Instead, the Collor government continued to make transfers based on “productivity” or service provision.²²⁹ This favored negotiation of funding between the national government and states on the one hand, and the states and municipalities on the other, creating “negotiated” instead of “automatic” transfers.²³⁰ “Negotiated transfers” obviously hurt municipal autonomy established in the constitution, and probably introduced partisan criteria in the distribution of resources. In the words of then-president of the National Council of Municipal Secretaries of Health, Collor’s measures meant that “without autonomous funding we will continue to be at the mercy of the states.”²³¹ At the same time, these arrangements obviously devoted more resources to areas in which “productivity” was high, meaning hospital services became more developed. In short, instead of empowering and increasing municipal autonomy, which was established in the Constitution and advocated by the PHM, allocation of funding designed by Collor maintained a more centralized administration of the health care system that supported the status quo and limited the expansion of health services in areas with little infrastructure.²³²

The deliberation and societal involvement that had characterized health-care policymaking in the previous years was also dismissed and avoided by the Collor administration. For example, his minister of health, who faced a well-articulated movement stated, “Brazilians are tired of 20 years of debate, of that *assemblyism*. This is over with the arrival of Collor: it is time to act.”²³³ This strategy resulted in the solid opposition of the PHM,²³⁴ which vigorously demanded Collor’s resignation in 1992.

Collor’s vetoes also affected the implementation of pension reforms.²³⁵ Once Congress had passed the two laws that established the funding and benefits of the pension system, which after the constituent assembly were advocated intensely by rural workers²³⁶ and pensioner associations,²³⁷ Collor vetoed critical provisions of the reforms. Essentially, this entailed delays in the payment of newly expanded pensions, and payment of higher benefit-levels for formal-sector and (new) rural pensioners.²³⁸ To justify the vetoes, Collor argued that the pension system was bankrupt. His administration then attempted to increase payroll contributions to fund new

²²⁹ On the idea of “produtividade” FdSP 02/17/1990 p. A5

²³⁰ OEdSP 09 /21/1990 p.14.

²³¹ OEdSP 09/21/1990 p. 14.

²³² This is widely recognized in the literature, see Arretche (2005), Levovich et al (2001:273). Levovich et al argue that the national government limited direct, automatic transfers to municipalities foreseen in the constitution and created “negotiated” transfers to centralized decision-making.

²³³ “Alaceni critica o ‘assembleísmo” JdB 05/12/1990.

²³⁴ “Conferência vai discutir falta de investimentos para a saúde” Jornal do Brasil 08/10/1992.

²³⁵ Chronology built with Dataset of Policymaking Events.

²³⁶ CONTAG, the confederation of rural workers, initiated legal action to demand the passage of the new law within the term foreseen by the constitution. See CB 03/03/1990, p.12.

²³⁷ “Oposição tenta aprovar plano da Previdência,” FdSP 09/08/1990.

²³⁸ According to the new constitution no benefit could be below one minimum wage. Rural workers received 50% of a minimum wage at the time. In addition, pensioners demanded a 147% increase calculated according to the indexing mechanisms established in the new constitution. See “Collor veta projetos de leis da Previdência Social” 09/12/1990; FdSP 12/14/1990 p. B-10.

benefits, but this initiative was killed in Congress.²³⁹ Collor also proposed pension privatization as a way to improve pension revenue, but this also failed to be perceived as a solution to the pension system's alleged lack of revenue.²⁴⁰ Pensioners and rural workers mobilized for the new rights²⁴¹ and initiated legal action, prompting Collor to start honoring commitments in 1991, while other changes affecting formal-sector workers were implemented shortly before his collapse in 1992 and then by Itamar Franco in 1993. Non-contributory pensions and disability benefits, in turn, required the passage of a new social assistance law, which was passed by Congress and vetoed by Collor.

The Collor administration soon faced massive discontent. This stemmed from Collor's reluctance to implement new social rights and from other major problems plagued his administration. A harsh stabilization plan²⁴² enacted as soon as Collor took office was able to contain inflation briefly but eventually failed to deliver, generating a deep recession, hyperinflation, and high unemployment (Flynn 1993; Weyland 2002: 122-123.). Political troubles compounded economic strains. Collor faced serious coalition problems, which limited his capacity to respond effectively as the economy worsened. His own party, the PRN, was an electoral vehicle, and lacked backing in Congress. Further, Collor had not built ties to organized interests, not even business associations (Arruda Sampaio & Andrei 1998:10), which deprived him of significant political support.

Disclosure of rampant corruption in the administration fueled discontent and large anti-Collor mobilizations in 1992. In the absence of solid political support and facing a deleterious economic situation, Collor called for popular support to prop up his administration. Yet massive demonstrations of students, opposition parties, labor unions, social organizations, and churches grew rapidly against him. These demonstrations coalesced into the *Movement for Ethics in Politics*, which demanded Collor's impeachment.²⁴³ Mobilization against Collor came together around demands for improved social policy. Pensioners, rural workers, and members of the public-health movement joined together against Collor, while the *Movement for Ethics* pressed for the implementation of constitutional rights.²⁴⁴ Facing pressures and an impending impeachment, Collor resigned in September 1992.

²³⁹ See "Governo se mobiliza para aprovar projecto," OG 01/14/1992.

²⁴⁰ In 1992 Collor further decreed he would pay 147% increase in pension benefits in 1993. The government announced it would submit a bill to privatize the pension system. The head of the social security agency argued in favor of privatization. The proposal was further supported by FIESP, the business association of the state of São Paulo and by the Minister of Social Security. Unions feared that the outcome of pension reforms would be privatization. See "Objetivo e privatizar o sistema," JdeB 01/17/1992; "Empresários querem modelo chileno para Previdência," CB 01/17/1992; "Rossi defende a privatização do sistema," OEdSP, 01/12/1992; "O que pensam CUT e CGT" JDT 01/16/1992. On privatization proposals, "Ministro insiste na privatização" OEdSP 11/21/1992. On pension privatization, see Stephanes (1998).

²⁴¹ "Trabalhadores Rurais Protestam no Sul," OG 2/12/1992.

²⁴² Among other things, Plano Collor had confiscated bank accounts, initiated state rationalization, and launched a privatization package—which did not take off—to ensure economic recovery.

²⁴³ On the Impeachment, see Weyland (1993); Landim (1998); Gohn (2003: 145).

²⁴⁴ See: http://www.ibase.br/betinho_especial/com_a_palavra/o_novo_esta_nas_ruas.htm; Pensioners demonstrations included demands for implementation of the constitution and "Fora Collor" [Collor out]. The Health

2.4. Social Mobilization and Implementation of New Rights

After Collor's dramatic collapse, Itamar Franco (1992-1994), Collor's vice-president and successor, had to build political support to remain in power. Franco faced a particularly delicate situation. First of all, he assumed office in an economic scenario marked by hyperinflation, which was successfully controlled only at the end of his tenure. Second, the impeachment of Collor due to rampant corruption had triggered a political crisis and involved high levels of social mobilization. Finally, the economic and political crises had compounded the already high levels of poverty and social exclusion. In this context, Franco was pressed to respond to mobilization and to foster transparency and democratic accountability.²⁴⁵

Franco rapidly steered away from Collor's strategy towards social mobilization and social policy. In his first speech as president he stated that "the struggle against poverty is a constitutional obligation of the state"²⁴⁶ and promised to decisively address the social question. A few months in office, he declared a state of social emergency and reaffirmed that "the priority of this government is the struggle against hunger, extreme poverty and unemployment."²⁴⁷ Unlike Collor, who had avoided organized groups, Franco engaged in active concertation and cooperation with social movements over social policy.²⁴⁸ He adopted several of the social policy proposals advocated by the movements and included movement leaders in their administration in order to gain legitimacy and reduce destabilizing activism. The inclusion of social movements in government decision-making and the surprising negotiation and consultation adopted by Franco were the most salient features of his administration. This strategy is comparable to President Duhalde's negotiations with social movements after the collapse of the administration of de la Rúa in Argentina in 2001 (see Chapter 3).

At the same time that Franco sought to gain legitimacy, the *Movement for Ethics in Politics* (MEP), aimed to capitalize on the dramatic surge in activism surrounding Collor's impeachment. Movement leaders understood it was a propitious scenario for pressure from below, as social-movement demands had gained more attention in the context of large-scale mobilization and presidential weakness. The MEP embarked on channeling popular activism towards social change. After conferring on the appropriate strategy, the movement defined the social question as one centered on *hunger* and launched the massive campaign *Movimento Ação da Cidadania, contra a Fome, a Miséria e pela Vida*,²⁴⁹ Citizen Action. This campaign was led by IBASE, a renowned NGO which had been central in the impeachment movement. IBASE was

Reform Movement also demanded the expulsion of Collor in the context of the IX health conference in 1992. See Leivovich et al (2001).

²⁴⁵ The press highlights such pressure. See "Pacote Social" JdeB 10/24/1993, which mentions that Itamar was "extremely concerned with preventing any form of corruption in his government."

²⁴⁶ See Ministério das Relações Exteriores (2008). See also "Sem dinheiro para matar a fome," OG 03/20/1993; "Popular ou Populista," JdeB 02/15/1993; "Itamar presidira Conselho da Fome" JdoB 03/04/1993.

²⁴⁷ JdeB 03/19/1993 p.5; See also, OEdSP 19/03/1993 p.7.

²⁴⁸ Itamar engaged in interactions with opposition parties and with social organizations. Soon in office, he discussed policy proposals submitted by the opposition. See CB 12/28/1992 p.5; JdeB 02/10/1993 p.3.; JdeB 02/12/1993 p.3; "Governo amplia debate sobre fome" CB 02/17/1993.

²⁴⁹ Movement Citizen Action against Hunger, Social Exclusion and for Life.

closely connected to labor unions, as well as urban and rural movements. Citizen Action began to mobilize public opinion and civil society organizations around the question, and attempted to put pressure on the state and persuade Franco to adopt a massive anti-hunger initiative. As stated by an activist of IBASE:

“Citizen Action was the same coalition that had formed the Movement for Ethics in Politics (...) When Collor left and Itamar assumed the presidency there was a meeting with hundreds of civil society organizations, a very broad coalition [to see] what could be done (...) to mobilize the population. People were on the streets and wanted change (...) so we decided (...) to talk about hunger. Maybe that would attract public opinion and we would manage to form a movement. Then we thought about the strategies to contribute to the eradication of poverty” (interview).

As part of the movement’s strategy, the Workers’ Party (closely allied to social movements) submitted to the President its 1989 campaign program to fight hunger, which included a number of social policy initiatives, such as support for family agriculture, food distribution, and, fundamentally, the creation of a national council of food security, *Conselho Nacional de Segurança Alimentar*, CONSEA, involving civil society participation (interview IBASE; JdeB 02/10/1993 p.3). This program had been previously influenced by social movements, several of which formed Citizen Action in 1992. Because of social movement influence, civil society participation was deemed critical. As stated by PT president Lula da Silva when he met with Franco in 1993, “[social policy] has to include civil society participation because today civil society is the only one that can successfully fight hunger” (JdeB 02/10/1993 p.3).

Franco adopted the PT’s proposal and convoked social movements to participate in CONSEA, formed by 19 civil-society representatives and 10 ministers.²⁵⁰ CONSEA was in charge of proposing and supervising initiatives to fight hunger. It served as a liaison between civil society and the state from which social movements could influence public policy. The *Plano de Combate à Fome e a Miséria*, articulated between the state and CONSEA, involved different schemes (food distribution, school breakfasts, public works, and land distribution).²⁵¹ In contrast to Collor’s disregard for outsiders and social policy, Franco decided to implement the Plan against Hunger quickly “because of the gravity of the social crisis,”²⁵² and he participated actively in the program’s design and promotion.

In coordination with CONSEA, Citizen Action simultaneously engaged in massive social mobilization to fight hunger. It launched close to 3,000 local councils (*conselhos de combate a fome*) to collect and distribute food.²⁵³ Several of these councils were organized by workers from public companies, principally from the Bank of Brazil and *Caixa Federal* (Gohn 2003:149; de

²⁵⁰ Civil society representatives were selected by Citizen Action.

²⁵¹ “Falta convidar Betinho,” JdoB 02/12/93. Betinho said that he had participated together with the Workers’ Party on the program to fight hunger. He considered the program “a form of national salvation.”

²⁵² Itamar Franco quoted in JdeB 02/10/1993 p.3.

²⁵³ See OG 04/16/1993; JdoB 11/04/1993 p.4.

Souza 1997; O Globo 04/03/1993).²⁵⁴ Just to note the magnitude of the initiative, a national survey run by IBOPE in December 1993 indicated that 68 percent of those polled knew about the hunger campaign, and 32 percent had participated in it in some way.²⁵⁵

Among the central initiatives of the Plan against Hunger, food distribution and school breakfasts were expanded significantly and some incipient progress was made on employment creation. The Itamar Franco administration also launched the “map of hunger” to assess food access and improve food distribution according to technical criteria. These were the first measures launched by CONSEA. In 1994 it also focused on agrarian reform, more ambitious employment-creation strategies, and regionally targeted measures such as temporary-employment schemes (*frentes de trabalho*) launched during a drought in the northeast. These latter proposals were indeed initiated, yet outcomes were modest. Franco also set ambitious goals for agrarian reform, which nonetheless resulted in the resettlement of few families by the end of his administration.²⁵⁶

Other proposals made by CONSEA did not take off. The establishment of a minimum guaranteed income (*Programa de Garantia de Renda Mínima*, or PGRM) was considered by the Franco administration but no progress was made towards its adoption. The PGRM was promoted by PT senator Eduardo Suplicy, who met with the President and his cabinet to promote the policy in 1993.²⁵⁷ The PGRM received some support, but was not a priority of any major political actor. It had been voted by the Senate in 1991,²⁵⁸ but did not prosper in the lower chamber. An income support scheme for low-income families was included in the Workers’ Party platform for the 1994 elections (PT Program 1994; FdSP 08/07/1994). Yet, the PGRM was not broadly supported by the party initially (interviews Pochmann, Ruth Cardoso). Income transfers for families were not a priority of social movements either. It was only the last months of the Franco administration that CONSEA proposed the implementation of a minimum-income program.²⁵⁹

Together with the anti-hunger campaign, Franco sped up the passage of social legislation to enable the implementation of non-contributory pensions established in the constitution. Extensive lobbying by social movements representing people with disabilities and social assistants in Congress prompted the passage of the social assistance law (LOAS) in 1993.²⁶⁰ In order to ensure legislative success, advocacy groups advancing the rights of disabled toured Brazil gathering signatures for a new law. In 1993, a proposal supported by 600 thousand signatures was handed in to the national government.²⁶¹ LOAS was finally passed by Franco in

²⁵⁴ OG 04/16/1993.

²⁵⁵ FdSP 04/13/1994, p. 1-3.

²⁵⁶ According to Ondetti (2006) Itamar settled 20,000 families only.

²⁵⁷ “Suplicy defende o plano de renda mínima,” JdB 02/12/1993; “Governo pode adotar no ano que vem o programa de renda mínima” JdB 02/12/1993.

²⁵⁸ The guaranteed income would replace all food programs. It would demand 3.5% GDP. In the words of Suplicy “O que seria melhor...? Receber cestas com arroz e feijão às vésperas de eleições ou receber mensalmente uma complementação de renda para comprar o que achar melhor?” In JdB 02/12/1993.

²⁵⁹ FdSP 04/27/1994.

²⁶⁰ Dataset of Policymaking, Brazil. See for example, CB 12/25/1993 p.8.

²⁶¹ CB 12/25/1993 p. 8.

December 1993. Intense debates and opposition surged around disability pensions (which had also generated vigorous opposition in the constituent assembly). Despite the fact that the constitution established that social security benefits should be provided for all who needed them irrespective of contributions, disability and old age pensions were extended only to households with a per capita income below 25% of the minimum wage, and in the case of old-age pensions, only to one senior 70+ per household. Thus, in contrast to what social movements expected, old-age and disability pensions were not created as a universal citizen right. The main reason for this narrower definition was that the movements advocating these benefits were not very strong. In the absence of strong, destabilizing pressure around these benefits, the government and Congress were reluctant to accept universality and commit further resources to pensions in a particularly strained economy. The movement nonetheless managed to achieve a phased expansion of old-age pensions. It negotiated that in four years people 67+ (instead of 70+) would be entitled to the benefit. It should be noted, however, that new pension benefits, though means-tested, would nonetheless reach a large number of outsiders, most of whom were indeed very poor in the 1990s.

The Franco administration further launched the decentralization of the health system, allowing for the actual establishment of SUS. Under pressure, Franco passed ministerial resolutions that overturned the “negotiated” distribution of resources based on “productivity” laid out by Collor, and established a series of gradual steps each municipality would have to accomplish in order to qualify for a larger number of roles in the management of the health system. A fundamental step towards accessing a larger number of functions (and funds) was the creation of municipal health councils that could supervise the implementation of SUS. The municipal distribution of funding came to be established according to population rather than productivity criteria. These measures clearly represented a landmark in the implementation of SUS.²⁶² As in the struggle against hunger, Franco allowed the PHM to participate actively in policymaking and appointed a minister of health who had close ties to the movement.

If fundamental steps were carried out to implement SUS, funding became a major problem for Franco.²⁶³ First, an increase in FINSOCIAL, a tax on firms’ liquid profits, established in the new constitution to fund SUS, had been contested by firms in the courts, which suspended its collection. Second, pressed to pay a growing pension bill (due to the expansion of beneficiaries and the adjustment of benefit levels established in the constitution) the Ministry of Social Security ceased to transfer payroll contributions to fund the health system, depriving SUS of 56 percent of its revenue.²⁶⁴ This sharp reduction of funding came at a time in which contractors, most of which were private hospitals, were already demanding higher fees and delayed payments. In response, the government set out to devise new funding for health care. The Ministry of Health proposed a temporary tax on financial transactions, which was passed by congress and levied in the Cardoso administration in 1996.²⁶⁵ In the meantime, the government

²⁶² On the norms and institutions, see Arretche (2005).

²⁶³ Chronology built with Dataset of Policymaking Brazil.

²⁶⁴ Lucchesse (1996:105). See “Britto: Não ha como repassar verbas a saúde” OG 06/18/1993

²⁶⁵ Dataset of Policymaking Events, Brazil.

obtained a loan from the Unemployment Fund, *Fundo de Amparo ao Trabalhador* (FAT).²⁶⁶ The loan allowed SUS to reinstate service provision, which had been unstable in several localities due to lockouts of hospital contractors²⁶⁷ and strikes of public-health workers.²⁶⁸

It is important to note that inflation was still very high until the last months of the Franco administration, when stabilization plan *Plano Real* was implemented and inflation successfully reduced. Despite these financial constraints, pressure from below prompted the decision to preserve SUS by finding alternative sources of funding and making progress on the implementation of the system.

Overall, social mobilization was fundamental for expansion and participation of civil society in the implementation of social policies passed in the Constituent Assembly. A high public official in charge of creating “the map of poverty” who served as special advisor to CONSEA, acknowledged the impact of social mobilization on social-policy decisions under Franco:

“A president was impeached, a vice-president who had little to do with the outgoing president assumed office, the [new] president needed legitimacy, society was organized around ethics and politics and had influence” (Interview).

Mobilization from below helps understand why Franco, who belonged to a non-programmatic party and had joined Collor’s right-wing ticket, implemented large-scale participatory expansion. These policies were participatory to the point that social movement representatives, and Betinho of IBASE in particular, became the main public figures in the struggle against hunger, one of the main innovations during Franco’s government.

3. Electoral Competition for Outsiders and Incipient Expansion of Income Transfers

The expansion of income support benefits began incipiently during the second administration of Fernando Henrique Cardoso (1998-2002) of a center-right coalition led by the *Partido da Social Democracia Brasileira* (PSDB).²⁶⁹ This expansion was propelled by electoral competition for outsiders. It began in 2000, and gained momentum shortly before the 2002 presidential election. This section first analyzes the consolidation of earlier expansion in health care and pensions under the Cardoso administrations and discusses the incipient expansion of income transfers during Cardoso’s second term (1998-2002), as electoral competition grew. The expansion of larger social transfers in the context of intense electoral competition starting in 2001 is analyzed in the next section.

²⁶⁶ JdeB 26/06/1993 p.9.; OEdSP 07/01/1993 p.14; JdoB 07/06/1993 p. 8.

²⁶⁷ “Governo não paga e os hospitais podem parar” OG 06/18/1993.

²⁶⁸ These strikes were particularly strong in the state of São Paulo, where a large part of health care infrastructure was concentrated. See OEdSP 04/30/1993 p. 11; OEdSP 05/06/1993 p.17.

²⁶⁹ The PMDB joined the Cardoso administration in the second term.

3.1. Consolidation of Earlier Expansions

Fernando Henrique Cardoso (FHC) of the Social Democratic Party of Brazil (PSDB) succeeded Itamar Franco, winning by a landslide. After a lead in opinion polls by Lula, the candidate of the PT,²⁷⁰ Cardoso was catapulted to the presidency by the success of his stabilization plan, Plano Real, which he implemented as Minister of Finance under Franco in July 1994, a few months before the 1994 presidential elections. Cardoso's landslide was also helped by the alliance he forged with two conservative parties, the PFL and the smaller PTB (*Partido Trabalhista Brasileiro*). The PFL, a regional party machine, provided Cardoso with the electoral support of unorganized outsiders in the Northeast. As in the earlier case of Collor, outsiders overwhelmingly voted for FHC's coalition, which relied on machine-parties, rather than for the left-wing PT, which advocated redistribution.²⁷¹ As in the 1989 elections, low-income voters were an elusive electorate for the left.

The dramatic support for Plano Real induced Cardoso to resume economic liberalization and privatization, which had been interrupted after Collor's collapse (Weyland 2002: 210). Economic liberalization and fiscal discipline were fundamental pillars of the Cardoso administration's agenda. Yet, opposition to adjustment was strong, particularly in the realm of privatization, where labor unions contested FHC's attempts at pension cutbacks and potential privatization. A sweeping program of market adjustment similar to the ones pursued in Argentina, Chile, and Mexico was not implemented in Brazil.²⁷²

Until 2000, FHC did not create new large-scale social programs for outsiders. The positive effects of Plano Real on the lower classes were emphasized by the Cardoso administration, and the president argued that the main effects of economic stabilization had been the elimination of the "inflationary tax" and the increase of the purchasing power of minimum wages and of social security benefits (Cardoso 1998).

Implementation of prior expansions continued under Cardoso. Although there were attempts at reversing aspects of the social rights achieved in constitutional reform, the Cardoso administration largely continued with the implementation of SUS and rural pensions. In 1996, the passage of CPMF, a tax on financial transactions promoted by the PHM, helped fund health services in the tight fiscal environment imposed by Plano Real. The new tax further allowed for the implementation of a primary-care program, *Saúde de Família*, (PSF), launched under Franco to universalize access to basic health services (see Section 5 for further detail). Furthermore, in 1996, social assistance pensions began implementation, reaching close to 1.5 million beneficiaries by 2002 (see Section 5 for further detail).

²⁷⁰ The PT candidate Lula led the opinion polls from June 1993 until August 1994, when FHC surpasses the PT in electoral support and grows rapidly before the October elections (see Singer 1999: 96). The Plano Real is implemented in July 1994 and its effects are rapidly felt.

²⁷¹ The Workers' Party came out second with 27% of the vote in 1994. Lula's electoral support came mainly from urban middle-classes, organized labor and organized outsiders. Low educated, low income voters and those living in small cities tended to vote FHC in greater proportion (see Meneguello 1996, in Singer 1999: 111).

²⁷² See Weyland (2002), esp. chapter 8. On pensions, see Brooks (2001); Madrid (2003); Schattam Cohelo (2001).

Social participation was not fostered by Cardoso. Even though participatory councils created in the past continued to exist, CONSEA was transformed significantly. Cardoso renamed CONSEA Solidarity Community [*Comunidade Solidária*, or CS]. Several council members from CONSEA resigned to CS within the first half of the Cardoso administration, arguing that the state had failed to vigorously address the social-policy agenda (OG 05/12/1996).²⁷³ CS then fostered a different kind of relationship between the state and society, one in which council members were selected for being “personalities” (i.e., businessmen, researchers, artists) rather than “representatives” of specific associations or causes (see Cardoso et al 2002: 8). More specifically, CS expected that “more than representatives of different institutions pressing the state” council members would be “people open to dialog, willing to promote multiple, flexible partnerships between the state and society” (Cardoso et al 2002: 8). Therefore, rather than representing NGOs or social movements, the majority of council members had a more distant relationship with social mobilization from below.

The surge of electoral competition for outsiders in Cardoso’s second term changed the incentives towards expansion. If the social front was probably one of the most criticized areas under Cardoso’s first administration, it became a critical issue in the governments’ agenda during his second term²⁷⁴

3.2. Incipient Expansion of Income-Support Benefits

Pressure to expand social policy for outsiders grew during Cardoso’s second term. After being reelected by a handsome margin in 1998, electoral competition began to grow significantly, prompting Cardoso to launch an incipient expansion of income-support programs by the 2000 midterm elections and especially as the 2002 presidential election approached. Electoral competition was largely propelled by the growth of the PT in municipal elections, whose candidates often promised and implemented cash transfers for low-income families. Between 1995 and 2000 incipient expansion of income transfers was carried out subnationally and later, starting in 2000, at the national level.

Expansion of income-support schemes became central in electoral competition for outsider voters. Aside from the adoption of participatory mechanisms, such as participatory budgeting,²⁷⁵ a fundamental innovation of local PT administrations was the expansion of transfer programs to low-income households, a traditional constituency of conservative machine parties.²⁷⁶ Despite lack of solid support within the PT for income transfers, Lula’s 1994 presidential campaign program proposed a new version of Suplicy’s PGRM, which extended a grant to low-income families with children in public schools (FdSP 08/07/1994; see Partido dos

²⁷³ See also FdSP 05/31/1996 p. 5.

²⁷⁴ See, for example, “As falhas de um programa social,” EdeSP 07/30/ 1995; “Presidente se define como “neo-social,” OEdSP 08/26/1995; “Cardoso defende a área social” 08/02/1995;” Cardoso assume área social,” JdoB 09/30/1995; “Planalto prepara plano de metas na area social,” OEdSP, 01/28/1996; JdoB 05/07/1996 p.8; “Sobra sociologia, falta plano,” CB 05/07/1996; “Críticas ao Presidente,” JdaT 05/08/1996.

²⁷⁵ See among others see essays in Schattam and Nobre (2004) and Abers (1998).

²⁷⁶ On the social bases of Brazilian parties, see Mainwaring (1999). On income transfers, see Lobato (1998).

Trabalhadores 1994a: 95, Chap.7).²⁷⁷ A similar proposal became a campaign promise of PT politician Cristovam Buarque, who was elected governor of the federal district in 1994 (interview Buarque). Soon in office, Buarque inaugurated *Bolsa-escola*, which provided a minimum wage to low-income households conditional on sending children to school. Buarque, who had been dean of the University of Brasilia, hoped to increase school attendance and thought that the provision of a grant, such as those provided to university students, had to be used to bring low-income children to school. As stated by Buarque, “If we pay someone that has already studied to continue studying, why not pay somebody who has not studied to start studying?” (interview Buarque).

At the same time, a cash transfer conditional on school attendance, *Renda Mínima* (Minimum Income) was inaugurated by a major of the PSDB in the municipality of Campinas.²⁷⁸ *Renda Mínima* was inspired by Suplicy’s guaranteed minimum income.²⁷⁹ Suplicy in fact helped persuade local councilmen about the importance of this program (Suplicy 2009:39). Between 1995 through 1998, 23 subnational units (3 states and 20 municipalities) launched income-support schemes covering around 130,000 households.²⁸⁰ Moreover, several bills for transfer programs were submitted to local legislatures by public officials, particularly of the PT (mayors, governors and legislators).

Although electoral competition for outsiders expanded subnationally, it did not grow at the national level before the 1998 presidential elections. Despite local pressures, the national level did not decisively adopt any income transfer program before this election. In 1996, PSDB Senator Arruda submitted a draft bill to provide national funding for local income-support schemes, which was successfully passed by Congress in 1997 and began implementation in 1999, after the 1998 elections.²⁸¹ Arruda’s *Renda Mínima*, was not a priority of the national government and reached only 50,000 families in 1999. The Cardoso administration was not initially committed to expanding a national-level program such as *Bolsa-escola* (interview Ruth Cardoso), but supported Arruda’s project during the 1998 presidential campaign, promising to embark on its implementation in a future administration. Specifically, Cardoso promised “support for state and municipal-level programs of “*Bolsa-escola*” according to the law already passed by president Fernando Henrique [Arruda’s law]” (Cardoso 1998:23). Cardoso argued that income-support benefits had to be “completely decentralized” and “could only be run at the local level” to permit social control and locally-designed institutional structures and funding fit for Brazil’s social diversity (Cardoso 1998: 183-184; interview Ruth Cardoso). The Cardoso administration feared clientelism and deviation of funds in the implementation of a large-scale income support program (Ruth Cardoso, interview).

Electoral competition grew in the midterm elections of 2000. The growth of the PT was partly the result of a vote-maximization strategy adopted by the party after its loss to Cardoso in the 1994 presidential election (Hunter 2007: 256-257). In contrast with its previous strategy of

²⁷⁷ “O Último dos Estatistas” FdSP 08/07/1994.

²⁷⁸ Campinas is a middle-income municipality in the state of São Paulo.

²⁷⁹ See FdSP 03/02/1996.

²⁸⁰ Estimate built with information from newspapers (Dataset of Policymaking) and with data from Lobato (1998).

²⁸¹ “Congresso analisa propostas de Renda Mínima,” FdSP 05/09/1996; CB 04/24/1999.

organization building and policy seeking, the party adopted a catch-all strategy to pry voters away from the opposition and assume power (Hunter 2007). Electoral competition increased pressure on the national government to expand transfers in Cardoso's second term. These higher levels of competition further coincided with a significant decline in public support for the Cardoso administration. According to a survey by IBOPE, from mid 1997 through 1998, that is, before and during the presidential elections, Cardoso's approval ratings hovered between 60 and 54 percent.²⁸² In early 1999, the impact of the Asian crisis and the devaluation of the Real launched by the government negatively affected the beginning of Cardoso's second term. His approval ratings plummeted until after the 2000 mid-term elections, reaching between 25 and 35 percent.²⁸³ The expansion of competition and the decline of Cardoso's approval rates put the issue of social-policy expansion for outsiders on the agenda.

Before the 2000 mid-term election, FHC created IDH-14, a package of schemes including a cash-transfer program directed to municipalities with low-human development indices in the 14 poorest states, all in the North and Northeast of Brazil. This expansion was negotiated with governors (JdB 07/29/2000 p.3-4). A month before midterm elections, and under pressure from excluded governors who claimed there were municipalities in their states with similar or lower human development indicators, IDH-14 was expanded to 24 states; only three were left out (FdSP 09/15/2000).²⁸⁴ By the end of 2000, about 1 million families were receiving *Renda Mínima* as part of the implementation of IDH, renamed *Projeto Alvorada* (OEdSP 12/04/2000).

At the same time, in 1999 PFL leader Antônio Carlos Magalhães (ACM) initiated a vigorous campaign for a national anti-poverty initiative, the *Fundo pela Erradicação da Pobreza*. ACM was the most influential conservative politician in Brazil and an improbable promoter of anti-poverty programs. His electoral power stemmed from a machine that was largely based in the low-income Northeast.²⁸⁵ ACM's proposal was primarily a response to electoral pressures on the PFL's electoral base. It was also prompted by the growth of PMDB and PSD in Cardoso's coalition and cabinet, which seemed to marginalize ACM, and the PFL, from the government. During Cardoso's second term, the PFL controlled three state governorships, and an army of majors and local councilmen. ACM feared the loss of such base as competition heightened, and a diminished role for PFL in the national government.

As shown in Table 4.1 below, the PT grew significantly, posing a challenge to the national coalition and to local conservative administrations in 2000. The vote-share of the PT grew 51 percent, and that of the left—including small left parties, grew 40 percent in this election (Fleisher 2002: 95-97; See Table 4.1. below).

To advance his proposal, ACM, who chaired the Senate, set up a commission in Congress to discuss the creation of a fund for anti-poverty policies. The draft bill was submitted to the chamber in 1999 and approved in December 2000.²⁸⁶ For his promotion of this policy, ACM became known as the father of the fund. Together with income-support programs, the PFL

²⁸² IBOPE's Survey data from *Veja*, April 4 2001, ed. 1694.

²⁸³ IBOPE Survey data from *Veja*, April 4 2001, ed. 1694

²⁸⁴ "FHC rebateza IDH-14 e inclui 389 municípios pobres de 9 estados," FdSP 09/15/2000.

²⁸⁵ On ACM, see Ames (2001: 129-133).

²⁸⁶ Dataset of Policymaking Events, 2000.

sought to use the fund to expand infrastructure investments. Yet the PT in Congress pressed to allocate all of the funds to the expansion of a rule-based income-support benefit.²⁸⁷ The Fundo was expected to allow PFL politicians keep their long-standing hold on the lower-income outsiders by off-setting the expansion of the PT and progressive politicians from other parties who had begun to implement rule-based transfers.

After the passage of the Fundo, income transfers were expanded significantly, as analyzed below. Cardoso renamed Renda Mínima “Bolsa-escola” (after Cristovam Buarque’s acclaimed program) and its expansion gained steam as the Cardoso administration expected highly contested elections in 2002.²⁸⁸

Table 4.1. Evolution of Municipal Vote Share and Vote Share in 100 Largest Cities, Major Parties in Brazil 1996-2000

	% Change in Vote Share 1996- 2000	Number of Victories 100 Largest Cities 1996²	Number of Victories 100 Largest Cities 2000
PMDB	+ 4.25	16	15
PSDB	+3.47	21	16
PFL	+28.79	8	9
PT	+51.25	9	27
PPB	-30.32	11	3
Other Left¹	+ 24.5	23	15
Other	+16.98	12	15

Source: Fleisher (2002: 95-97).

¹ PPS, PSB, PDT.

² Includes all state capitals and major cities throughout the country.

4. Electoral Competition, Mobilization from Below, and Inclusive Social Policy

Social policy underwent a significant expansion before the 2002 elections, when competition heightened between the PT and the Cardoso coalition, and particularly once the PT came to power in 2003 after winning the runoff against Jose Serra of the PSDB. The first wave of

²⁸⁷ FdSP 06/12/2000 p. A7.

²⁸⁸ See OEdSP 12/04/2000.

expansions in the context of electoral competition, though significant, was smaller in scale and implemented rapidly as the election neared.

Further social-policy expansion occurred under the administration of Luiz Inácio da Silva, Lula, (2003-). Lula assumed office in a context of high competition for outsiders and needed to consolidate his support base. At the same time, his administration was pressed to deliver because of the PT's historical commitment to fight poverty, and because of the strong presence of social movement allies in the party itself. Soon after taking office, Lula launched *Fome Zero* (Zero Hunger), designed along the lines of the anti-hunger program implemented by Itamar Franco in 1993. With this initiative, the PT aimed to respond to social movements within its coalition, especially those linked to sectors of the church as well as those active in popular education and agrarian reform.²⁸⁹ However, in the face of opposition to *Fome Zero*, Lula refloated the minimum-income proposals advocated by Suplicy and created Bolsa-família, which he expanded massively. Bolsa-família became the flagship of *Fome Zero* and of Lula's popularity. Below I analyze social-policy expansion propelled by intense competition before the 2002 elections, and the larger expansion with the arrival of Lula to the presidency, when allied social movements had greater influence in policymaking and pressed for inclusive social programs.

4.1. Electoral Competition for Outsiders and Expansion of Income Transfers

Cardoso's concern for social policy grew dramatically starting in 2001. Having initially paid little attention to the expansion of new social policies for outsiders, he focused decisively on social policy innovations, especially income transfers, in the last two years of his tenure. After the passage of the *Fundo* advocated by his conservative allies in the PFL, Cardoso announced the expansion of Bolsa-escola in 2001. In contrast to the prior emphasis on subnational programs, the new large-scale scheme was run by the national government.

Cardoso became a strong promoter of Bolsa-Escola. He toured Brazil to introduce the new policy and emphasized that the benefit was rule-based in order to avoid accusations of clientelism,²⁹⁰ an issue that could discredit the incumbent coalition facing intense electoral competition. In his last year in office, Cardoso stated that he hoped his administrations would be remembered not only as having "achieved economic stability," Cardoso's most popular accomplishment, but also as "having initiated a social-safety net."²⁹¹

Growing electoral competition for outsiders propelled the extension of income transfers. Apart from Bolsa-Escola, other income-transfer schemes were launched before the 2002 election. Bolsa-Alimentação, which provided support for children 0-6 and pregnant women, was launched in 2001, and Auxílio-Gás, which provided an extremely small subsidy for gas consumption, was

²⁸⁹ On the PT, see Keck (1992); Samuels (2004); Hunter (2007).

²⁹⁰ See OG 02/13/ 2001.

²⁹¹ FdSP 12/19/2001 p. A-10.

initiated in 2002.²⁹² Bolsa-Alimentação was administered by Jose Serra, Cardoso's minister of health, who later became a presidential candidate for the PSDB.²⁹³

As the 2002 elections drew closer, the number of income transfer beneficiaries grew dramatically jumping from 1 million in January 2001 to between 5.1 and 6.07 million in 2002. Given that the same household was found to receive more than one benefit from these different programs, it is difficult to know the total number of beneficiaries of income transfers. The most dramatic expansion was that of *Auxílio-Gás*, which reached 7 million households with a very small (almost negligible) and highly controversial benefit a few months before the elections (MDSCF 2007; JdeB 02/22/2002).²⁹⁴

Cardoso further launched a new magnetic card, *Cartão Cidadão* (Citizenship Card), for beneficiaries of all social transfers, including non-contributory pensions (FdSP 05/26/2002). The introduction of the new card a few months before the elections was meant to claim credit for these transfers in the context of intense electoral competition for outsiders. Given the big jump in beneficiaries and expenditure as the election approached, opposition politicians called the new programs "an electoral safety net."²⁹⁵

The expansion of income supports aimed to off-set the appeal of the PT—the PSDB's main challenger—which had increasingly come to be regarded as a viable governing alternative. The PT had grown significantly in the last midterm elections. For the 2002 national elections it pursued a vote-maximizing catch-all campaign (see Hunter 2007). Unlike its more left-wing rhetoric of the past, the party's new approach centered on fiscal discipline and social policy, which was discussed in technical terms (Boas 2009). This strategy aimed to reach a larger number of voters. Together with a change in campaign style, the PT further struck an alliance with the smaller, *Partido Liberal* (PL), a non-leftist party. Alliances of this sort had never been pursued for by the PT in prior national elections.

In the 2002 elections, the PT managed to gain a share of the outsider vote away from conservatives. This was precisely what regional machines feared, as the PT candidates had not been particularly competitive in the past. Aside from the PT's appeals to outsiders during the campaign, vote share was another critical measure of the presence of a credible challenger and of high electoral competition for a particular constituency. Table 4.2 below shows that the PT made inroads into the electorate of the North and the Northeast, the poorest regions in the country and traditional conservative bulwarks. The reported vote for Lula in the 2002 runoff was about 50 and 60 percent in those two areas, respectively (see Table 4.2). Lula obtained a large share of the vote from the very low-income sector (people in households making below 1 and between 1 and 2 minimum wages, who were overwhelmingly outsiders). In contrast to prior elections, the reported vote for the PT was even across the social structure (except for higher income voters),²⁹⁶

²⁹² Two other already existing and smaller transfers, PETI which catered to child laborers in especially dangerous industries (coal, sugar) and Bolsa Renda, created in 2000 to address the draught season in the northeast.

²⁹³ See for example, FdSP 03/17/2001; JDB 06/26/2001; OG 03/22/2001.

²⁹⁴ It provided 15 reais every two months, 7 reais per month as a gas subsidy (about 7 dollars). There were accusations of clientelism in the distribution of these benefits (see Draibe 2004:23).

²⁹⁵ See FdSP 05/26/2002.

²⁹⁶ Datafolha 10/23/2002 presents similar vote intention for that group also.

with similar vote shares among the low-income and the middle classes, i.e., households making between 5-10 times the minimum wage (See Table 4.2 below). This data is similar to that reported in surveys taken before the 2002 runoff.²⁹⁷ It should be further noted that these figures stand in sharp contrast with the vote distribution in past elections, particularly in the runoff in 1989, the most competitive election prior to 2002. In that occasion, the very low-income—those making below 2 minimum wages (virtually all outsiders)—voted overwhelmingly for Collor (See Singer 1999).

Table 4.2. Reported Vote in 2002 Presidential Elections by Income and Region (Runoff).

	Percent of Sample	Lula (percent)	Serra (percent)
Income			
Upto 1 minimum wage	18.0	60	18
1 and 2 minimum wages	27.2	59	24
+ 2 less than 5 minimum wages	39.9	61	24
+ 5 less than 10 minimum wages	13.0	54	31
+ 10 minimum wages	4.2	46	40
Region			
Northeast	26.6	64	28
North	13.3	54	37

Source: IBOPE (PP172/2006)

4.2. Electoral Competition, Social Mobilization, and Inclusive Social Policy

After defeating Jose Serra in the runoff, President Lula (2003-2010) initiated social-policy expansion. In his first day in office, Lula established the Ministry for the Struggle against Hunger and soon after that launched Fome Zero (FZ). This program responded to the preferences of an important part of the social movements allied to the PT, especially those linked to the church and those involved in agrarian reform issues and popular education.²⁹⁸ The new

²⁹⁷ See DATAFOLHA 10/23/2002. Lula vote intention for people in households making below 5 minimum wages was 59%, 5-10, 63% and more than 10, 60%.

²⁹⁸ For a description of the program and its promoters, see Rocha (2004).

government found itself in a context of high electoral competition for outsiders and also pressure from its own social-movement coalition, which expected broad, effective, participatory social policies.

Despite the success of Bolsa-Escola, and of local-level income-support schemes initiated by the PT during the 1990s, the Lula administration launched FZ as its flagship. It resurfaced CONSEA, the council for food security dismantled by Cardoso in 1994, the campaign against hunger launched by IBASE in 1993, and placed the focus of social policy on fighting hunger. The mentors of FZ understood that the state had to implement “structural” and “emergency” measures to fight hunger. FZ combined both. FZ involved sixty different schemes with broad-reaching goals and strategies such as: a) promoting agricultural development in order to boost small-scale, family-based production and to make food affordable in urban areas; b) increasing access to food by distributing food boxes or food stamps; and c) improving nutrition and infant mortality rates by involving mothers in literacy campaigns and nutrition education provided by volunteers of FZ.²⁹⁹

The program had other fundamental features. It established strict controls on families receiving food stamps, which had to submit receipts for their expenses to local councils of FZ.³⁰⁰ Critically, Fome Zero involved a strategy of grassroots mobilization: FZ was expected to build participatory councils in every municipality (at least outside core metropolitan areas) that would monitor the implementation of the new food stamp, Cartão-Alimentação, and to rely on a large number of volunteers that would participate in literacy campaigns, teach basic nutrition and sanitation to low-income families, and raise awareness about hunger and food security.³⁰¹ According to its director, FZ sought to “strengthen a process of popular organization.”³⁰² Participation would also make the program credible and prevent deviation of resources. Finally, FZ was meant to be funded by the national government, NGOs, and international and national donations, including corporate support.³⁰³

Problems with FZ arose immediately.³⁰⁴ First, the implementation of FZ was slow.³⁰⁵ Given the broad, ambitious scope of strategies involved (agricultural reform, land reform, infrastructure development) it did not lend itself to rapid implementation. Its inaugural measures therefore consisted primarily of food distribution, which made FZ look outdated compared to Bolsa-Escola.³⁰⁶ Second, the fact that families had to show receipts for their expenses was not welcomed by the social-policy community and was criticized as bureaucratic and unnecessary,

²⁹⁹ See OEdSP 02/01/ 2003.

³⁰⁰ Critiques were made by policymakers, the municipality of São Paulo, a pioneer in large-scale income support under Suplicy administration, and CONSEA. See “Com renda mínima, povo compra comida,” OG, 01/14/ 2003.

³⁰¹ See “Consea ditará normas para o combate à fome,” OEdSP, 01/31/2003.

³⁰² OEdSP 02/01/ 2003.

³⁰³ “Na 1 reunião, Lula quer dobrar verba contra fome” OEdSP, 01/03/2003; “Apelo à Iniciativa Privada,” OG, 02/05/2003.

³⁰⁴ OEdSP “Maior Vitrine do PT vira munição contra governo” 04/06/2003; FdSP “Mesmo insatisfeito Lula vai manter Graziano no governo” 03/14/2003.

³⁰⁵ See FdSP 05/28/2003; “Social Estagnado” CB 06/24/2003.

³⁰⁶ FdSP 03/23/2003.

since studies had already shown that Bolsa-Escola allowances were spent on food.³⁰⁷ Third, NGOs argued that the state was competing with them by raising donations.³⁰⁸ Fourth, local authorities often argued there was a “partisan bias” in Fome Zero volunteers that raised concern in the government (Draibe 2004:23). FZ councils were therefore perceived by sectors in the PT as a source of political tension in localities run by conservatives (High Official, interview). Finally, politicians in the PT who were not closely linked to social movements advocated the expansion of Bolsa-Escola,³⁰⁹ and/or the integration of all income transfers created by Cardoso and *Cartão-Alimentação* in a single scheme.³¹⁰

Reaction against FZ and its slow-moving progress made Lula reconsider the initiative.³¹¹ Other members of the administration pressed him to shift course.³¹² Half-way through his first year in office, Lula announced the creation of a massive income transfer that would replace existing schemes. Before launching the new program, Lula, who had virtually no allies among governors, negotiated their support. Given that some states already had their own income programs, governors feared that a new, massive, rule-based scheme would deprive them of their own tools to build electoral support. Lula offered governors shared credit for the program, and promised to create supplementary benefits. The idea was that “credit [protagonismo] had to be divided.”³¹³ Together with the creation of a single program, the PT also wanted to revise the selection of beneficiaries of *Auxílio-Gás*, which was perceived as highly discretionary.³¹⁴

In October 2003, *Bolsa-família*, the new scheme, was launched by Lula. It was announced as the accomplishment of Suplicy’s long-standing struggle for a guaranteed-minimum income.³¹⁵ The new program provided a small allowance to low-income families and grants for up to three children per household. The program aimed to reach 12 million families, almost three times more than *Bolsa-escola* (CB 10/20/2003). Rather than dismantling FZ, *Bolsa-família* was introduced as the flagship of the broader FZ strategy. The other activities involved in FZ, such as the construction of popular restaurants, councils, and fund-raising, began to lose momentum, and some were completely overshadowed by the new program.³¹⁶ Instead of a strategy of grassroots mobilization, *Bolsa-família* involved little participation, channeling local involvement to pre-existing councils of health and education.

³⁰⁷ Study carried out by the UN and the municipality of São Paulo under the supervision of Marcio Pochmann, see “Com renda mínima, povo compra comida,” OG, 01/14/2003. See FdSP 02/08/2003.

³⁰⁸ “Com Fome Zero, ONGs perdem doações,” FdSP 12/25/2003.

³⁰⁹ “A proposta de Cristovam” CB 03/14/2003; FdSP 03/17/2003.

³¹⁰ FdSP 03/05/2003. See CB 04/25/2003; FdSP 04/28/2003; “Lula faz mea culpa” CB 03/16/2003; CB 05/20/2003; “Governo saberá contrariar interesses, afirma Dirceu” FdSP 04/13/2003.

³¹¹ Main critiques concerned the slow-moving start of the program and the supervision of food purchases. See “Graziano Ministro. Por enquanto” CB 03/14/2003.

³¹² “Lula cria mais um grupo, agora para unificar o social,” O Globo 06/13/2003.

³¹³ Government official in “Governo faz balanço do Fome Zero e da Bolsa-família para divulgar social,” Valôr Económico 10/02/2003.

³¹⁴ Critiques pointing to discretion in the selection of beneficiaries can be found in (Draibe 2004: 15), interview MDSCF). As noted by Graziano, those programs “have bad registries and ended up being used electorally” quoted in “Ministro diz que Cartão-Alimentação promove organização popular” FdSP 02/02/2003.

³¹⁵ “Sancionada lei que cria o Renda Mínima” Valôr Económico 01/09/2004.

³¹⁶ See FdSP 03/24/2004.

The changes in Fome Zero in the face of high electoral competition were influenced by the two coalitions within the PT that had different proposals for income-support policies. The first coalition included traditional social movements linked to agrarian reform, as well as sectors of the church active in popular education. These groups advocated the FZ strategy and were more closely allied to Lula. The other coalition was formed by more pragmatic politicians who had little connection with social movements.

Pragmatic politicians had been victorious in local elections in the recent years (See Fleisher 2002) and had implemented income-support schemes subnationally. This group preferred policies that provided better tools to deal with intense electoral competition for outsiders. Rule-based, leaner, and less participatory benefits would better increase the chances of consolidating power and/or off-setting credible competitors. State-centric implementation made these benefits, moreover, a less politically controversial approach than the highly participatory strategy of FZ, which was resisted by local authorities and was viewed generating “political tension” (High Government Official, interview). For this latter coalition, the issue was “what to do with the social movements” (interview High Official, MDSCF) that were oriented at the grassroots level and perceived intense societal involvement as the key to good social policy.

The former coalition was a longstanding component of the PT. Though it enjoyed little mobilizational capacity, it gained influence when Lula assumed office. Eventually, *Bolsa-família* was designed to be more massive and participatory than initially expected. Indeed social movements could still influence the basic contours of the new benefit (its size, and the inclusion some social participation). What was left out was FZ’s active process of social grassroots mobilization and social control, which was especially controversial among conservative local authorities and seen as a source of political tension.

Bolsa-família became a fundamental source of support for the Lula administration (Hunter & Power 2007). In the 2006 elections, Lula obtained massive support from outsiders (measured as low-income voters), and voters in the Northeast. A survey by Datafolha in 2006, when Lula was re-elected, showed that 64 percent of those willing to vote for Lula were recipients (or a close relative was recipient) of social transfers.³¹⁷

Together with the massive expansion of *Bolsa-família*, the Lula administration launched other large-scale benefits. Although it maintained the basic macroeconomic strategy of the FHC administration, it did embark on social policy expansion. It expanded infrastructure investments, such as the extension of utilities and the creation of water pumps (*cisternas*), particularly in the Northeast. The extension of government-subsidized electricity for low-income households, *Electricity for All (Luz Para Todos)*, which reached about 11.4 million people by 2010, was a fundamental innovation.³¹⁸ The new service was funded with cross-subsidies from higher-income consumers. Propelled by this expansion, the Northeast of Brazil for the first time consumed more energy than the more prosperous South in 2007.³¹⁹

³¹⁷ Datafolha national survey carried out in February 2006. See “Bolsa-família é principal razão para subida de Lula,” FdSP 02/26/2006.

³¹⁸ It reached the most excluded populations, including indigenous communities, quilombos (isolated communities formed by runaway slaves before abolition) and agrarian-reform settlements.

³¹⁹ Secretaria de Comunicação Social (2008; 2010:15). See FdSP 07/09/2008.

Among social services, SUAS [*Sistema Único de Assistência Social*], a universal social-assistance system, was passed in 2004. SUAS was molded after SUS. Its creation was promoted by social movements, including members of the movement of people with disabilities, which was active in the expansion of SUS and in the adoption of non-contributory pensions in 1988 (interview, Head of Social Assistance Fund). SUAS aimed to universalize social services (i.e., daycare, services for victims of domestic violence, youth support) (Sposati 2003; interview Chair of Social Assistance Fund). The expansion of social assistance was likewise accompanied by the passage of the *Estatuto do Idoso*, Statute of Seniors, which extended existing non-contributory pensions to each senior 65+ (instead of one senior per household) (MDSCF 2004). New eligibility conditions expanded access significantly (see next section). In health care, Lula continued the expansion of PSF, the primary-care program initiated in the early 1990s, and announced the creation of *Farmácia Popular* to provide free prescription drugs in low-income municipalities.

In addition to these expansions, the Lula administration fostered the participation of social movements in national conferences and councils, which revitalized social movement influence and expanded the spaces of state-society interaction. For example, between 2003 and 2010, 5 million people had participated in 67 state-sponsored participatory conferences to discuss public policies (Secretaria de Comunicação Social 2010). These spaces also afforded movements more influence and helped push for expansions. There is consensus among social-movement representatives and public officials that social movements gained renewed access to the state under Lula.³²⁰

In sum, electoral competition for outsiders led incumbents to expand income transfers to court that constituency. If these voters had been previously more likely to support conservative candidates, the expansion of the left (subnationally first, and at the national level during the 2002 election) intensified competition for that constituency. This competition helps explain the inauguration of income transfers when Cardoso sought the continuity of his coalition in power—and the massive expansion of these transfers after Lula assumed office in 2003. Given the importance of social movements in the PT's social-policy agenda, social movements participated in policy design. Their involvement in policymaking accounts for the creation of inclusive—large-scale, generous, participatory—rather than restrictive, policies. Social movements representing outsiders could not by themselves trigger the expansion of income programs during this period. Rural movements, which had significant mobilization capacity focused on agrarian reform and did not push for proposals involving income transfers. It was only in the process of social policy design that social movements achieved significant influence in this particular policy area after 2003.

³²⁰ Interviews with members of national office of MST, INESC, IBASE, CONTAG, with Secretary of Social Articulation, MDSCF, and Secretary of Social Mobilization, National Board of PT.

5. The Inclusive Model and Domains of Expansion

Table 4.3. below summarizes the main features of the inclusive model of social policy as of 2009 in each selected policy area: income support, health care, and pensions. At this time, major adoption and implementation of policies for outsiders had taken place. Social policy expansion involved extensive, generous, and flat-rate benefits. At the same time, new schemes included participation of social organizations in policy implementation, either in policy oversight, administration, and/or in formulation of policy proposals affecting implementation. As traced out above and summarized below, these expansions took place at several different points in time during the period starting in 1988.

Table 4.3. The Policy Model: Inclusive Policy for Outsiders in Brazil c. 2009

Policy Area	Scope of Coverage	Benefit Level	Participation in Implementation	Dates of Expansion
Income Support	80% children in school age	High/Moderate	Local policy councils of oversight	2001-2002, 2003-2006
Health	100%	High (Free services)	National, state and municipal councils of deliberation & oversight	1988, 1990, 1993 (gradual implementation)
Pensions	80% (65+)	Equal to minimum pension of insiders	National deliberative councils & subnational councils of oversight	1988, 1993, 1996, 2003

Sources: See Appendix 2.

Below I characterize the main features of resulting benefits and services in each policy area, and briefly discuss the reasons behind each policy choice.

Domains of Expansion

Health Care

The creation of SUS was one of the most impressive social policy transformations in Brazil. The new system was included in the constitution as a “citizen right” and “duty of the state,” and was implemented starting in 1990. SUS extended universal, uniform access to health care services to

all and established a participatory institutional structure, including health-care councils at the national, state, and local level. In contrast to the previous centralized social-security system for the formal sector, SUS is administered jointly by the three levels of government (national, state, and municipal) in a decentralized way. Municipal governments are in charge of contracting out and providing health services and those activities are supervised by participatory councils, which are empowered to approve the health care spending plan.

The implementation of SUS had been a gradual process. It was marked initially by severe problems of infrastructure and funding. However, in the past two decades, infrastructure investments as well as programs facilitating access, such as *Programa Saúde de Família* (PSF), have been expanded significantly. By 2008 SUS effectively covered 81 percent of the Brazilian population (about 151 million people), while the remaining 19 percent (about 35 million people) had full or partial access to health care through private insurance (Ministério da Saúde 2009: 14). At the same time, the PSF reached 45 percent of the population, or 94.2 million people. It employed 29,545 teams, each of which was staffed by a doctor, nurse, nurse assistant, and five or six community agents in charge of guaranteeing and monitoring regular access to primary care on the part of 1,000 families.³²¹ By 2004, the participatory structure foreseen in the constitution was largely in place; there were more than 5000 local municipal councils of health, each with about 100,000 participants (Schattam de Coelho 2004: 256). The creation of a municipal council was a condition for the municipality to decentralize of health services and federal funding.

As previously discussed, the creation of SUS had been the result of mobilization from below by the health care reform movement (PHM) (Escorel 1999, Escorel, Nascimento & Elder 2005; Arretche 2005). The proposal for the creation of SUS was drafted by the PHM in the massive VIII Health Conference of 1986 and in the more technical Commission for Health Reform. This proposal was based on the ideas of a group of public-health doctors linked to the Brazilian Communist Party (PCB), which since the 1970s had begun to put together the guidelines for an alternative health care system and strategically sought allies to achieve health reform (Escorel 1999; Abrantes & Almeida 2002: 18). As discussed in Chapter 2, these doctors held positions in the state; they lobbied legislators; ran for office; and extended ties to popular health movements and labor unions, such as health workers' and doctors' unions.

With the goal of reshaping health policy, the PHM built research institutions such as CEBES to disseminate its ideas (Fleury 1997). This institution became a promoter of health reform, and joined social movements pressing for better living conditions and democratization during the transition. Doctors further promoted the extension of public-health residencies and used these residencies to disseminate their views about health policy (interview High Official Ministry of Health, resident at the time). The Association of Graduate Students in Public Health, ABRASCO, became another fundamental institution of the PHM (see Abrantes & Almeida 2002: 5; Escorel et al 2005: 66). As a consequence of linkages between societal groups and doctors in the state, the PHM was formed during the democratic transition. The slogan of this movement became "*Saúde e Democracia*" (health and democracy).

³²¹ Minister Patrus Ananias in interview with *Teoria e Debate*, março 2006: 64; Ministério da Saúde (2009: 14).

The adoption of inclusive health policy was therefore shaped by the participation of social movements in the process of policy design. The new health system was not the outcome of the distribution of partisan preferences in Congress, or of the partisan affiliation of incumbents, most of which had other policy preferences at the time of passage and implementation of SUS. As characterized by the president of the Brazilian Federation of Hospitals (FBH), one of the most vocal opponents to SUS:

“The truth is that the health sector has little to do with the incumbent. You may have a right-wing or left-wing incumbent but the health sector has always been left, irrespective of the orientation of economic policy, or foreign policy, or whatever other policy you want; health care has been different” (interview).

Even before the celebration of the 1986 health conference and of the constituent assembly,³²² specific proposals of public-health doctors became attractive to the military and to the growing number of civilian authorities elected during the transition (mayors and governors). These proposals sought to integrate the activities of the social-security health system with those of the Ministry of Health, particularly concerning in primary care (Interview High Official Ministry of Health). In the early 1980s, the first initiatives aiming at integrating the provision of services for insiders and outsiders *Ações Integradas de Saúde* (AIS), were designed. AIS were adopted because they helped rationalize resources and keep spending in check, and constituted an important step in the merging of social security and public health programs promoted by the PHM (Escorel et al 2005: 71). In the new democracy, pressure from the PHM led the Sarney administration to decree universal access to health services, and to initiate SUDS, an antecedent of SUS. In short, the establishment of SUS involved a long process of debate among social movements about the design of SUS, and of social movement pressure and negotiations with public authorities to implement health reform.

There was obviously resistance from vested interests in the social-security system to the proposals of the PHM. Yet, mobilization from below was favored by the fact that the existing health-care system was in deep financial troubles, undermined opposition. Several analysts suggest that the adoption of SUS was to some extent facilitated by the crisis of the social-security system in the early 1980s (Arretche 2005, Escorel et al 2005:75) which militated in favor of health reform (interview High Official Ministry of Health).

Scope of Coverage. This universal system was built as a response to pressure from below. As in the case of other movements representing outsiders, the PHM advocated universality. Universality was supported by the labor movement. Although labor unions were not the main promoters of SUS, they were critical to its adoption because they offered no resistance and presented no alternative reform proposal that could undermine SUS. In contrast to expectations in the literature arguing that insiders seek to protect their benefits at the expense of outsiders,

³²² These financial difficulties were the result of high levels of expenditure in private health contracts and subsidies for the construction of private hospitals, as well as general financial problems experienced by the social security system.

unionized workers did not block proposals for merging health institutions into SUS. The labor confederation CUT, and the unions of health workers and doctors of São Paulo, the state with the largest health-care infrastructure at the time, supported SUS (interview Dau Motta) and mobilized actively for democracy and health reform (interview Director of SINDSAUDE). According to a member of CUT's national board who was active in health policymaking in the early 1990s:

“CUT was founded in 1983 with the perspective that unionism is not just about economic and wage struggles. But, it is about fighting for democracy, for public policy. We talk about citizen unionism (*sindicalismo cidadão*), a unionism that is also a type of citizenship that is not about corporatist issues. This helped in the struggle for SUS and other policies, such as education, social security...So I believe that there was a political view that gained ground...and that what obviously helped was social mobilization, which could consolidate these transformations... popular mobilization that advocated social rights and a strong state instead of a privatized state based on particularistic and clientelistic interests. This helped persuade people in favor of a proposal for a broad health system...” (interview Dau Motta).

Benefit Level. The proposal to create SUS also established the provision of uniform benefits for all irrespective of income and payment capacity. Equal benefits were advocated vigorously by the PHM. There were nonetheless some differences among members of the PHM concerning the weight of primary care in the new system. Some components of the movement argued primary care had to be prioritized to effectively reach the poorest and make the health system less costly. By contrast, others argued that all medical services had to be effectively universalized. SUS was eventually designed to provide encompassing benefits equal for all. As stated by a member of the PHM referring to the scope and generosity of the system:

“We are providing basic assistance in virtually every municipality, but [we are also] the second country in the world in transplants, we [the Brazilian state] provide almost all the services currently granted to chronic renal and cancer patients in Brazil...All of this is paid with direct taxes that do not discriminate [people] by income” (interview High Official Ministry of Health).

There have been proposals to offer segmented services within SUS (such as access to private rooms) in exchange for co-payments. The PHM and legislators linked to the movement have pressed against these measures. The head of the public-health workers' union of São Paulo, who opposes segmentation explains:

“The difference of SUS is that it made health services provided by the state equal for all. It did not allow for differences in state provisioning. This does not mean that you cannot buy private-health insurance ... what I think is wrong is to make this difference within SUS, in

the public sector, because then you start benefiting more a specific sector of the population” (interview, Director of SINDSAUDE).

Social Participation. SUS has a highly participatory structure of health councils involved in policy implementation. Health councils are essentially “deliberative,” as they are spaces in which health policy is discussed. Municipal health councils also play a particularly important oversight role. They have to approve municipal health spending plans and budgets before the national government liberates federal funds for health care (Cronwall 2008; Schattam Cohelo 2004: 256). Health councils are composed of a) representatives of “users” of the health system, which have half the seats in the council, b) workers’ associations (unions), with 25 percent of the seats, and c) associations representing hospitals and state officials, which have 25 percent of seats. Although candidates for health councils have to belong to associations with specific institutional characteristics, there is no established procedure for the election of councilmen. In some municipalities it is done by popular assemblies, in others by the incumbent, or by health conferences. As in other policy areas, local councils are sometimes perceived by local authorities as rubber stamping and councilmen are selected from the incumbent’s patronage network, particularly in small rural municipalities (See Cornwall 2008).

During the democratic transition and in the constituent assembly, participation was advocated by social movements and by left-wing parties allied to those movements (which had small representation at the time). Direct democracy was perceived as fundamental to avoid state centralization and the authoritarianism that had characterized the state under the military. Social movements that emerged during the military used forms of direct democracy in their decision making and sought to create participatory and deliberative mechanisms in policymaking (See Wampler and Avritzer 2004:217).

Since the passage of the 1988 constitution, attempts to limit participatory councils have been made by politicians who lack ties with social movements, and by private health interests, whose associations, which were used to negotiate in a centralized, hierarchical way, saw their power enervated by decentralization and participatory mechanisms. President Collor, for example, vetoed the creation of health councils in 1990, arguing that otherwise, “the system would be handed to the extreme left” (Guerra—Collor’s Minister—in Rodrigues & Zauli 2002: 199). Rejection of participatory councils also came from private contractors. For these hospitals, participatory councils were “nonsense. They are a creation of the left that put them there, it will never work. It doesn’t work, it does not perform any action, it is not in command” (interview, president of FBH). Despite opposition, decentralization and social mobilization have kept those councils alive.

Pensions

The expansion of pension benefits represents another important achievement of social movements. Social movement involvement in the process of policy design shaped the creation of inclusive benefits. As discussed before, a variety of social movements, including the rural workers’ movement led by CONTAG and a coalition formed by the movement of people with

disabilities, social assistants, and the CNBB pressed for pension expansion and drafted proposals to establish inclusive benefits. Both groups pressed their demands during the transition and benefits were passed by the constituent assembly in 1988.³²³

Scope of coverage. As mentioned, outsiders receive two kinds of pensions, rural pensions and social assistance pensions, *Benefício de Prestação Continuada* (BPC). When both of these benefits were implemented, access became virtually universal for all outsiders. My estimates of pension and survey data show that in 2008, at least 79 percent of outsiders 65+ accessed pension benefits. Figure 4.3 below presents the evolution of pensions reaching labor-market outsiders from 1980. Rural pensions show a marked expansion in 1992 and 1993, when new rights were implemented. Rural pensions grew 87 percent between 1991 and 1993, jumping from 2.3 in 1991 to 4.3 million beneficiaries. In 1996, BPC began implementation and in 2003, the PT passed the *Estatuto do Idoso* which extended BPC benefits to seniors 65+ and to each spouse, instead of granting only one per household as stipulated in the older legislation (Lei 10.741 2003). The *Estatuto* aimed to materialize the goals of the 1988 constitution of making pension benefits available for all (Sposati 2003; interview top official MDSCF). Between 1996 and 2002, there were 1.5 million beneficiaries of BPC. By 2008 benefits had been expanded to another 1.4 million. Overall, in 2008, 8.5 million people received non-contributory old-age and disability pensions (the latter represented about 1.5 million benefits) (See Figure 4.2. below).

As expected in the framework, all social movements pressing for pension expansion demanded universal access. Rural workers sought to universalize rural pensions to prevent manipulation and to include women (who were not eligible for existing non-contributory pensions). Social assistance associations in turn pressed for benefits for all seniors and the disabled who had been ineligible for contributory-based insurance.

Some proposals have attempted to reduce the scope of pension beneficiaries. For example, a report from the World Bank on social security in Brazil recommended that rural pensions should be targeted to the poor. Because these pensions were partly funded by contributory benefits, the report recommended the prevention of cross-subsidies and the improvement of targeting mechanism (World Bank 2001: 17-18, 23)

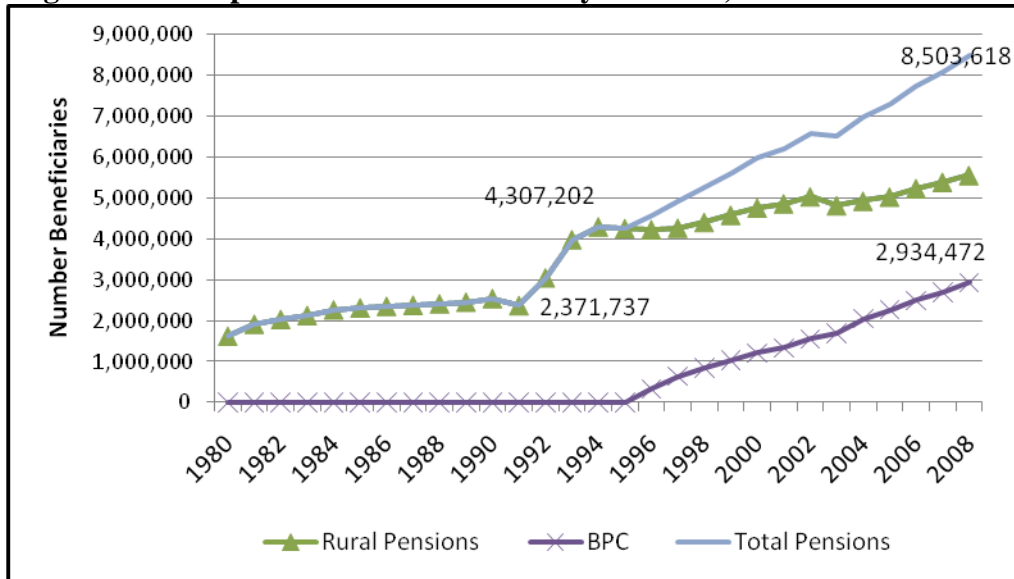
Benefit Level. Pension benefits were generous. They were equal to the minimum pension of the contributory system and to the minimum wage. Rural unions and movements advocating universal old-age and disability pensions also advocated benefit levels of one minimum wage, the modal benefit for formal workers. These demands were approved by the constituent assembly, and supported by conservative and left politicians. CONTAG further demanded that pensions be paid at age 60 to men and age 55 to women given lower life-expectancy rates (and historically earlier entry in the labor market) in the countryside.³²⁴

³²³ “Sistema de Previdência ampliará os benefícios” OEdSP 10/5/1988; “Campo equiparado a cidade” GM 05/19/1988.

³²⁴ Contag’s demands are included in its 1985 social security reform proposal hammered out during its 1985 Congress.

Despite a more adverse climate for expansion of generous benefits during the 1990s, and proposals to de-link the benefit from the minimum wage, pensions were not retrenched.³²⁵ Their scaling-back required a constitutional reform, and thus the support of two thirds of legislators, which, given the unpopular nature of the proposal, would have been hard to amass in the Brazilian Congress. Moreover, cutting benefit levels would probably trigger mobilization from rural beneficiaries, currently totaling close to 6 million people.

Figure 4.2. Recipients of Non-contributory Pensions, Brazil 1980-2008



Source: Estimates elaborated with data from Anuário Estatístico da Previdência Social, several editions from 1980-2008, Ministério da Previdência e Assistência Social and Ministério da Previdência Social.

Support for non-contributory pensions has also come from studies that show the positive impact of rural pensions on low-income localities of the Northeast (see Delgado & Cardoso 2003). Referring to rural pensions, the Secretary of Social Security and researcher on the topic noted:

“It is a highly redistributive program...it even boosts “family agriculture” which produces food and contributes to the goal of attaining food security. You cannot finance a program of this kind only with contributions...Of course, a lot of people, conservatives, the right, the most orthodox economists do not accept this. [they do not accept] funding these pensions with tax revenue” (interview Schwarzer).

³²⁵ Dataset of Policymaking, Brazil.

Social Participation in Implementation. There were different participatory councils involved in the implementation of pensions. Rural pensions were administered by the National Institute of Social Security (INSS). National, state and municipal councils interacted with the INSS. Similar councils existed for the implementation of social assistance services and programs, which included BPC. Finally, the *Estatuto do Idoso* further involved the creation of a similar structure of senior councils to supervise the implementation of policies for that group (Lei 10.741 2003).

The national council linked to INSS had to “deliberate about social-security policy and the administration of the system” (art.3, Law 8.213 1991).³²⁶ In its operation, this council discussed policy proposals (interview Schwarzer), and supervised the implementation of pension policy. The council had 15 seats, 6 seats for the state and 9 for civil society (three for employers, 3 for pensioners, and 3 for workers’ unions). Aside from the national council, the constitution established the creation of municipal and state councils. Those institutions existed from 1993 to 1999, when they were deactivated by the Cardoso administration (Medida Provisória 1799-5 of 1999) on the grounds that social security was a centralized policy, that councils were not participatory in practice, and that councils were found to constitute ambits for partisan battles (IPEA 2004:30). Under the first Lula administration (2003-2006), and in the context of higher levels of social participation, the national council proposed the creation of subnational councils linked to the local offices of INSS to supervise policy implementation (IPEA 2004:30-1). These councils had 4 seats for state representatives and 6 that were distributed equitably between employers, workers, and pensioners.

Income Support

The expansion of income support programs was the most recent of the policy innovations under study. As detailed above, the first initiatives were launched in the late 1990s, and an inclusive income-support program, *Bolsa-família*, was extended by Lula in 2003. The role of social movements in the extension of income support was more limited than in other policy areas. As discussed earlier, the expansion of income support was propelled by electoral competition for outsiders, which led politicians to create smaller, leaner, non-participatory schemes. Although social movements did not trigger this expansion, they had been active in policy design since the PT’s arrival to the presidency. As a result of their involvement, the resulting policy launched in 2003 was inclusive.

Scope of Coverage. The coverage of *Bolsa-família* was high. It reached over 11 million families starting in 2006, more than twice the beneficiaries of *Bolsa-escola*, which reached 5 million families in 2002 (see Table 4.4 below). Coverage was then expanded to 12.5 million families in 2010. Furthermore, my estimates indicate that the share of outsider children receiving school grants was close to 80 percent.

³²⁶ Law nº 8.213, July 24 1991.

Benefit Level. As measured by this project, the benefit level of Bolsa-família was moderate. It initially provided a grant (50 reais) to families making less than 1/4 of the minimum wage per capita, and a grant (15 reais) per school-age child up to a maximum of three children between 6 and 15 years of age.³²⁷ Families with incomes below half the minimum wage would only get the school grants. In 2008, grants were expanded to children 16 and 17 years old, who received a higher school benefit.

As shown in Table 4.4, the average benefit paid by Bolsa-família was about 20 percent of the legal minimum wage. At the same time, the benefit for a family in extreme poverty with two children in school was equivalent to about 24 percent of the minimum wage since the creation of the program. Even though these benefit levels would qualify as “high,” when compared to the poverty line,³²⁸ we see that these benefits have been close to 12 and 15 percent of that line, thus qualifying as a moderate benefit level (as here defined, high benefit level stands at least at 20 percent of the poverty line). In Table 4.5 below, I compare the average benefit and the benefit paid to a family in extreme poverty with the minimum wage, the poverty line and the food basket (or extreme poverty line).

Table 4.4. Bolsa-família, Beneficiaries and Average Benefit Levels, 2003-2009

	Number of Beneficiaries (Million Families)	Average Benefit Paid/ Poverty Line	Average Benefit Paid/ Extreme Poverty Line (Percent)	Average Benefit Paid/ Minimum Wage (Percent)	Benefit for Family a/ Poverty Line (Percent)	Benefit for Family a/ Extreme Poverty Line (Percent)	Benefit for Family a/ Minimum Wage (Percent)
2003	3.6	13.4	32.0	30.0	14.9	35.3	33.3
2004	6.5	12.5	30.3	27.7	13.9	33.7	30.7
2005	8.7	10.3	26.1	21.6	12.8	32.1	26.6
2006	11.1	9.8	25.4	18.6	12.0	31.3	22.8
2007	11.1	11.5	28.8	20.2	14.1	35.2	24.7
2008	11.3	12.7	29.8	20.7	15.0	35.4	24.5
2009	11.1	13.8	31.3	20.4	16.3	36.9	24.0

Sources: Estimates built with data from MDSCF and ECLAC. Includes beneficiaries of Bolsa-Família only. a Family of adult/s and two children 6-15. If children are between 16 and 18 the benefit is higher.

Participation in Implementation. Participation in the implementation of Bolsa-família changed over time. As discussed, FZ and its first income transfer, *Cartão-alimentação*, were intended to

³²⁷ Over time, the ministry has established the per capita income thresholds that made families eligible to benefits. These did not always correspond with the cut points detailed above.

³²⁸ The poverty line was estimated for a family of 2 adults and two children with per-capita poverty line data in ECLAC (2009).

be highly participatory. These new policies were perceived by their promoters as part of “an agenda involving a lot of participation” (Graziano 2004:16). New councils were created to monitor the implementation of *Cartão-alimentação*. In the words of a High Official of the MDSCF:

“Cartão-alimentação created by this government appears with a strong critique to the organization of the state. I would even say that in some aspects it is an anti-state critique...At some moments there is a need to establish social control before extending a benefit. I think I would explain that concern with two reasons: I will show you a graph and you will see how fascinating...Until 2001 there was only Bolsa-escola, in 2002 Bolsa-alimentação and Auxílio-gás were created and they grew tremendously that year. There was a concern that these new benefits were electoral. You just have to see the evolution of these benefits and it suggests a strong electoral concern in these programs. Thus, the social movements respond, and at this point with a strong influence on the government because of the political configuration of this government, they respond with the idea that if you do not create mechanisms of social control before [the implementation of new benefits] then that backward way of distributing benefits will continue” (interview).

When the Lula administration launched Bolsa-família, the scheme had state-centric implementation. The aim of the government was to initiate an effective policy for outsiders and avoid critiques. Pragmatic politicians involved initially in the design of this transfer wanted to create accountability in a top-down, highly technocratic way. The new program “generated a crisis with [FZ] councils” (interview High Official MDSCF), as it entailed a fundamentally different form of implementation.

However, after Lula consolidated the implementation of Bolsa-família, and avoided the strong critiques that FZ had received local participation was revitalized. Existing health, education, social-assistance, and remaining FZ councils, most of which were actually demobilized, became involved in oversight activities.³²⁹ It is true that although social movements affected the scope of the policy and achieved some participation, the highly participatory agenda pursued by FZ did not continue with Bolsa-família. This is generally the case of social policies created when social movements participate in policy design as members of the incumbent coalition instead of pressing from outside the government.

6. Assessing Alternative Explanations

This chapter has emphasized the importance of mobilization from below and electoral competition for the expansion of social policies for outsiders. It has also shown that the participation of social movements in policymaking was critical for the creation of inclusive benefits, that is, broad, generous and participatory policies. The chapter has also shown that potential explanations linking policy change to economic factors, to the partisan affiliation of the incumbent, or to changes in socioeconomic conditions during market adjustment in the 1990s,

³²⁹ See “Bolsa-família desmobiliza ação do Fome Zero,” FdSP 04/04/2004.

fail to explain by themselves incumbents' decisions to expand social policy or to account for the social policy model adopted.

The expansion of rule-based health care and pension policies had little to do with the partisan affiliation of the incumbent. As we have seen, these benefits were not launched by left-wing parties seeking redistribution. Incumbent governments were conservative coalitions and the left had little presence in Congress at the time of these policies' adoption and implementation. For example, when he assumed the role of Collor's vice-president, Franco was a member of the PRN, an electoral vehicle that did not advocate inclusive policies. Nonetheless, his later administration was fundamental for the implementation of this type of benefits propelled by pressure from below. Cardoso in turn did not launch any significant social policy expansion in the absence of mobilization from below or electoral competition for outsiders. It was pressure from an improbable champion of anti-poverty, the ACM of the patronage machine PFL, that led Cardoso to initiate social policy expansion as his coalition partners faced intense electoral competition from the left. Partisanship did shape, however, the scale of the resulting policies. In the cases in which social movements did not participate in policy design, conservative parties tended to promote smaller, non participatory benefits, while left-wing parties advocated broader policies, as it was the case of the first transfers launched by the Cardoso administration.

As in Argentina, economic factors were not critical for decisions to expand social policy. From Sarney through the end of the Franco administration, the economic scenario in Brazil was marked by high levels of economic instability, with high inflation and even hyperinflation punctuated by the short-term success of several stabilization plans. It was not until the implementation of Real Plan in 1994 that high inflation ended and economic growth resumed. These changing scenarios of inflation and recession through 1994, and economic stability without inflation from 1994 onwards did not directly trigger incumbents' decisions to expand social policy. Enjoying economic stability and growth, the incumbent Cardoso administrations (1995-2002) did not embark on significant social policy innovation. It was shortly before the 2002 elections, when electoral competition for outsiders grew significantly, that Cardoso launched an expansion of income support benefits. Likewise, the short-term success of the Collor Plan did not lead to expansions, nor the collapse of that plan and the ensuing economic recession, until Collor was ousted by massive mobilization.

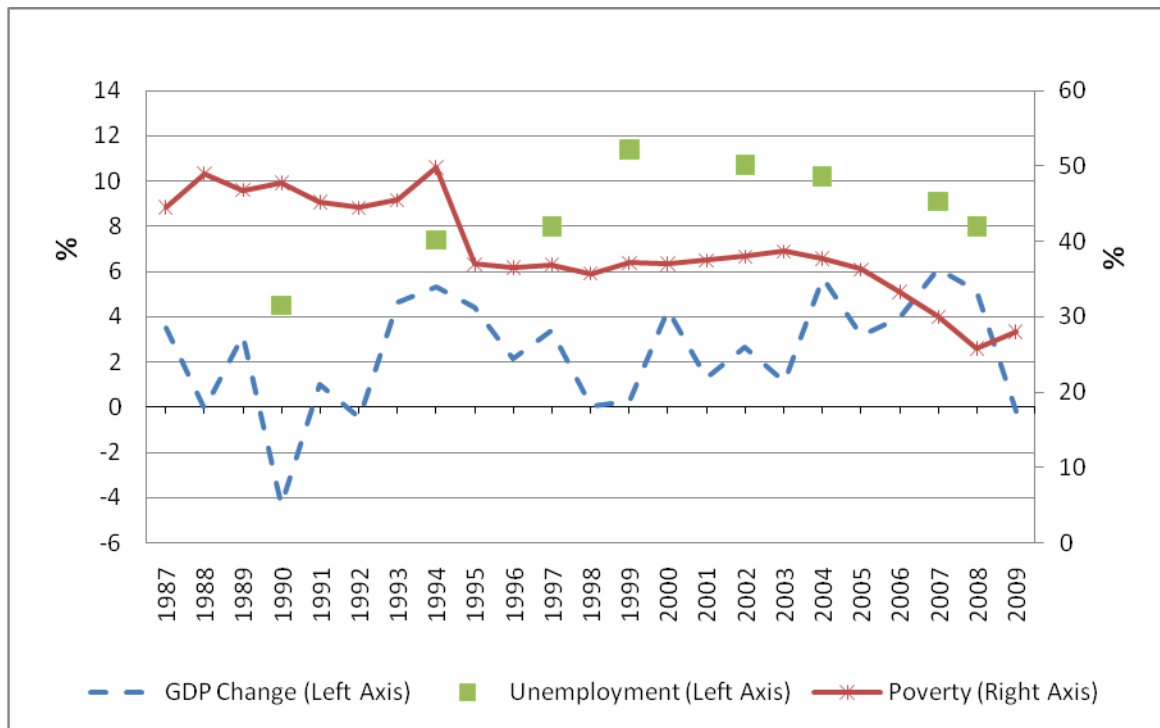
Economic crises have not been as recurrent in Brazil as they were in Mexico and Argentina during this period. An economic crisis with high levels of inflation characterized the end of the Collor administration through 1994. In this context, it was not the economic crisis itself that produced inclusive policies. Expansion of social policies was propelled by large-scale mobilizations surrounding Collor's resignation. These large-scale mobilizations posed a credible threat to the survival of Franco, who responded with policy expansion. Although the international financial shocks in the late 1990s did affect the Brazilian economy to some extent, they did not produce the recessions that Brazil experienced in the 1980s and early 1990s. In contrast with Argentina, the other country that built inclusive policies, economic crises have not been a feature of Brazilian politics since the early 1990s.

The role of socioeconomic conditions on policy change also needs to be assessed. Poverty in Brazil has historically been high. Poverty went down starting in 1994, due to several factors

including economic stability and social policies such as non-contributory pensions, which helped reduce poverty significantly in rural areas (MPAS 2002). At the same time that poverty went down from close to 50 to about 35 percent of the population in 2000, unemployment grew, particularly in the late 1990s (see Figure 4.2). Large-scale benefits were not expanded in the 1990s as unemployment grew and poverty went down. Indeed decisions to expand policies were not immediate responses to socioeconomic changes but were intermediated by political processes.

Unlike Argentina, where all expansions were propelled by mobilization from below, income-support benefits in Brazil were propelled by electoral competition for outsiders. This electoral competition emerged in the late 1990s when the PT adopted a more catch-all strategy and competed intensely for the vote of outsiders, an electorate that had been historically elusive for the left. As we have seen, the electoral expansion of the PT subnationally and the creation of income transfers by pragmatic PT politicians put pressure on Cardoso's coalition to expand social benefits to off-set the left. Expansion accelerated in connection with the 2002 presidential election, in which the PT defeated the incumbent. Because social movements were not involved in the design of income benefits, these schemes were small and lacked participation in implementation. Yet, income transfers were massively extended by the PT while it was in power. Social movements linked to the party acquired renewed power in the governments' agenda and launched Hunger Zero, which was initially large and highly participatory. After negotiations across "social-movement" and "pragmatic" coalitions in the party, *Bolsa-família*—a massive, less participatory benefit—was eventually established as the main strategy of Hunger Zero. Despite having relatively less participatory input than prior social programs, the inclusive nature of the resulting policy was a consequence of social movement influence in policy design.

Figure 4.2. Economic Growth, Unemployment and Poverty Rates, Brazil 1989-2009



Sources: GDP from IPEADATA several years; Unemployment Rate from ECLAC (2009); Poverty Rate adapted from ECLAC (2009), and IPEADATA.

Large-scale social movements representing outsiders did not demand income-support benefits in the 1990s. Rural movements, such as the landless workers’ movement (*Movimento dos Trabalhadores Sem-Terra*, or MST),³³⁰ which had important mobilization capacity, focused on agrarian reform and food distribution. Despite being allied to CUT and the PT, this movement did not demand income transfers proposed by some PT politicians, or encompassing benefits reaching both rural and urban outsiders (interview MST national office).³³¹

Governments responded to the mobilization of the MST with agrarian policies. The MST gained high visibility in the media after two massacres of rural workers in 1995 and 1996 in the North of Brazil. In 1996 the MST launched a series of land invasions to speed up the implementation of agrarian reform. In response to pent-up activism, the Cardoso administration intensified land distribution and expanded access to rural credit. A marked increase in land distribution took place between 1997 and 2001 as a result of rural pressure (DIEESE-MDA 2006:158, 193; see Table 4.5). This strategy changed in 2001 when Cardoso passed legislation

³³⁰ The MST emerged in the mid 1980s and was a fundamental advocate of the agrarian reform in the constituent assembly. On the MST see Comparato (2001), Stedile and Bernardes (2003); Sinek (2004); Ondetti (2006).

³³¹ See OG 02/22/1999 p. 8. With the rise in unemployment in the late 1990s, the MST, the, tried to mobilize urban unemployed workers for the agrarian reform. This strategy did not take off.

discouraging land invasions—the principal tool with which the MST exerted pressure—and reducing land distribution. In this more hostile environment, the MST (and other allied rural movements) was enervated and land invasions fell significantly (See Table 4.5).

Table 4.5. Indicators of the Agrarian Reform and Rural Contention 1995-2007.

	Administration	Land Invasions ¹	Families Settled (thousand) ²	Total Families Settled & Year Average	Credit ³ (billion Reais 2004)	Land Distributed (million hectares)
1995	Cardoso	146	30.7	524,384	17.2	37,7
1996		395	41.7		15	
1997		459	66.8		21.8	
1998		592	98.7		23.7	
1999	Cardoso	502	99.2	65,548	22.6	43
2000		391	69.9		23.2	
2001		195	73.8		27.4	
2002		163	43.5		30.1	
2003	Lula	391	36.3	449,000	34	43
2004		496	81.3		40.4	
2005		437	127.5		39.3	
2006		384	136.4	89,800	40.6	
2007		364	67.5		Nd	

¹ CPT

² DIEESE-MDA (2006, 2008) elaborated with data from MDA/INCRA.

³ Data from DIEESE-MDA (2006; 2008) elaborated with Central Bank and Yearbook of Rural Credit.

Land invasions grew again under Lula due to the expectations generated by the arrival of a long-standing ally to the presidency. Between 2003 and 2006, there was a sharp increase in land invasions (see Table 4.5). In spite of frustration with the scope of government responses among rural movements, the Lula administration opened further channels of interaction with the state (interview MST); extended credit; provided unprecedented financial support to rural movements for production and education campaigns; and increased the average number of families settled per year (see Table 4.5). In short, both the Cardoso and the Lula administrations negotiated with rural movements over agrarian reform to limit mobilization. The main point about rural mobilization relevant to this study is that although it could have pressed for social policy transfers, it focused on the agrarian issue and demanded agrarian policy responses. This channeled activism away from policy demands that could have united urban and rural outsiders around massive income transfers or Suplicy's guaranteed income.

Finally, the case of Brazil also shows that diffusion of social policy models was not fundamental for social-policy expansion. Participatory policies with universalistic benefits were not strongly advocated in social policy blueprints popular in the 1980s and 1990s. Most of these

policy innovations, by contrast, emerged out of longstanding debates among social movements, politicians, and technocrats, and in negotiations over the policy design.

7. Conclusions

The case of Brazil is more complex than the other cases in that both factors causing expansion, mobilization from below and electoral competition for outsiders, have led to social policy expansion at different points in time and in different policy areas. Mobilization from below has propelled health care and pension expansion starting in the late 1980s. Electoral competition for outsiders was not relevant in this period, as low-income voters were locked in by machine parties and left-wing parties were incapable of reaching these voters. With the expansion of electoral competition starting in 2000, and particularly in connection with the highly competitive 2002 presidential election, income transfers for low-income families were launched to off-set the appeals of the Workers' Party that campaigned on social policy expansion.

In the earlier period and in the areas of pensions and health care, powerful movements pressed incumbents to pass expansions. These movements managed to attain long-lasting institutional changes in the constituent assembly. Incumbents responded to movement pressure to avoid destabilizing mobilization. The creation of large-scale, generous benefits such as SUS, rural and non-contributory pensions, has been an outcome of social-movement pressure. In the new democracy, Sarney, an improbable president and former member of ARENA, responded to movement demands to gain legitimacy. Even before the constituent assembly, the president announced favorable measures to gain social-movement support and limit pressures. Aside from being rule-based, policies propelled by social movements have been broad-reaching and generous, providing benefits similar to those of low-income insiders.

A much less-studied aspect of these policy expansions in Brazil has been their implementation, which involved significant pressure from below. As we have seen, implementation was initially resisted and delayed by the Collor administration, which vetoed legislation and manipulated social expenditure. Expansion eventually took shape in the context of massive mobilization surrounding the president's impeachment. Unlike his predecessor, Itamar Franco rapidly initiated consultations with social movements and embarked on highly participatory policy expansion and the implementation of social rights to gain legitimacy and survive in office. In this process, social movement leaders spearheading expansion became visible political figures. As explained above, even if important outsider movements existed in the countryside, these movements were not engaged in social policy demands but rather pressed for agrarian reform and attained expansions of land distribution and credit.

Income-support benefits were inaugurated as a response to intense electoral competition for outsiders. This dynamic started in the late 1990s, when the PT adopted a more catch-all strategy and competed intensely for the vote of outsiders, an electorate that had been historically elusive for the left. The electoral expansion of the PT subnationally, and the creation of income transfers by pragmatic leftist politicians—those not linked to social movements—put pressure on conservative parties in Cardoso's coalition to expand social benefits to off-set a credible

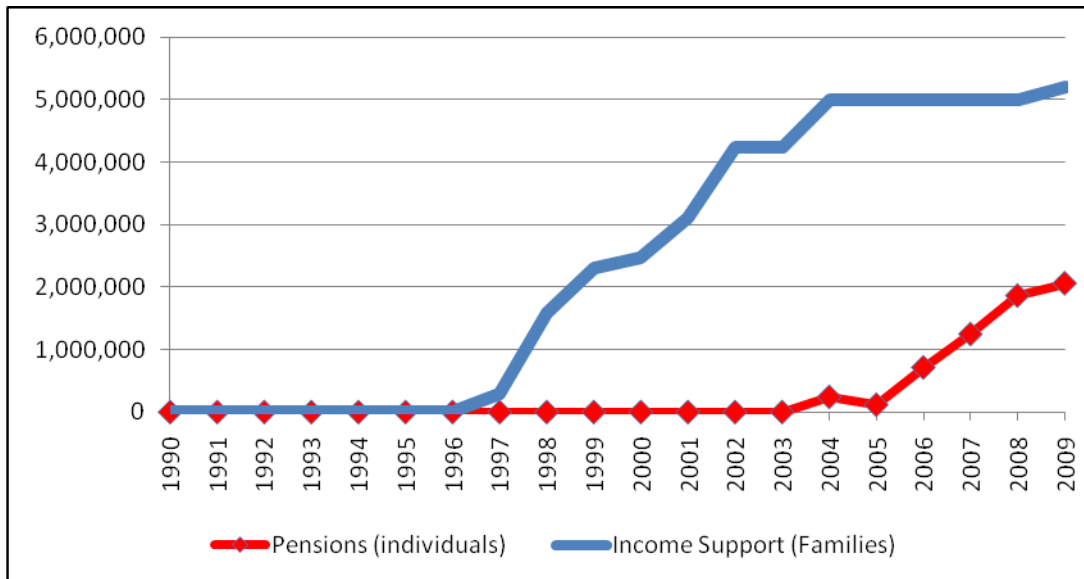
challenger. In 2002, expansion of income transfers accelerated surrounding presidential elections, in which the PT defeated the incumbent. Because social movements were not involved in the design of income benefits, these schemes were generally small and lacked participation in implementation. Yet, income transfers were massively extended by the PT in power. Social movements linked to the party and to Lula, acquired renewed power in the governments' agenda and launched Zero Hunger, which was initially highly participatory and large. After negotiations across "social-movement" and "pragmatic" coalitions in the party, *Bolsa-família*, a massive, less participatory benefit, was eventually established as the main strategy of Zero Hunger. Despite being relatively less participatory than prior social programs, the inclusive nature of the resulting policy was a consequence of social movement influence in policy design.

Chapter 5. Electoral Competition for Outsiders and Restrictive Social Policy in Mexico

1. Introduction

This chapter analyzes the expansion of restrictive policies for labor-market outsiders in Mexico. Restrictive policies have limited coverage, provide smaller benefits than inclusive policies, and are implemented without the participation of social organizations. After incipient expansion starting in 1997, health care, pensions, and income-support programs were expanded dramatically starting in 2001. By 2008 at least 5 million households, which represent 22 percent of total households received income transfers; 45 percent of outsiders accessed subsidized health insurance and about 2 million received non-contributory pensions, which represented about 38 percent of outsiders 65+ (See Figure 5.1. below).

Figure 5.1. Evolution of Income-support and Pension Benefits for Outsiders, Mexico 1990-2009.



Sources: Estimates built with data from SEDESOL and INEGI (See Appendix 2).

Despite leading to unprecedented access, restrictive policies in Mexico have left an important share of outsiders unprotected. This stands in sharp contrast with the cases of Argentina and Brazil, where new social policies have been universalistic, reaching all or a large majority of outsiders. At the same time, new social policies for outsiders in Mexico lack participation of beneficiaries in implementation. This differs with inclusive policies created in Argentina and Brazil, which incorporate organizations of outsiders in policy administration, or in participatory state-sponsored councils. This state-centric implementation also stands in sharp relief with policies implemented in Mexico in the past, especially with PRONASOL, which promoted social participation, although in an overall approach that was highly discretionary.

In this chapter I will show that the expansion of rule-based, restrictive social policy has occurred as a result of intense electoral competition for outsiders and democratization starting in the late 1990s. In this competitive electoral context, incumbents of different parties embarked on social-policy expansion to cultivate or solidify the support of outsiders and to offset the appeals of credible competitors. Because of the absence of mobilization from below triggering and/or shaping the process of social-policy design, these benefits have been negotiated among a plurality of interests in Congress resulting in more modest, non-participatory policy initiatives.

This chapter will further show that alternative factors do not better account for this social policy expansion. First, I will show that incumbents from different parties have embarked in social policy expansion, and that the partisan affiliation of the incumbent does not explain decisions to expand social policies for outsiders. Partisanship does matter however for the shape of resulting social policies. Conservative and left parties have different preferences and their institutional power may result in more or less encompassing though still restrictive policies. Second, social movements have not emerged to demand pensions, health care and income support benefits. Given the absence of large-scale mobilization from below, social policy in Mexico has not been created as a response to this type of pressure as in Brazil and Argentina.

As in the other cases under study, crises and socio-economic conditions do not account for expansion. Across cases, economic crises generally affected incumbents and their hold on power, but they only triggered policy expansion if those crises were accompanied by large-scale mobilization from below or electoral competition for outsiders. As seen in Chapter 2, the 1982 economic crisis did not generate social policy responses under De la Madrid (1982-1988). The 1994 crisis did not propel the adoption of social policy for outsiders to curb its negative economic effects either. It was in the context of “threats to survival” that the incumbent Zedillo administration embarked on incipient expansion, which grew significantly before the 2000 presidential election. The remaining social policy innovations took shape under modest economic growth and in the absence of economic or political crises under the Fox administration (2000-2006). Expansion indeed occurred when poverty and unemployment were not at particularly high levels.

In the next sections of this chapter I analyze how electoral competition for outsiders compelled incumbents to launch social policy expansion, and why certain kinds of policies were created. In the second section, I analyze the surge of electoral competition for outsiders and the initial policy responses. As analyzed in Chapter 2, these challenges began in the 1980s and involved an initial phase marked by voter de-alignment from the PRI, which paved the way for more intense electoral competition and the creation of institutions that favored democratization. When electoral competition and democratization intensified in the late 1990s, the Zedillo administration extended rule-based social benefits for outsiders to secure their votes and to avoid accusations of clientelism in the distribution of benefits.

In the third section, I show that social policy expansion continued after the defeat of the PRI in 2000. Assuming power in a democracy with high levels of electoral competition for outsiders, the PAN administration of Vicente Fox (2000-2006) launched large-scale social policy to expand and solidify outsiders’ support. Electoral competition for outsiders intensified at the end of Fox’s tenure, with the ascendance of the PRD candidate, López-Obrador, who

campaigns on large-scale social-policy expansion. Electoral pressure led Fox to embark on further social policy expansion to prevent the defeat of the PAN in upcoming elections. At the end of this period of democratization and intense electoral competition for outsiders a restrictive model of social policy was built. The fourth section presents the policy model that was created between 1997 and 2008 and traces the negotiations leading to policy expansion in each social policy area—pensions, health care and income support—to show how the process of policy design, which involved significant conservative power in Congress produced a restrictive model of social policy. The final section assesses the role of alternative explanations for social policy expansion.

2. The Democratic Transition, Party System Change, and Initial Social-Policy Responses

This section analyzes the emergence and evolution of electoral competition in Mexico and the first social-policy responses launched by the national government as electoral competition heightened. This process culminated in democracy, high electoral competition for outsiders, and large-scale social-policy expansion, which is fully analyzed in the next section. The growth of electoral competition in Mexico formed part of the broader process of democratization, which ended the dominant-party regime in which the PRI governed for 71 years, and led to the emergence of a three-party system with high levels of competition for office.

The key element that triggered electoral competition was voter de-alignment from the PRI, which began in the 1980s (see Bruhn 1997; Magaloni 2006). The availability of floating voters compelled electoral competition (Bruhn 1997 ch. 3), which although initially low, drove changes in electoral institutions that facilitated the expansion of the opposition and made democratization possible (see Lujambio 2001). This gradual process of growth in electoral competition and regime change can be divided in three stages: a) the erosion of the PRI vote share as voters began to de-align starting in the 1980s; b) the surge of competitive partisan alternatives which challenged the supermajorities typically enjoyed by the PRI and achieved piecemeal institutional changes that facilitated regime change; and c) the emergence of high levels of electoral competition, including competition for the vote of outsiders, in the late 1990s. This process culminated with alternation in power and the installation of democratic rule in 2000.

As analyzed in Chapter 2, the first stage marked by voter de-alignment in the 1980s did not result in social policy expansion, as no credible challengers competed with the PRI for the outsider vote. In the second stage, high electoral competition raised concerns among PRI politicians of being defeated in elections. However, the regime was still non-democratic and incumbent Salinas administration (1988-1994) used fraud, co-opted and repressed the opposition selectively, and launched an expansion of discretionary, centralized, and large-scale social investment programs in order to re-organize the PRI and achieve electoral success in a more competitive environment. The strategy followed by the Salinas administration is discussed in Chapter 2. Finally, high electoral competition for outsiders and democratization propelled the expansion of social transfers and services in the third stage.

Electoral Competition for Outsiders and Incipient Expansion of Social Policy

Electoral competition grew dramatically under the Zedillo administration (1994-2000) of the PRI. After winning the presidency comfortably in 1994, the PRI lost every major subnational election in 1995. In 1997, the PRI lost the majority in the lower chamber, inaugurating the first divided government in Mexico's post-revolutionary history (see Lujambio 2001). Facing not only electoral defeat, but also high levels of electoral competition for outsiders, the Zedillo administration initiated PROGRESA, a social program granting rule-based, individual social transfers. At the same time, it dismantled PRONASOL, which was badly discredited as discretionary, and decentralized PRONASOL infrastructure and social investment funding to states and municipalities.

A deep political and economic crisis contributed to the discrediting of the PRI and the rapid growth of electoral competition after Zedillo assumed office.³³² A succession of events in the last year of the Salinas administration unleashed the crisis. In January 1994, the Zapatista uprising in Chiapas destabilized the PRI government. Insurgents expressed opposition to NAFTA (North American Free Trade Agreement) signed by Salinas, initiating the rebellion the day the agreement came into effect. The Chiapas conflict revealed deleterious living conditions among peasants and was accompanied by different episodes of violence. Political turmoil incentivized capital flight, showing the vulnerability of Mexico's financial policy based on an overvalued exchange rate and high interest rates. The uprising was followed by the assassination of the PRI presidential candidate Luis Donaldo Colosio at a campaign rally in March 1994. Political instability produced further capital flight, which Salinas managed to check by spending reserves to control the exchange rate (Kessler 1998:58), and appointing a technocrat, Ernesto Zedillo, as presidential candidate. In a bleak scenario, Zedillo won the election largely benefiting from the success of Salinas, who at that time still enjoyed high approval ratings of about 63 percent.³³³ However, more political assassinations,³³⁴ disclosure of corruption in Salinas' clique, and a new round of armed conflict in Chiapas induced further capital flight before Zedillo's inauguration. After assuming office, and to the surprise of the PRI leadership, Zedillo launched a devaluation that triggered the peso crisis and produced a dramatic economic downturn, causing a 6 percent drop in the GDP and rising unemployment in 1995 (see Wise 2003; Kessler 1998).

The discredit of the Salinas administration and the PRI, and the dramatic collapse of the economy, compromised the Zedillo administration. In the next months, the PRI lost key urban areas to opposition parties PRD and especially to the PAN. Between 1988 and 2000, 27 out of the largest 30 municipalities in the country came to be governed by the opposition (Lujambio 2001:86), which further won 14 gubernatorial races between 1994 and 2000 (Magaloni 2006: 54). By 1996, the PRI, pressed by the opposition, launched a constitutional reform that guaranteed the independence of the Electoral Federal Institute (IFE) and made other institutional

³³² Narrative of events constructed from Dataset of Policymaking Events.

³³³ Approval ratings from CIDE 2008 in Murillo (2009:206).

³³⁴ The murder of Francisco Ruíz-Massieu, Salinas' former brother-in-law and Secretary General of the PRI, charges against Raúl Salinas, the president's brother, for alleged involvement in the crime; and the disappearance of a legislator.

changes affecting elections, which analysts suggest made possible the celebration of clean elections (Lujambio 2001:87) and the triumph of the opposition in the 1997 mid-term elections, and the 2000 presidential election.

The growth of competition in a more democratic environment put pressure on Zedillo to dismantle PRONASOL, a symbol of the Salinas administration, and decentralize its funding. PRONASOL lacked clear rules of benefit distribution and was closely identified with Salinas. At the same time, the eroding power of president Zedillo made him vulnerable to pressure from legislators and subnational authorities from the rising opposition and his own party (Trejo and Kaufman 1997; interviews Ziccardi, Marván, Vélez, Boltvinik, Gómez Hermosillo). For example, the PRD-chaired Committee of Social Development in Congress advocated a Social Development Law to limit discretion in PRONASOL and to decentralize social benefits.³³⁵

In a context of higher electoral competition and facing pressure from the opposition and subnational authorities from his party, the Zedillo administration decided to effectively reduce discretion in social benefits by establishing clear eligibility criteria and eschewing the participation of intermediaries in policy implementation. In 1995, Zedillo assigned a technocratic team independent from the Secretariat of Social Development, which was coordinated by Carlos Rojas—the mentor of PRONASOL—to design an alternative policy. A key member of that team recalls:

“León [who later became first director of PROGRESA] told us ‘we want to distribute resources to the poorest in an unmediated way, without passing through clientelistic mechanisms and having some conditionality’... by early 1996...things began to accelerate and we began to discuss the issue more intensely.”(interview Hernández).

That initiative resulted in PROGRESA (*Programa de Educación, Salud y Alimentación*), which provided grants to low-income families conditional on school attendance, health check-ups, and nutrition goals in a highly technocratic way. The program had non-participatory implementation

By 1996, president Zedillo had begun to dismantle PRONASOL. Zedillo increased direct transfers to municipalities to remove national control of those benefits. At the same time, and before the PRI’s defeat in the 1997 legislative elections, Zedillo submitted a draft bill to Congress to promote further decentralization of PRONASOL infrastructure funds. When the PRI lost the lower chamber to the opposition, a more plural legislature shaped the decentralization bill submitted by Zedillo. PRONASOL funding for infrastructure investments, the majority of its budget, was decentralized according to a revenue-sharing formula. Other schemes, such as enterprises in solidarity, were transferred to other national ministries. The new rule-based allocation of funding eliminated discretion on the part of the national state. However, states and municipalities in charge of spending those resources enjoyed ample room for discretion in the

³³⁵ *La Jornada* 07/08/1995. Rosario Robles, key political figure in PRD and future head of the Federal District presided the Committee.

allocation of funding.³³⁶ The key point here, however, is that the national executive, pressed to reduce discretion, decentralized PRONASOL and implemented a highly targeted and technocratic income support program, PROGRESA.

It should be emphasized that it was not only the opposition in the context of high competition for outsiders that pushed for decentralization of PRONASOL. The erosion of the dominant-party system also drove subnational PRI politicians to demand decentralization (interview Vélez). Subnational PRI politicians gained unprecedented weight in party politics and pushed for the decentralization of funding to better face a more competitive environment. During the heyday of PRI dominance, the president selected PRI candidates for subnational executive office. But with the impending demise of the dominant-party regime, subnational politicians began to gain power vis-à-vis an enervated national government and president, imposing their agenda to some extent (interview Boltvinik).

PROGRESA was launched after the PRI's electoral defeat in the mid-term elections of 1997. The Zedillo administration waited until after the election in order to avoid legislators (and public opinion) from associating the new scheme with traditional PRI politics of discretion and selectivity. Indeed, Zedillo's advisors wanted to prevent PROGRESA from being understood as "Zedillos' PRONASOL."³³⁷ A pilot test of PROGRESA had been implemented in 1996, and the new program was launched in August 1997 (*La Jornada* 08/08/1997). The new social program started out with 300,000 beneficiaries and was expanded to 2.3 million households before the 2000 presidential election.

It should be noted that the Chiapas insurrection in 1994 and the subsequent mobilizations of the Zapatistas have not driven large-scale social policy expansion.³³⁸ This is so for a number of reasons. First, the Zapatistas have not forged broader linkages with other political and social actors, who have had difficulty in dealing with an armed movement. The Zapatistas have remained quite isolated and failed to form a "large-scale" social movement that could foster broad policy expansion. Indeed, the Chiapas conflict remained geographically isolated. Rather than massive, national-level policies, the state could thereby respond to a geographically focused insurrection with specific programs directed to that state.³³⁹

Although both PRONASOL and PROGRESA were launched by PRI administrations as their main social-policy strategy for outsiders, their differences are significant and can be attributed to contrasting political environments of electoral competition and democratization in each administration. PROGRESA was launched by an incumbent who faced high levels of competition for outsider votes in a democratic environment. By the end of the Zedillo administration about 50 percent of the population in Mexico (46.3 million people) lived in municipalities that had been governed by the opposition vis-à-vis 2 percent when Salinas

³³⁶ Interviews Székely, Rojas, Escobedo-Zoletto. For the use of investments on the part of the states, see Benítez-Iturbe (2009); Díaz-Cayeros, Estévez, and Magaloni (forthcoming).

³³⁷ See Levy (2006:108 fn 35). Levy was one of the architects of PROGRESA.

³³⁸ I asked about the effects of the Chiapas insurrection on social policy expansion and respondents from PAN, PRI and PRD systematically denied any influence.

³³⁹ Interview with social policy expert of PRD indicated the importance of state-directed funding rather than national programs.

inaugurated PRONASOL in 1988 (Lujambio 2001:85), and the opposition controlled the lower chamber in Congress. Under Zedillo, moreover, electoral laws limited manipulation and restrictions on the opposition. By contrast, under Salinas opposition parties competed on a less favorable basis. The incumbent could manipulate electoral results and even use violence against the opposition. This was indeed pursued against the PRD in several competitive local elections which ended up in post-electoral conflict (see Burhn 1997, Magaloni 2006: 92; interview Cárdenas).

Until months before the 2000 presidential election, the PRI had real chances of winning.³⁴⁰ It was in the final months of the campaign that Vicente Fox, the PAN candidate, launched a “catch-all” strategy (Greene 2007) appealing to voters around the issue of regime change and achieving decisive support (Klesner 2005). Fox invited Mexicans to cast a *useful* vote “to get the PRI out of government” appealing to strategic opposition voters,³⁴¹ who would support the candidate with the higher chances of defeating the PRI (Lujambio 2001:89; Moreno 2003; Greene 2007).

3. Democracy, Electoral Competition for Outsiders, and Social-Policy Expansion

Vicente Fox’s victory in the 2000 presidential elections marked the beginning of democracy. The PAN (2000-2006) enjoyed a bare plurality and faced intense electoral competition for outsiders from the PRI and the PRD, which grew dramatically after the 2003 midterm election. High competition for outsiders made social policy particularly relevant. Seeking to solidify electoral support of outsiders, Fox expanded social programs in unprecedented ways. After assuming the presidency he expanded PROGRESA, which by 2003 reached more than twice the number of beneficiaries under Zedillo, and inaugurated health insurance for outsiders, a key innovation of his administration. With intense competition for outsiders, social policy became the central issue in the 2006 presidential campaign. In response to the growth of the PRD, the Fox administration extended means-tested pensions to off-set the appeals of PRD candidate López-Obrador, a credible competitor who promised large-scale pension expansion.

As a result of these social-policy innovations, at the end of the Fox administration Mexico had a growing system of social protection for outsiders along restrictive lines. Table 5.1 below shows the main features of restrictive policies across the domains of income support, health care and pensions. We see that the scope of coverage across policy areas is limited, as less than half of the outsider population is protected. Benefit levels are low in the case of pensions and health care, and moderate in the case of income support. Finally, implementation is non-participatory, state-centric across policy areas. It should be noted that despite leaving millions unprotected, social policy expansion has been unprecedented. Below I analyze these social

³⁴⁰ There were opinion polls that showed Labastida, the PRI candidate coming out first with a small margin in early 2000 or a technical tie, see interview with Fox in “Fox: Solo aspiro a gobernar bien” in *La Jornada* 02/26/2000. Also *La Jornada* 03/22/2000. On earlier opinion polls indicating a potential victory of PRI see Lujambio (2001: 88).

³⁴¹ “Llama Fox a hacer *útil* el voto de la oposición,” *La Jornada* 02/21/2000.

policy innovations and in the next section I trace the process of policy design in each policy area to illuminate the reasons behind the policy choices.

Table 5.1. The Policy Model: Restrictive Social Policy for Outsiders in Mexico c. 2007

Policy Area	Scope of Coverage	Benefit Level	Participation in Policy Implementation	Date of Expansion
Income Support	Limited 35-40% school-age children	Low Average benefit 25% food poverty line	No participation	1997-1999, 2002-2003
Health Care	Limited 45%	Free for extreme poor	No participation	2001-2003 (phased-out implementation)
Pensions	Limited 38% (65+)	1/3 of the minimum Pension for insiders	No participation	2006-2007

Sources: See Appendix 2.

3.1. Democracy, the Ascendancy of Conservatives, and Social Policy Expansion

Vicente Fox came to power with the support of voters from across the social structure. With a core constituency in the economic elite, the PAN also mobilized outsiders (urban informal, unemployed, and rural workers and peasants) and middle-class voters for the 2000 elections. PAN drew more support in the Northern states than in the South and Mexico City, where the PRD was a stronger opposition party (Klesner 2005). During his campaign, Fox tried to make inroads into the rural vote, the PRI's core electorate. Virtually half of rural voters chose alternatives to the PRI in 2000. The PAN achieved the greatest expansion of rural support, gaining 25 percent of the rural vote share.³⁴² After assuming power, and having mobilized the electorate as the promoter of regime change, the Fox administration sought to solidify long-term support of outsiders through social policy. In a context of high competition, the Fox administration had a bare plurality in the legislature, while the PRI was the second largest party in the lower chamber and had a large bloc in the Senate. Negotiations in Congress thus were carried out to achieve opposition support for expansion, particularly to gain the support of the PRI.

As expected in the framework, the PAN, a conservative party with a core constituency in the economic elite, preferred modest social policies that were limited in terms of scope of

³⁴² The PRI won in 51.1 percent of rural polling booths compared to 25 percent won by the PAN and 22 percent by the PRD. *La Jornada* 08/07/2000 with data from IFE.

coverage and benefit levels. At the same time, the PAN particularly sought to expand private service provision in the health system, which was dominated by social security and public hospitals. The PRI, though a popular-based party, did not have a consistent social policy agenda. It had preferred high levels of state intervention in programs for the formal sector until the 1990s, when the PRI embraced pro-market policies and abandoned its statist agenda (See Murillo 2001; Madrid 2003). Until the arrival of Zedillo to power, the PRI had not expanded rule-based transfers or services for outsiders. There were sectors in the PRI that sought higher levels of state intervention in policies for low-income populations, while others preferred a more subsidiary role for the state. Both of these sectors were relevant in the party under Salinas, but the pro-market PRI politicians became more prominent during the Zedillo and Fox administrations. Finally, the PRD was a left-wing party without a clear social policy agenda until the rise of López-Obrador, who advocated universal policies with modest benefit levels. Since electoral competition intensified, all parties advocated rule-based policies without the participation of social organizations in policy implementation.

Facing competition for outsiders the Fox administration expanded social benefits to solidify and extend support among this electorate, and created mechanisms that promoted transparency in major social programs to ensure that large-scale benefits were rule-based. This was promoted by his administration to avoid accusations of clientelism or manipulation of benefits on the part of credible competitors also vying for outsiders, and further allowed the Fox administration to differentiate itself from the PRI.

In the absence of social mobilization from below, resulting policies were *restrictive*. These policies were largely consistent with the preferences of the PAN, and negotiated with the congressional opposition, which introduced few significant changes to major social policy. The PRI, tended to support the PAN's social-policy proposals despite internal differences. Indeed the more pro-market sectors tended to support the PAN or negotiated legislative support pragmatically, while more statist PRI politicians at times voted against PAN's proposals, as a small share did with Fox's health expansion. The left, whose policy preferences were more distant from those of PAN, held fewer seats in Congress.

Before assuming office, the Fox transition team announced the president-elect would maintain PROGRESA arguing that "on inauguration day we cannot tell 2.6 families they lose their benefits."³⁴³ In the next two years, and with an eye on consolidating its electorate for the 2003 midterm election, the Fox administration launched several social-policy innovations. In 2001, Fox announced the expansion of PROGRESA to urban areas, incorporating 800,000 beneficiaries. For the first time PROGRESA would reach cities where PAN was strong. In 2001, the Fox administration further increased the social development budget foreseeing another expansion of PROGRESA, which was supported by Congress. In 2002, Fox changed the name of PROGRESA to *Oportunidades*, partly to differentiate his approach from that of the PRI.³⁴⁴ As an

³⁴³ Carlos Flores, Social Policy expert, President-elect's team in "Fox preservará el ProgresA, anuncia equipo de transición" *La Jornada* 11/07/2000.

³⁴⁴ Chronology built with Dataset of Policymaking, Mexico. The expansion of *Oportunidades* and its inclusion within the broader CONTIGO strategy was passed by Ministerial resolution. Congress voted a larger budget for those programs.

indicator of transparency in the distribution of benefits, Fox appointed Rogelio Gómez-Hermosillo, the head of Alianza Cívica, a non-governmental organization involved in monitoring elections, director of Oportunidades.³⁴⁵ The Fox administration further announced the expansion of the scheme to another million households in 2002. Before the 2003 mid-term elections the number of beneficiaries of *Oportunidades* had reached 4.3 million, almost twice the number at the beginning of the Fox administration. About one third of beneficiary families resided in urban and semi-urban areas.³⁴⁶ By 2004, the number of households covered was extended to 5 million, in which, on average, one child per family received a grant conditional on school attendance scholarship (see Figure 5.2 below).

Aside from this expansion of benefits, in 2002 PAN legislators submitted a Social Development draft bill to Congress. The bill sought to create mechanisms that would increase transparency in the distribution of social programs.³⁴⁷ One major concern of the Fox administration regarding social policy was to avoid accusations of benefits manipulation such as the ones that had characterized prior policies like PRONASOL.³⁴⁸ Just as the Zedillo administration had done in the late 1990s, the PAN tried to show a clean record in a context of high electoral competition. Among other measures, the new law established rules to inform the population about existing benefits, to publicize the fact that benefits were accessible without political intermediaries, and that receiving a benefit did not imply exchanging it for political support.³⁴⁹

The Fox administration formally launched its most ambitious social-policy proposal in 2002, the creation of *Seguro Popular* (SP) (Insurance for the People) health insurance for outsiders. This was the star program of the Fox administration: since 2001, Fox had been announcing his intention to create a health-insurance scheme covering those without formal-sector social security. The bill creating *Seguro Popular* was submitted to Congress in 2002 and was passed in April 2003, as part of the new Law of Social Protection in Health Care. SP got support from the opposition, especially the PRI. The PRD had a different proposal for health reform, and largely opposed the initiative.³⁵⁰

Opposition parties pressed the government to ensure that national benefits were rule-based. As mentioned clientelism was a concern of political parties since competition grew intensely. The PRD and PAN had campaigned on the elimination of clientelism.³⁵¹ Likewise the

³⁴⁵ *Alianza Cívica* played an important role in monitoring elections in the 1990s.

³⁴⁶ Data from SEDESOL 2007 (www.sedesol.gob.mx).

³⁴⁷ The PRI and PRD had also submitted bills and a congress discussed the three projects.

³⁴⁸ This concern to avoid discretion in the selection of beneficiaries was particularly highlighted in interviews by Székely and Hernández.

³⁴⁹ Some of those mechanisms already governed PROGRESA, but were not present in other social programs.

³⁵⁰ See discussion on health care below.

³⁵¹ For example, Cárdenas denounced the use of clientelism by the PRI during the campaign and promised that with the PRD, "social programs will never be used again to induce the vote, to take advantage of extreme poverty." Quoted in "Rechaza Cárdenas prácticas clientelares para atraer el voto" *La Jornada* 03/10/2000; Fox also emphasized that clientelism would end with a PAN victory. See the following statement, "We are going to change priorities and the way to do social policy. We will end the dictatorship of extreme poverty and ignorance. The most

PRI, which governed several subnational units sought to prevent clientelism on the part of the national state. Since the defeat in the 1997 election, and particularly since alternation in power, PRI governors, which controlled several Mexican states, and to whom PRI legislators responded, rejected the manipulation of voters by the national government in their states.³⁵² Indeed, PRI governors publicly called for an “end to clientelism.”³⁵³ In turn, the National Conference of Governors (CONAGO) requested that the national state avoid using social programs electorally during the 2003 legislative elections.³⁵⁴ At the same time that they rejected discretion on the part of the national government, states and municipalities strove to protect the ample room for discretion with which they managed to decentralize funding since the Zedillo administration. The protection of this prerogative is particularly clear in the text of the Social Development Law passed by Congress in 2003. Despite proposals to reduce discretion demanded by the PRD, the law excluded accountability mechanism in the use of decentralized resources.³⁵⁵

cruel and ignorant, which decides what to give, to whom and how, and above all, to cash that on Election Day” quoted in “Ofrece Fox un pacto de reconciliación” *La Jornada* 03/24/2000.

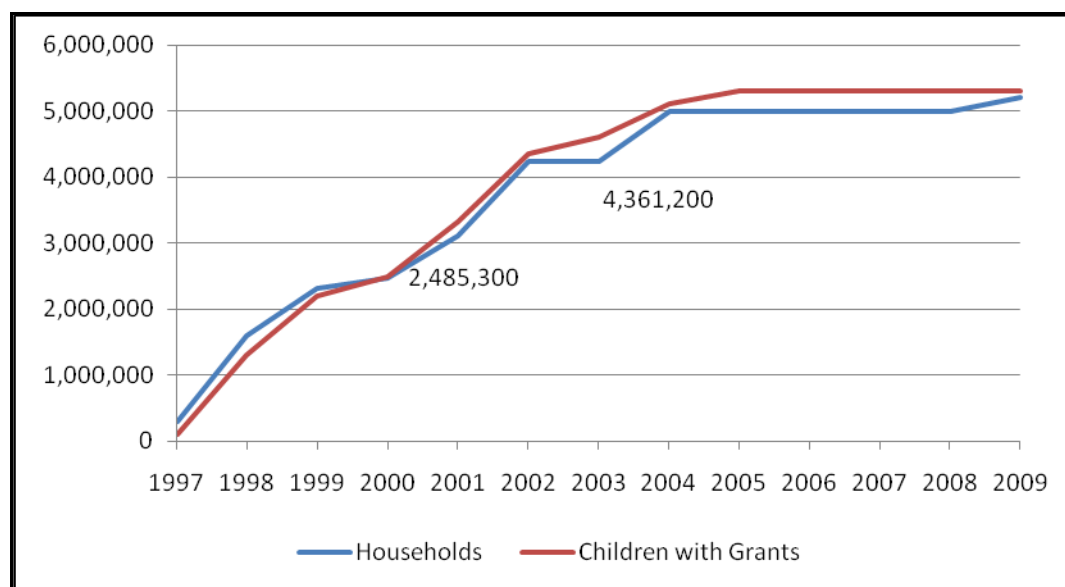
³⁵² Ending corruption and clientelism was also emphasized by the presidential candidate of PRI, Labastida, who proposed to “spearhead a change in favor of honesty and transparency” quoted in “Propone Labastida convertir al PRI en *vanguardia de honestidad*” *La Jornada* 01/04/2000.

³⁵³ See “El PRI debe olvidar el Clientelismo: Millan,” *La Jornada* 07/11/2000.

³⁵⁴ A PRI leader suggested “It is vital to reach an agreement between the National, state, and municipal governments so that social development policies and programs such as *Oportunidades* are not politicized and introduced in the electoral process” *La Jornada* 10/20/2002.

³⁵⁵ The bills of the Social Development Law proposed by Brugada and Burgos of PRD placed those resources under the aegis of the Social Development Law and the authority in charge of implementing the law and controlling the allocation of funding. See Boltvinik 2002.

Figure 5.2. Beneficiaries of PROGRESA-Oportunidades, Mexico 1997-2008.



Source: Data from SEDESOL.

Despite efforts to consolidate electoral support, the 2003 elections revealed the extent to which the PAN's success in 2000 had been based on regime change rather than on partisan realignment (see Klesner 2005). In the mid-term elections the PAN campaigned on deepening change. It tried to persuade voters to grant the PAN a congressional majority to "lift the brake on change." However, PAN lost 54 legislators, 25 percent of the seats it held in the 2000-2003 legislature.³⁵⁶ At the same time, a key feature of the mid-term elections was low-voter turnout, with abstention reaching 6 out of 10 voters. Support was lost to the PRI, which performed some sort of comeback, gaining not only legislative seats but also recovering a few governorships. The 2003 election also indicated the growing popularity of Mexico City mayor Andrés Manuel López-Obrador (AMLO), who became a rising figure in Mexican politics and amassed high electoral support in Mexico City.

Even if the PRD did not obtain a large vote share nationally in the 2003 legislative election, it posed a credible threat to the electoral power of the PAN in the 2006 presidential election. The threat of the PRD was particularly relevant because its rising figure, López-Obrador, was perceived as a successful administrator of Mexico City. More fundamentally, López-Obrador had shifted the party's agenda towards a more concrete commitment to the poor through the extension of large-scale rule-based social policy which found appeal among outsiders.

As Mexico City's Head of Government, López-Obrador launched important social-policy innovations. According to key PRD advisors and the opposition, these social policies amassed

³⁵⁶ See Shirk (2005: 207).

dramatic electoral support for the PRD in Mexico City, where the party won by a landslide in the midterm election of 2003.³⁵⁷ These innovations included the creation of a universal pension for people 70+, broader access to free health services, and pensions for people with disabilities and orphans.

After assuming office in 2000, López-Obrador increased social expenditures to launch a gradual process of social policy expansion. In 2006, Mexico City paid pensions to 400,000 seniors and 86,000 grants to poor disabled persons and orphans. These old-age pensions were widely recognized as a fundamental source of popularity for López-Obrador.³⁵⁸ A key social policy expert and PRD politician highlighted the “political brilliance of López-Obrador” with respect to the pensions, and suggested:

“His political intuition enlightened him (...) There is an obvious thing: each senior is at the peak of a pyramid with a large base. If you assist all the seniors then everyone is happy because everybody has a father, a grandpa. It is impressive the number of people who came to admire a political leader who launched a program reaching seniors. The increase in popularity attained with this program was impressive. How come not vote for this candidate with the stuff he did for my grandpa?” (interview)

Policies inaugurated by López-Obrador were rule-based and were partly funded with cuts in discretionary spending. These cuts affected “representation, travel expenses ... unnecessary positions, such as private assistants, advisors, security teams and bodyguards, cell phone expenses...” (interview Encinas). Pensions, for example, were entirely funded with “austerity measures” implemented by the López-Obrador administration (interview Encinas). The PRD aimed to show capacity to govern, transparency, and commitment to the low-income population by funding social policy expansion with austerity measures.

3.2. The 2006 Presidential Elections and the Ascendancy of the Left

The 2006 presidential elections confronted the PAN with the daunting task of mobilizing the electorate behind the party’s candidate, Felipe Calderón, at a time of rising popularity of the PRD’s presidential candidate, López-Obrador. Since 2005, opinion polls showed that if López-Obrador ran for president he would win comfortably. The PRD and PAN competed intensely to reach out for the support of the low-income electorate. The PRD-led coalition “For Everybody’s Welfare, the Poor First” promised social policy expansion.

Even before the campaign had started, when López-Obrador was mayor of Mexico City, social policy became a fundamental source of competition between the national and city government. Both the PAN and PRD used social policy to develop linkages and solidify the

³⁵⁷ Interviews Boltvinik, Encinas, Genaro Borrego, confidential interview business association.

³⁵⁸ Interviews Boltvinik, Encinas.

support of outsiders. At the same time, both administrations fought over the distribution of social benefits in Mexico City. For example, when *Oportunidades* was expanded to urban areas López-Obrador initially blocked its distribution in Mexico City. Likewise, PRD legislators representing Mexico City voted against *Seguro Popular* in Congress (Cámara de Diputados 2003). Until well into 2005, Mexico City further refused to sign an agreement with the national government to facilitate the implementation of the *Seguro Popular* in the City, which it finally did.³⁵⁹ Indeed, Mexico City was the last state to sign the agreement and systematically blocked its implementation, arguing it had a different health policy that provided free health care, rather than the partly subsidized services for those enrolled in SP.

As a rising leader (and later presidential candidate), López-Obrador promised to extend his policy innovations at the national level if elected president. He further promised to reduce discretionary expenditure and reallocate it for social policy. For example, in a public act in the Zócalo—the main square in Mexico City—in which López-Obrador formally granted 2,700 new pension benefits in 2005, he suggested that if elected president, he would extend the benefits to the national level and added that “an austerity plan of the national government” reducing politicians’ expenses, and cutting high salaries and privileges, could spare enough to “guarantee the right to a food pension...scholarships for people with disability, more housing, schools, and hospitals.”³⁶⁰

Facing a credible challenger to the PAN’s continuity in power, President Fox initially discredited López-Obrador’s programs. He dismissed non-contributory old-age pensions as “populist” and in criticizing the policy stated:

“Workers in firms, civil servants, all save to have a pension when they retire. I believe it is terribly unfair that just for being seniors, others are protected with precisely the money of those who work.”³⁶¹

Soon after that, however, and aware of the difficulty that the PAN faced in the coming elections, Fox announced that his government was planning on launching a pension for people 65+ without social-security coverage that would be funded with a “contribution from the national government” and with savings from beneficiaries.³⁶² He suggested that his government would establish three pillars of “social justice,” education, pensions, and health care through *Seguro Popular*.³⁶³

Facing mounting electoral pressure and aiming to undermine the centrality of pensions in López-Obrador’s popularity, Fox thus launched a pension benefit. His administration extended pensions for seniors in households receiving *Oportunidades*. A few months before the elections the Fox administration initiated the distribution of close to 800,000 pensions to the poor through

³⁵⁹ “La Salud sin colores ni partidos, señala Frenk” *La Jornada* 01/14/2005; “Sin acuerdo formal entra en funcionamiento el Seguro Popular en el DF” *La Jornada* 04/06/2005.

³⁶⁰ “Con austeridad viable en todo el país la pensión universal,” *La Jornada* 03/14/2005.

³⁶¹ President Fox quoted in *La Jornada* 03/18/2005.

³⁶² “Pronto habrá un plan de jubilaciones para mayores de 65 años: anuncia Fox” *La Jornada* 04/17/2005.

³⁶³ See also *La Jornada* 10/13/2005.

an ad-hoc scheme, *Oportunidades Adultos Mayores* (Oportunidades-Seniors), to off-set his competitor's momentum. Oportunidades-Seniors provided a pension equivalent to 18 percent of the minimum wage, well below the benefit promised by López-Obrador, which would provide a pension equivalent to 50 percent of a minimum wage. At the same time, Fox requested a technocratic team to design a pension program out of which beneficiaries of Oportunidades could save for a future pension (interview Székely).

Fox continued to make announcements that signaled further expansion. For example, in 2006 he inaugurated *Sistema de Seguridad Social Popular* (Popular System of Social Security--PSSS) which sought to integrate different programs for outsiders (Oportunidades, Seguro Popular and Pensions). The first meeting of the PSSS was held on March 2006, three months before the national elections. On that occasion, President Fox, who had rejected universal policies launched by the government of Mexico, stated:

“To universalize social security is not only a mandate but an ethical and human imperative that cannot be procrastinated. Democracy is equity and democracy, in turn, involves inclusion and opportunities to all Mexicans.”³⁶⁴

In June 2006, just before the elections, the PRD and PAN were in a virtual tie, with a higher likelihood of a PRD victory. This set up an enormous test for the country's electoral institutions (Whu 2008: 144). Indeed, both candidates announced their victory, which was eventually obtained by the PAN candidate, Felipe Calderón, by an extremely thin margin of 0.5% or 243,000 votes.³⁶⁵ After the results were announced, López-Obrador declared fraud, demanded a recount, which was not pursued by the Electoral Federal Institute, and mobilized his supporters throughout the country. Post-electoral conflict involved an encampment of the PRD in Mexico City that lasted for months.

Despite political conflict, PRD legislators pressed Congress to pass a new pension law that would dismantle Oportunidades-Seniors and create a rule-based benefit. On the one hand, the benefit was a key proposal of the PRD campaign; on the other, the existing pension launched by Fox was perceived as controversial by the PRD. As soon as the new legislators assumed office, the PRD negotiated the new benefit in exchange for approval of the 2007 budget. The PAN, in turn, had few incentives to oppose the new pension benefit, as the pensions created by Fox were highly contested and there was intense competition for the vote of outsiders. Congress passed a much slimmer benefit, which nonetheless increased the number of pensioners by nearly three times in the following years, reaching about 2 million beneficiaries by 2009 (see Pensions below).

In sum, like his predecessor Zedillo, Fox found himself in a context of high competition for outsiders and expanded social policy to that electorate to secure their vote. After assuming office, Fox extended income support and health insurance for outsiders. Facing a credible challenger to the continuity of the PAN in office, Fox embarked on further expansion to offset

³⁶⁴ “Fox insta a evitar el uso electoral de programas” *La Jornada* 03/24/2006.

³⁶⁵ 42 million Mexicans, 59% of registered voters, went to the polls on July 2, 2006.

the appeals of López-Obrador in 2006. The last-minute creation of a pension benefit during the 2006 presidential campaign was part of the PAN's strategy to ensure survival. These benefits have been restrictive. In this multi-party system the PAN had to negotiate policy expansion with the opposition in Congress. Given that expansion is popular, opposition parties had little incentive to block them, especially while competing for the vote of outsiders. Under Fox, moreover, the PAN negotiated policy expansion largely with the PRI, which had a large share of the legislature and the senate. Resulting policies were close to conservative preferences, given the weight of legislators from the PRI and PAN who supported policies proposed by the executive branch, as analyzed below.

4. Restrictive Social Policy Model: Domains of Expansion

The creation of restrictive policies was driven by electoral competition for outsiders and by negotiations in Congress about policy design. These negotiations involved the PAN and the PRI under Fox, and the PRD particularly under Calderón, when a larger number of PRD legislators assumed office and pension expansion was debated in Congress. Below I analyze each policy area to characterize the specific policies and discuss the reasons behind the choice of a restrictive model, that is, of small coverage, low benefit levels and non-participatory implementation. We see that parties preferred to reach beneficiaries directly without intermediation, and that the size of the policies and the benefit levels responded to the PAN's preferences for small, limited coverage that granted relatively more benefits to the extremely poor.

Income Support

The first major income support scheme in Mexico was PROGRESA (Programa de Educación, Salud y Alimentación) initiated by Zedillo of the PRI in 1997. PROGRESA was defined as a "human capital program" which advanced education, health, and nutrition goals. It provided a grant to households with children in extreme poverty in exchange for school attendance, medical check-ups, and nutrition-related education. PROGRESA began in rural areas and was extended to urban and semi-urban areas in 2002 by the Fox administration, which changed its name to *Oportunidades*.³⁶⁶

The design of PROGRESA borrowed ideas from one of PRONASOL's several schemes, *Niños en Solidaridad* (Children in Solidarity), established to combat child labor in rural areas (interviews Rojas, Hernández). Children in Solidarity provided a small grant in exchange for school attendance and medical check-ups for children selected by Solidarity Councils (interview Rojas). According to Carlos Rojas, former director and mentor of PRONASOL, "[In Niños] children had to go to school and to the clinic. (...) PROGRESA is the continuity of Niños."

³⁶⁶ Main changes between PROGRESA and *Oportunidades* included extension to urban areas and provision of grants to children in high school.

However differences are also highlighted by proponents of PRONASOL, as well as those of PROGRESA. For Rojas:

“[Niños] was an individual benefit but it nonetheless had an important community-involvement component. And so here [in PROGRESA] what prevailed was the criterion of (...) killing social participation. It is the neoliberal dogmatism of individualizing everything and this has prevailed even in the left. Several of the social policies of López-Obrador have been individual benefits...” (interview Rojas).

Other differences can be emphasized. Unlike Children in Solidarity, PROGRESA, and later *Oportunidades*, are stable and rule-based. Critically, the selection of beneficiaries is done by technocratic teams who further control conditionality, rather than by community councils. This difference is emphasized by those involved in the design and direction of PROGRESA and *Oportunidades* (interviews Hernández, Székely). In the words of a high level official involved in the design of these transfers:

“Mexico had a package of school grants that was called Children in Solidarity ...There were thousands of communities that received 40 school grants. Who received those grants? Who knows. The decision was to provide a more or less fixed number of grants and leave the community, which in the minds of our politicians of clientelistic populism is intelligent, civilized, harmonious and very democratic (...) They [the community] could then decide how to distribute those grants the best possible way. There were several different criteria (...) The idea to centralize [implementation] came up because we said ‘ok, in the face of criteria based on utopian conceptions of popular participation and communitarian democracy we will establish clear and rigorous criteria.’ (...) This led to the involvement of just one agent [in implementation] (...) [of] probably lean but homogeneous, clear, and safe criteria.” (interview).

Since its creation in 1997, PROGRESA-Oportunidades has been a restrictive benefit. Despite its unprecedented reach, it has nonetheless low scope of coverage (as it leaves more than half of outsider children without grants), moderate benefit level, and lacks social participation in implementation. Below I characterize each of the main dimensions of PROGRESA-Oportunidades and analyze why a restrictive model was created.

Scope of Coverage. *Oportunidades*' scope of coverage is impressive and unprecedented. Yet it is hereby considered limited as it reaches less than half of outsider school-age children, who are the main beneficiaries of the scheme. *Oportunidades* targets only children in extreme poverty (whose household income is inadequate to pay for a food basket).

As stated by several interviewees, at the end of the Fox administration *Oportunidades* had a waitlist of at least 1 million families. At the same time, several children in households reached by *Oportunidades* did not receive fellowships. There were several mechanisms through

which restrictions to broader access operated. First, under Fox the government established a quota of 5 million household beneficiaries. Even if people qualified for the benefit, they were not included until a spot was opened. Second, conditionality was strictly enforced and families who lost their benefits faced a long wait period if they wished to reenter the program. Third, *Oportunidades* did not encourage children to go back to school if they had already dropped out.³⁶⁷ When asked why the ratio of children with grants to families protected was low, a top official of *Oportunidades* suggested that mothers did not want all their children to be enrolled in the scheme.³⁶⁸ This may be in fact related to difficulty in bringing drop-outs back to school. Finally, it is worth noting that program officials at some point considered seriously the possibility of making the benefit conditional on academic performance. Yet that proposal did not find support and was discarded, as it would potentially limit access (interview Escobedo-Zoletto).

Benefit Level. *Oportunidades* provides a grant to children in school, a food supplement to families in extreme poverty, and a small subsidy for electricity. The amount paid by grants varies according to the grade children attend. Although benefits can be indeed high for children in the final years of education, reaching over the minimum wage for the final high-school year, the average benefit paid to households has been on average lower. The average benefit is the amount that the program actually pays to households (considering fellowships, food support and electricity subsidy). In 2007, it stood at 19.6 percent of the average food basket (or extreme poverty line) for a family of two adults and two children, and 10 percent of the poverty line. At the same the benefit paid to a hypothetical household with two children (including food support and two average grants for children between 6 and 12 years old) was 25 percent of the food/extreme poverty line and 12.9 percent of the poverty line (See Table 5.2) below.

Participation. As stated above, income transfers in Mexico do not include mechanisms of social participation, such as state-sponsored councils or policy administration, which characterize policies in Argentina and Brazil. Social organizations, such as rural and peasant organizations, have not participated in the implementation of PROGRESA-*Oportunidades* at any point.

³⁶⁷ See Levy (2007) on the fact that drop-outs have largely failed to enroll back in school. This is probably a major reason why fellowships are relatively few.

³⁶⁸ Interview High Official *Oportunidades*.

Table 5.2. Benefit Levels of Income-Support Programs (Oportunidades), Mexico 2007.

	Total Amount in Pesos	As Percent of Extreme or Food Poverty Line ¹	As Percent of Poverty Line ²	As Percent of Minimum Wage
Average Benefit ³	435	19.6	10	29.5
Benefit Family Two Children ⁴	555	25	12.9	37.6
Minimum Wage ⁵	1517	66.3	34.4	100

Sources: Estimates built with data from Oportunidades, CONEVAL (available at www.coneval.gob.mx), Servicios de Administración Tributaria (www.sat.gob.mx) and SEDESOL for January 2007.

¹ Average of urban and rural *pobreza alimentaria* estimated by CONEVAL for Jan 2007 times three (the equivalent of two adults and two children).

² Average of urban and rural *pobreza patrimonial* estimated by CONEVAL for Jan 2007 (similar to poverty line defined by ECLAC), times three (the equivalent to two adults and two children).

³ Average benefit paid by *Oportunidades* in January 2007 (data from SEDESOL)

⁴ Average benefit that would be paid to adult/s plus two children between 6 and 12 provided they fulfill the conditionality (food support+ two average grants)

⁵ Average of Minimum Wage for “Area A,” 50.57\$ per day and “Area C,” 47.6\$ per day.

The adoption of a restrictive model of income support was the result of a policymaking process in which conservatives in the PAN and the PRI—who shared similar social-policy preferences—shaped policy design. Conservatives preferred limited state intervention and highly targeted low benefits.³⁶⁹ Conservatives and more statist PRI officials were both involved in social policymaking under Salinas. However, the former further strove under Zedillo, especially since the electoral decline of the PRI and the surge of the PAN in Congress in 1997. The Zedillo administration shared policy goals (such as pension privatization, and health reform) with the PAN. These reforms were in fact introduced by Zedillo more forcefully than by Salinas during the heyday of privatization in Mexico.

The scope of coverage and the benefit level of income policies reflect conservative views of limited state intervention. These views were shared by the technocrats appointed by Zedillo to revamp social policy, and by his closest allies in the party. The main features of PROGRESA remained largely unchanged under the Fox administration. The program was consistent with the PAN’s views about social policy. This ideological consistency was such that the technocratic team that created PROGRESA under Zedillo occupied key technical and political positions in the PAN administrations of Fox and Calderón.³⁷⁰

³⁶⁹ On PAN’s ideas see Lujambio (2001) and Shirk (2005) among others.

³⁷⁰ For example, Santiago Levy, a key mentor of Progresas was secretary of finance under Zedillo and Director of the Mexican Institute of Social Security under Fox. Daniel Hernández was director of Progresas under Zedillo, Chief of Cabinet of the Secretariat of Social Development under Fox, and member of transition team of president elect Calderón.

The PRD had different preferences with respect to income support. Conditionality and narrow targeting have been controversial within the left, which advocates universality in social policy (interviews Laurell, Bejerano). Despite different preferences, the left did not affect the design of income-support benefits during this time period for three main reasons. First, the PRD did not have significant power in Congress or the executive branch to substantially affect the process of policy design during the Fox administration. Second, the PRD prioritized other policy areas, such as pensions and health care, for which it had alternative policy proposals. Indeed, PRD administrations in Mexico City which helped party leaders place social-policy issues on the national agenda did not launch any massive income-support program for families. The party did not have a specific policy proposal that could replace or significantly overhaul PROGRESA-Oportunidades, as it did in the case of pensions and health care. In fact, López-Obrador would have probably kept *Oportunidades* in place in the event of a PRD government (interview Bejerano).

The inclusion of participatory mechanisms in the implementation of income transfers was avoided by parties in office and in Congress. Political parties in a highly competitive party system preferred non-participatory implementation of large-scale income transfers. For PAN technocrats, the idea was to have “zero” community involvement (interview High Official Oportunidades) to avoid unnecessary intermediation or deviation of program goals. The PRD, in turn, has not promoted social participation in policy implementation either. This is clear in the Federal District, where the PRD implemented innovative social programs. Except for housing policy, where long-standing organizations participate in implementation particularly since the 1985 earthquake, new social programs inaugurated by the PRD have prevented the inclusion of organizations, even those linked to the party. According to Alejandro Encinas, former PRD major of Mexico City:

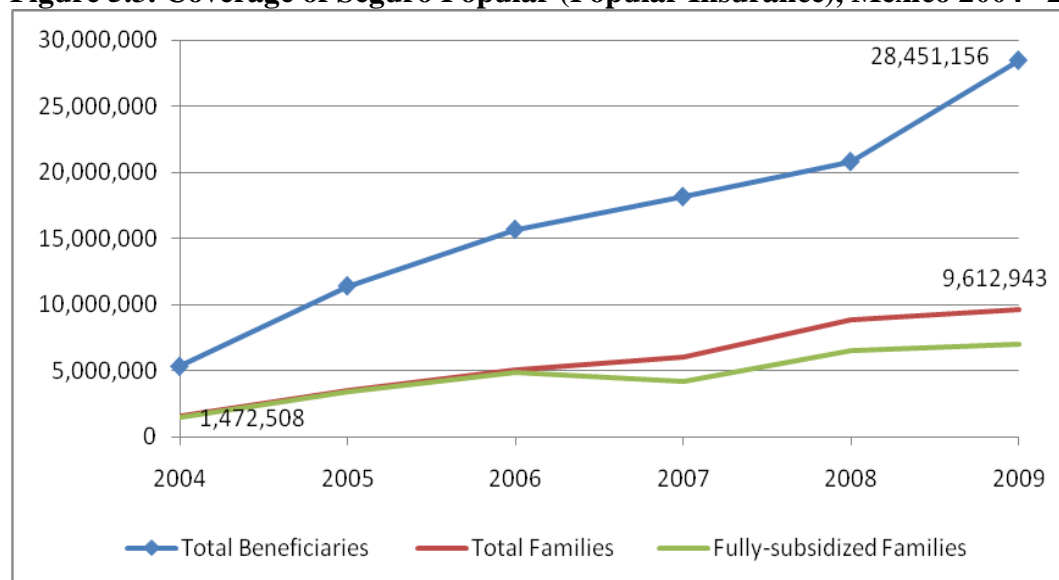
“We separated the administration of social programs from the agents and intermediaries (...) it is often the case that the power of corporations stems from the negotiations, intermediation of their leaders between the state and those they represent” (interview).

Health Care

Seguro Popular, SP is a restrictive program that seeks to provide a basic package of health services to outsiders through partial or full subsidies. SP is a voluntary benefit. Outsiders can enroll in SP and pay a contribution that varies according to income. The extreme poor are fully subsidized by the state (households in the lowest two deciles of income), while others (poor and non-poor) pay a premium. SP is funded by the national government, the state, and (if applicable) the beneficiary. One key goal of SP is to tap payment capacity on the part of outsiders. SP seeks to fund health provisioning for outsiders with direct taxes, as in Brazil and Argentina, and with premiums paid by families on a monthly basis, as in Chile. One major concern about the policy is whether the outsiders will be able to pay even a modest premium, and whether states will indeed pay their share of state funding.

Scope of Coverage. *Seguro popular* has advanced the ambitious goal of covering 45 million people by 2010.³⁷¹ As observed in Figure 5.3, coverage grew significantly. As of 2009, SP provided benefits to 28 million people, about 45 percent of outsiders.³⁷² Out of this pool, about 75 percent have fully-subsidized coverage while the rest have partly-subsidized benefits. Despite the still narrow scope of coverage, SP is an unprecedented initiative. It provides assistance to a significant pool of low-income outsiders who would otherwise depend on uneven, often costly health services³⁷³ or go without assistance.³⁷⁴

Figure 5.3. Coverage of Seguro Popular (Popular Insurance), Mexico 2004- 2009.



Source: Secretaría de Salud (2004-2009); CONEVAL (www.coneval.gob.mx).

Benefit Level. SP provides basic services rather than comprehensive coverage. Over time, the scope of treatments covered has expanded. Initially, SP covered 78 treatments. In 2005 coverage was extended to 90 conditions (Secretaría de Salud 2004:3) and to 266 in 2008 (Secretaría de Salud 2008). With respect to hospital services and surgery, SP initially covered 66 percent of interventions provided in Mexico (idem 2004:12). In 2008, health interventions (hospital services and treatments) covered by SP jumped to 85 percent of health services in Mexico (Secretaría de Salud 2008). High complexity services paid for by inclusive systems for outsiders

³⁷¹ Quoted in “En Marcha, El Seguro de Salud,” *La Jornada* 05/15/2003.

³⁷² Estimate based on data from CONEVAL 2008 (available at www.coneval.gob.mx).

³⁷³ For example, despite intentions to Dr. Frenk and proposals of the Fox administration to make these services free of charge, public hospitals charge fees to women giving birth who lack social security and SP (see *La Jornada* 06/10/2006).

³⁷⁴ Just to characterize the population covered by SP in its first year (2004) 37 percent lived in houses that lacked firm floor and 16 percent had a refrigerator at home (Secretaría de Salud 2004:14).

in Argentina and Brazil are not fully covered by SP in Mexico. Although coverage is not as broad as in the inclusive systems, SP provides unprecedented protection that has expanded in important ways over time.

Participation. As in the case of pensions and income support, SP does not have participatory implementation. Community-based councils or community participation in implementation are not present in the design of SP.

The creation of SP was the most ambitious social-policy reform of the Fox administration. A restrictive health insurance proposal was put together by PAN and passed by Congress with support from the opposition, especially from PRI governors. The design of SP was drafted by a team of experts led by Julio Frenk, an internationally renowned health expert, who advocated health expansion to the poor, partly-subsidized services, and more room for the market in health-care provisioning.³⁷⁵ The alliance that the PAN and the PRI were able to form in Congress helped the Fox administration achieve health expansion along restrictive lines.

The expansion of health care for outsiders involved attempts of a broader transformation of the health sector. The PAN sought to consolidate support among outsiders in a way that was compatible with the preferences of its core constituency for private provisioning and market incentives. These preferences are reflected in the proposal for health reform put together by FUNSALUD (a foundation supported by the business community) which advocated the creation of public insurance and a “plural health market” that would foster private provisioning (FUNSALUD 2001; Soberón 2001: 18).

Promoters of SP believed that the health sector in Mexico was monopolized by social-security institutions such as IMSS (*Instituto Mexicano del Seguro Social*) and ISSSTE (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*) that discouraged private involvement and user choice. In the words of Dr. Julio Frenk, mentor of SP, “social security of the 20th century created a monopoly of providers without incentives to satisfy users’ needs.”³⁷⁶ Expansion of health insurance for outsiders provided a fundamental opportunity to fix such perceived distortion in health care provisioning. Unlike IMSS and ISSSTE, the largest social-security agencies serving insiders—SP would allow for a variety of providers, private, public and social-security, to deliver services. This way, SP would especially foster the growth of private contractors seeking to serve beneficiaries of SP.³⁷⁷

The second transformation caused by the design of SP was the erosion of the power of IMSS in the health sector, which could potentially facilitate its reform in the future. Since the 1990s there were attempts to reform IMSS. Essentially these reforms aimed at reducing expenditure by contracting out services to private providers, thus breaking the monopoly of IMSS hospitals and doctors on provisioning (interview Genaro Borrego, director of IMSS 1992-

³⁷⁵ Frenk further found SP an initiative comparable to Colombia’s health reform and Chile’s FONASA, which covers the informal sector. FONASA is analyzed in Chapters 2 and 6 (Frenk in Gómez-Dantés 2005: 22).

³⁷⁶ Frenk in Gómez-Dantés (2005: 22); confidential interview; FUNSALUD 2001.

³⁷⁷ Confidential Interview.

2000; interview top official IMSS) and scaling back labor contracts and pensions of IMSS employees (interviews Vega-Galina, Secretary-General IMSS Union).

PRD politicians and labor-union leaders in the UNT (*Unión Nacional de Trabajadores*), the union confederation that split from the CTM (*Confederación de Trabajadores de Mexico*), saw the expansion of private providers as a threat to the survival of IMSS. According to Hernández Juárez, head of UNT, SP's private providers: "are working to dismantle the Seguro Social [IMSS] so that they [private interests] can capture that population and benefit economically" (interview).

The possibility of creating SP as part of IMSS was considered by its promoters and discarded by the government.³⁷⁸ IMSS already had a program, IMSS-Coplamar, later called IMSS-Oportunidades (see Chapter 2), which provided very basic primary care in rural areas (interview director of IMSS-Oportunidades) and could be used to expand services.³⁷⁹ Interviews with IMSS and officials of SEDESOL reveal that the government explicitly refused to expand services to outsiders through IMSS in order to prevent empowering this institution. Union leaders believed IMSS should manage the expansion of services to outsiders. As suggested by Hernández Juárez:

"I believe that we have an institution [IMSS] that is established, that has revenue problems, that has shown the capacity to do a good job. If we give it the resources and professional staff to do it, why then create new proposals that will go wrong because though they help the people, they also disperse resources in a country that cannot afford to do that?" (interview).

The idea that SP undermined the power of social-security institutions and the unions linked to them was also shared by some of SP's supporters. As suggested by a high-level official involved in the design of SP:

"What I anticipate in the medium term—and I think that it will not only be an issue of this reform [the creation of SP], but a problem of future reforms of social security—that to the extent that some services are contracted out from private providers, this is going to affect the interests of big labor unions. These are labor unions that defend their interests tooth and nail and care little about the broader context." (interview High Official Secretariat of Health).

Indeed, since the 1990s, the union representing IMSS has been seen by key officials as political obstacles to the reform of social-security institutions, particularly health services (interview Genaro Borrego).

³⁷⁸ Interviewed by Gómez-Dantés, Frenk said that "...the option we had (...) was to place it [SP] within the Seguro para la familia [Insurance for the Family] (...). We concluded with the director of IMSS that that was not a good idea," Gómez-Dantés (2005: 17).

³⁷⁹ IMSS-Oportunidades has its own primary care clinics, and ambulances in several rural location, but lacks more complex health services.

SP did get approved in Congress with significant support. As in other reforms, critical support was provided by the PRI. The PRD, in turn, had a small bloc which left the party with little power in the legislative process. To promote SP and make approval more feasible, the executive followed a similar strategy to the one used by Zedillo with PROGRESA. While working on the draft bill, the Secretariat of Health launched a pilot test of what would then become SP in 2001. By 2002, SP covered 295,000 families. The pilot test helped show that the implementation of SP was feasible, providing PAN legislators with ammunition to defend the policy. Once the pilot test had been evaluated, Fox sent the draft bill creating the System of Social Protection in Health Care to the upper chamber to negotiate with senators, who represented governors' interests and were critical to pass the reform (see Ortiz 2006).

The Senate voted in favor of SP. PRI senators and a few from the PRD supported the measure. In opposition, PRD senator Elías Moreno-Brizuela suggested the party had “debated intensely over the proposal” and had “contradictory views”. The senator advocated to vote against the policy because although “it gives more resources to the states” and governors might see that “a carrot,” SP would end up “impoverishing the states” (Cámara de Senadores 04/24/2003). The PRD further rejected the fact that the new law opposed “universality,” and “free access” by establishing premiums to be paid by low-income families.

In the lower chamber, close to half of PRI legislators supported the initiative, which guaranteed its passage.³⁸⁰ Some PRI legislators argued that the measure was “electoral” and would undercut existing IMSS-Oportunidades (Legislador López-González, Cámara de Diputados 04/29/2003). The PRD in turn voted in bloc against the policy. It rejected the creation of a system parallel to existing social-security institutions, arguing that universality had to be achieved by increasing investments in health facilities to ensure free-access for all. At the same time, PRD legislators rejected the fact that SP provided access to “essential services” rather than comprehensive care (Graniel-Campos, Cámara de Diputados 04/29/2003). PRD technocrats believed that SP would segment access among the low income bracket, delivering services to those paying SP (and to patients with the conditions covered) and neglecting those not enrolled in SP. As we will see, a similar concern about segmentation emerged with the AUGE health plan in Chile.

Pensions

Pensions for outsiders were launched by the PAN during the presidential campaign in 2006 to keep up with the rising PRD. After the new legislators and President Felipe Calderón of PAN assumed office in December 2006, pension expansion was passed by Congress. The new law established rule-based pensions to a larger proportion of seniors in extreme poverty who lacked other pension benefits starting in 2007. This new pension program was restrictive: the scope of coverage was limited to the extreme poor in small localities, the benefit level was small, and there was no social participation in policy implementation.

Restrictive pension benefits resulted from negotiations among a plurality of interests in Congress. Despite high levels of post-election conflict surrounding Calderón's inauguration,

³⁸⁰See <http://gaceta.diputados.gob.mx/Gaceta/Votaciones/58/tabla3or2-48.php3>

Congress rapidly embarked on a negotiation of the 2007 budget. PRD legislators pressed vigorously to allocate funds to a rule-based pension program for outsiders that would replace *Oportunidades-Seniors* created by Fox in 2006. As discussed above, *Oportunidades-Seniors* was a last-minute response to the electoral challenge raised by López-Obrador, who promised to create universal national pensions. Funding for a rule-based program was supported by PAN legislators as a fundamental concession to gain support from the PRD to approve the 2007 budget. Given the salience of pensions during the campaign, the proposal was also approved to gain legitimacy among outsiders. For the PRD, which had a larger bloc in the Lower Chamber in 2006, the passage of the new program was an important achievement. It not only signaled the influence of PRD on the national agenda, but also replaced a more discretionary scheme with a rule-based benefit, which was fundamental for an opposition facing high electoral competition.

Scope of Coverage and Benefit Level. The PRD advocated a universal benefit for people 70+ that would be implemented gradually. This pension would be equivalent to 50 percent of a minimum wage (Bejerano interviews). The PAN, by contrast, supported a smaller benefit reaching only the very poor 70 and more in low-income rural localities. Negotiations between the PAN and PRD in Congress resulted in the creation of a restrictive pension program for the extreme poor in localities with less than 2500 inhabitants. The benefit level was set at \$500 per month, equivalent to about one third of the minimum wage.³⁸¹ In the following years, the scheme was extended to seniors in extreme poverty in localities with up to 30,000 inhabitants. Despite extensions, coverage remains restrictive, as the program currently reaches about 38 percent of people over 65 (my estimate, see Appendix 2).

Participation. Pensions are implemented in a state-centric way, without social participation. As expected in the analytical framework, in the absence of social-movement involvement in policymaking, benefits tend to be non-participatory. Political parties did not foster the involvement of social organizations in policy implementation to avoid empowering new groups and prevent deviation of policy goals.

It should be noted that prior to this policy, a small non-contributory pension program was launched by Fox for the extreme poor in rural areas in 2004, and this initiative did involve the participation of rural organizations. This program did not take off; it was sparsely implemented, and virtually dismantled in the following years. This pension scheme, PAAM (*Programa Atención al Adulto Mayor*), was inaugurated in the context of the National Agreement for the Countryside, in which the national government negotiated agriculture policy with rural organizations. Rural organizations advocated changes to NAFTA and a development policy for the rural sector.³⁸² Negotiations between the government and rural organizations were established in the treaty, which foresaw the renegotiation of specific conditions every five years. Renegotiation provided an opportunity for rural organizations to coordinate joint action (interview Vélez). Rural organizations did take advantage of the opportunity and coordinated a

³⁸¹ The smallest benefit in the Mexican pension system is equivalent to a minimum wage.

³⁸² Acuerdo Nacional para el Campo (2003:16); interview Vélez.

large-scale march in Mexico City to gain leverage vis-à-vis the national government in the coming negotiations.³⁸³ This demonstration was unusual because rural organizations had been highly fragmented since before the electoral decline of the PRI (interview Hugo Andrés Araujo).

Although the demands of rural organizations centered primarily on agriculture, the agreement signed with the government created a benefit for seniors in extreme poverty. In 2004 pension beneficiaries reached 241,000, but later declined.³⁸⁴ These benefits were very small, representing about 12 percent of the minimum wage, and were meant to reach the extreme poor aged 60 and more in rural localities. A particularly interesting feature of this benefit was that rural organizations were involved in its administration, as they helped government agencies identify beneficiaries and intermediated access. Despite the fact that this selective benefit could have empowered the organizations involved, rural organizations did not react when coverage shrunk in 2005 and early 2006 and was replaced with new pensions created in 2007, which lacked social participation. The fate of this scheme is probably linked to the fragmentation of rural organizations, which moreover prioritized agriculture rather than social policy in negotiations.

5. Assessing the Role of Alternative Factors

This chapter has emphasized the importance of electoral competition for outsiders for the creation of restrictive, rule-based social policy. This section assesses the role political factors, such as mobilization from below, structural factors, such as crises, economic prosperity, or lack of tight fiscal constraints, and the diffusion of models of social protection on social policy expansion. It further discusses the role of partisanship on policy change.

Unlike the cases of Argentina and Brazil, mobilization from below did not trigger expansion in Mexico. As noted above, rural movements have not been particularly unified around social policy demands. The erosion of the dominant-party system and the power of the PRI have contributed to disarticulating the already fragmented rural organizations. Since the 1980s, demands from producers and peasants have centered on agriculture and have often been raised in a more decentralized way particularly since the 1990s. The Chiapas insurrection in 1994 and the subsequent mobilizations of the Zapatistas—particularly in 1995—have not driven large-scale social policy change either. This is so for a number of reasons. First, the Zapatistas have not forged broader linkages with other political and social actors, who nonetheless had difficulty in dealing with an armed movement. The Zapatistas have remained quite isolated and have not formed a “large-scale” social movement that would have fostered broad policy expansion. Indeed, the Chiapas conflict remained geographically isolated. Rather than massive, national-level policies, the national state could respond to a geographically focused insurrection with specific programs directed to the state of Chiapas. It is true, however, that together with other factors the Chiapas insurrection undermined the PRI, which strengthened opposition parties. Yet

³⁸³ “Marchan contra el TLC 50 Mil Personas” *El Universal* 02/01/2003.

³⁸⁴ Data from SEDESOL.

by itself, it did not drive social-policy decisions to expand rule-based social programs in the late 1990s or under the PAN administrations starting in 2000.

As in the other cases under study, the partisan affiliation of the incumbent did not decisively shape the decisions to expand—or not to expand—social policies. Governments of the conservative PAN, as well as popular-based administrations of the PRI, which had refrained from creating rule-based policies in the past, have initiated expansion. In fact, although Mexico did not form part of the “left turn” in the region, that is, the arrival of leftist parties to the national executive (see Levitsky and Roberts, forthcoming), it did experience dramatic social policy change. Partisanship did matter, however, for the types of policies that were created. Even though electoral competition has resulted in restrictive policies, there is some variation in the scope of coverage of the policies depending on the power of the left in Congress and/or the Executive. Specifically, the PRD advanced more universalistic policy proposals compared to the PAN and the PRI, neither of which had strong commitments to the protection of the population. A greater role for the PRD in Congress starting in 2006 facilitated the creation of broader pension policy than the scheme launched by the PAN in the previous years. Even if this policy was still restrictive, it was more generous than the one advocated by the PAN.

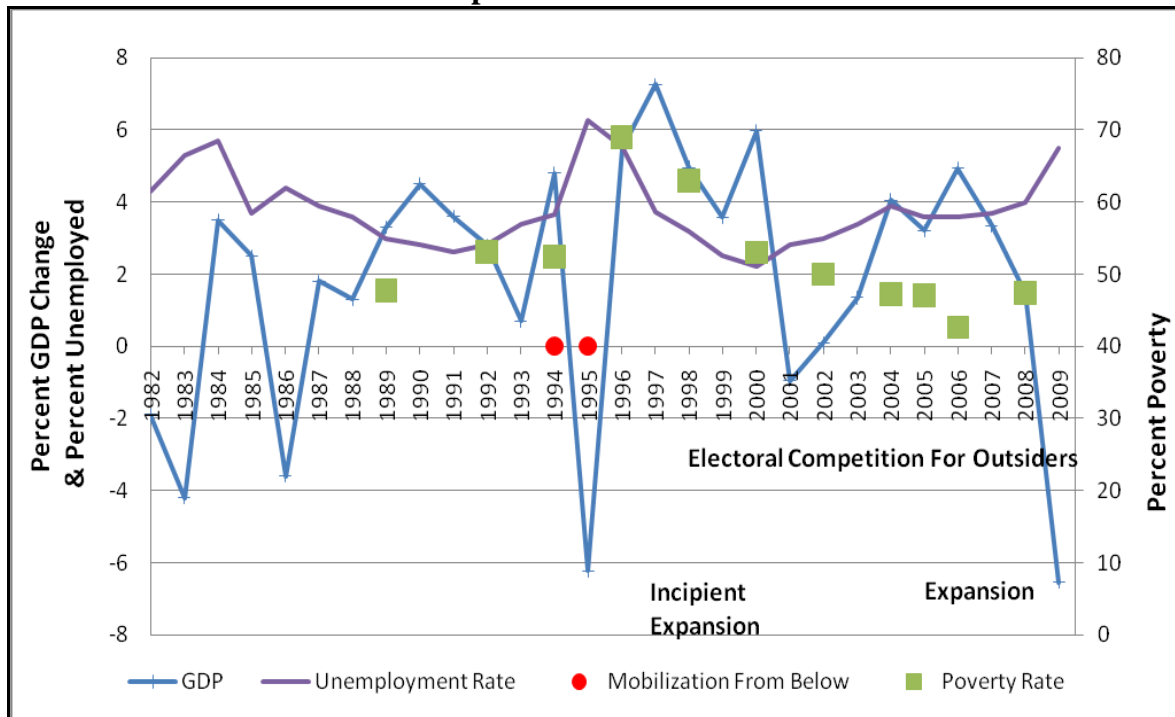
An assessment of the role of crises on policy change is particularly relevant in the case of Mexico, as this country suffered two important financial crises, the debt crisis of 1982 and the 1994 peso crisis. Both of these crises rippled elsewhere in the region. As shown before, the 1982 crisis did not trigger policy expansion to deal with its immediate negative effects. In the previous sections we have seen that expansion of rule-based policies began incipiently in 1997. This indeed occurred after the financial and political crisis of 1994-1995 had badly eroded the power of the Zedillo administration. This expansion began, however, when Zedillo’s popularity was recovering and when intense competition for the vote of outsiders was increasing. These policy changes were not launched immediately after the economic downfall of 1994 to contain its negative social effects or increase the legitimacy of the incumbent amidst the financial collapse. Under Fox, expansion occurred at different moments during his administration and in a context of economic stability. Despite the dramatic effects of the 2008 international crisis on the Mexican economy, there was a new extension of *Oportunidades* in 2009, and health care and pension expansion continued their gradual implementation since 2004 and 2007, respectively. As discussed for the Argentine case, crises may lead to policy expansion when they intensify the political effects of incumbents’ “threats to survival,” that is, of electoral competition for outsiders or mobilization from below. This clearly happened when the political crisis in 1994 and the discrediting of the Salinas entourage debilitated the administration of Zedillo amidst the financial collapse. This was used by the opposition to mobilize voters around the issue of regime change, intensifying electoral competition.³⁸⁵ In short, based on the analysis of the policy process and the chronology of policy expansion, we can see that by themselves crises do not seem to have a direct systematic effect on policy expansion.

³⁸⁵ For analyses of regime change and alternation in power in Mexico, see in particular Greene (2007) and Magaloni (2006).

Economic prosperity and the lifting of tight fiscal constraints could be another factor accounting for decisions to expand. Looking at the evolution of GDP growth since 1982 (see Figure 5.4 below) we can see the absence of a clear pattern of social policy expansion linked to the evolution of GDP. Expansions began in 1997 and more forcefully in 2001, 2003, and 2007. The gradual implementation of these policies, moreover, made the whole period starting in 2001 one of gradual extension of benefits. This period in turn witnessed significant changes in GDP which do not seem linked to decisions to expand. Indeed, 2001 and 2009 experienced negative growth, and both saw social policy innovations. From 2002 through 2008, moreover, the economy did grow at levels similar to those of the early 1990s, when rule-based social policy expansion did not take shape. Even if growth levels may facilitate expansion, the case of Mexico shows that, as in Argentina, which also experienced important financial crises, the evolution of GDP is not particularly salient for decisions to expand social policies.

Figure 5.4 also shows the evolution of poverty and unemployment rates. We can see that on the one hand, Mexico has had very high poverty rates throughout the whole period. Indeed, Mexico has historically had constantly high poverty rates compared to Argentina and Chile. Its social structure has been more similar to that of Brazil, with large, low-income rural populations and high levels of urban poverty. Available data show a sharp increase in poverty levels surrounding the 1994 crisis, when it reached at least 70 percent of the population. However, the Mexican state did not respond until a few years later with direct transfers to low-income families, and did so at a time when poverty was declining. Indeed, it was in 1997 that Zedillo launched PROGRESA, which reached 10 percent of the households in the country in 1999, a small share given the level of deprivation. Poverty was thus not a major concern driving social policy innovations. Unemployment has typically been low in Mexico. In contrast to other countries in the region, unemployment did not go up significantly during the period. In 1995 the state privatized the pension system, arguing that privatization would help improve employment levels. Yet specific policies seeking to address unemployment of outsiders have not been relevant.

Figure 5.4. Evolution of Socio-economic, and Political Factors, and Social Policy Expansion 1982-2009.



Sources: GDP and Unemployment rate 1994-2009 from INEGI; 1982-1994 from Murillo (2001); Poverty rate from CONEVAL.

Finally, diffusion of policy models has not produced these innovations either. The processes leading to policy adoption and design have not been triggered by policymakers seeking to solve specific social problems. The protection of outsiders is not the result of the diffusion of a broader, more generous idea of social protection. Even if specific policy tools, such as transfers for low-income families or a particular insurance system in the health sector, have been popular in certain policy circles by the time of adoption, the decision to expand in the first place has been related to political needs. Solutions to the question of how to mobilize the unprotected led governments to find policy tools and to reach out to experts in order to form policies acceptable to the parties' core constituencies. In the case of the PAN, which shaped expansion significantly in Mexico, that constituency was the business sector, or more broadly, the economic elite.

6. Conclusions

Social policy expansion in Mexico occurred in the context of electoral competition for outsiders. The growth of electoral competition formed part of the broader process of democratization that ended the dominant-party system based on the PRI. Electoral competition for outsiders drove incumbents first from the PRI, and then from the PAN, to respond to the

emergence of credible challengers, that is, of parties that could defeat the incumbent by mobilizing electoral support among outsiders. Challengers seeking to win the outsider vote in turn promised social-policy expansion to appeal to that constituency. A vivid example is that of PRD presidential candidate López-Obrador. As Mayor of Mexico City, López-Obrador launched large-scale policies, especially pension benefits, which earned him significant popularity and shaped the national agenda during the presidential campaign. Pension expansion became a critical issue in the 2006 elections.

As suggested in the analytical framework, social policies created in the context of electoral competition have been rule-based. Incumbents feared that new policies would be considered clientelistic and favor opposition parties competing intensely for outsiders. Opposition parties in turn strove to prevent incumbents from using social policy in discretionary ways, or to create temporary programs that would benefit the incumbent and her party in the short term. Institutionalized, rule-based policies were better for a context of intense competition and fear of accusations of voter manipulation by the opposition. These dynamics were clear under the Zedillo administration, which dismantled PRONASOL and created the highly technocratic PROGRESA in response to accusations of clientelism. PRONASOL was terminated due to its association with the Salinas administration, and was perceived to be highly discretionary by empowered subnational authorities and opposition parties pressing for decentralization. Under Fox, in turn, Congress passed the social development law and institutionalized rules to avoid manipulation of benefits. In this sense, the strategic goals of the incumbent and opposition parties led to the adoption of rule-based national social policies.

These social policies have been restrictive. In Mexico's new multiparty system, incumbents had to negotiate social-policy expansion with the opposition in Congress. Because these innovations are popular measures, opposition parties had little incentive to block them, especially if they were competing for the vote of outsiders. Therefore, under Zedillo and then Fox, the partisan opposition supported incumbents' proposals to expand social programs and shaped the process of policy design. Given the presence of large conservative power in Congress, these social benefits have tended to have a smaller scope and low benefit levels. As we have seen, different parties facing intense electoral competition have preferred policies with state-centric implementation. Therefore, these policies have had non-participatory implementation. As we will see in the case of Chile more clearly, even if creating restrictive policies, greater influence of the left in policy making results in broader social policies, as it did under Calderón (2006-) when the PRD successfully put pressure on the PAN to adopt a more generous expansion of pensions.

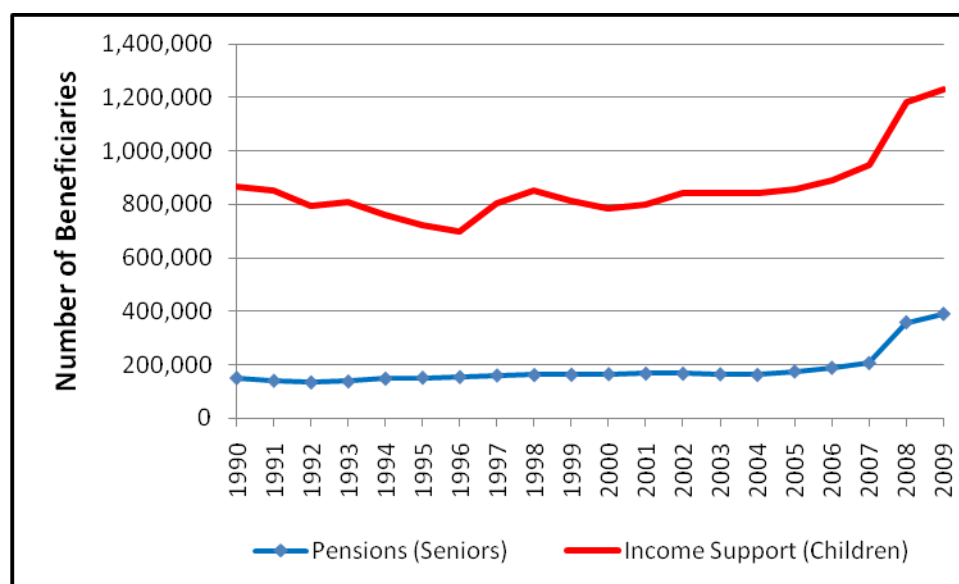
Chapter 6. Electoral Competition for Outsiders and Restrictive Social Policy in Chile

1. Introduction

Chile followed a similar path to that of Mexico in the provision of social policies to outsiders. Social policies reaching outsiders in health care, pensions, and income support have been expanded since 2002 and have been restrictive. These policies thereby provide relatively low benefits to a smaller pool of outsiders than in the inclusive model, and are implemented in a state-centric way, without involving social organizations in policy implementation.

Social policy innovations in Chile began in 2002 with the passage of *Chile Solidario*, a benefit for low-income families, and *Plan AUGE* in 2004,³⁸⁶ which entailed an expansion of health care coverage, especially of a public health fund that serves low-income formal workers and most outsiders.³⁸⁷ Furthermore, a more significant expansion of pre-existing family allowances for low-income outsiders was achieved in 2007. The most important policy innovation involved a reform of the pension system that extended non-contributory pensions to a large share of outsiders in 2008.

Figure 6.1. Evolution of Income Support and Pension Benefits for Outsiders, Chile 1990-2009



Source: Estimates with Data from *Anuario Estadístico*, Instituto de Normalización Previsional, (INP); Instituto de Previsión Social (IPS); and MIDEPLAN.

³⁸⁶ AUGE stands for “Acceso Universal a Garantías Explícitas,” *Universal Access to Guaranteed Health Treatments*.

³⁸⁷ FONASA, the public health scheme provides contributory-based services to lower income insiders, free health services to the extreme poor, and offers partly subsidized health services to the rest of outsiders.

Restrictive policies provide important social protection. In Chile, restrictive policies leave a large share of outsiders unprotected or underserved, but have a larger scope of coverage than in Mexico. Compared to the social programs created by the Pinochet dictatorship in the 1970s and particularly in the early 1980s (see Chapter 2), these new programs provide rule-based, stable benefits that reach a larger number of beneficiaries. Indeed, as analyzed in Chapter 2, the Pinochet dictatorship significantly retrenched³⁸⁸ social policy for the formal sector, with a vast privatization of social insurance and introduction of market mechanisms in social services (Vergara 1986; Medlin 1999; Mesa-Lago 1994; Castiglioni 2002, 2005; Borzutzki 2002; Raczynski 1994, 2000). At the same time, it created important transfers for low-income outsiders and unemployed workers particularly during the financial collapse of 1982-83, when protests broke out in the face of deleterious living conditions, and in the 1980s, when the dictatorship faced electoral challenges (such as the plebiscite of 1988) that would determine its continuity in power (see Pollack 1999; Raczynski 2000; Graham 1991; Etchemendy 2004).

Expansion of rule-based, restrictive social policy in Chile was initiated in the context of intense electoral competition for outsiders, which began in the late 1990s. In this chapter I show that electoral competition for outsiders drove incumbents to launch social policy expansion to secure the support of outsiders, who were being courted by credible challengers. The expansion of the right, and the intense courting of outsiders by the parties in Alliance for Chile, particularly by the Independent Democratic Union (*Unión Democrática Independiente*, UDI) in the late 1990s, drove the incumbent *Concertación* governments of Ricardo Lagos (2000-2006) and Michelle Bachelet (2006-2010) to expand social policy for outsiders.

In the next section of this chapter, I trace the expansion of electoral competition for outsiders in the late 1990s. The *Concertación*, an alliance of the Christian Democratic Party (PDC), Chile's Socialist Party (PS), and the Party for Democracy (PPD), came together in opposition to the Pinochet dictatorship around the 1988 plebiscite and won the 1989 and 1993 presidential elections by a large margin.³⁸⁹ Starting in the 1997 midterm elections, a decline in voter turnout and a sharp increase in the vote share of the right, began to raise concern among the parties of the *Concertación* of the possibility of a victory of the right bloc (Joignant & Navia 2003:131). It was surrounding the 1999 election that the *Concertación* began to fear replacement by the Alliance for Chile, as right-wing parties boasted increasingly high vote intention. Until the 1999 presidential election, social policy expansion for outsiders was not launched by the *Concertación* governments, as political and economic stability were priorities and social policy expansion was perceived as potentially destabilizing. Furthermore, the arrival of the *Concertación* to power resulted in explicit attempts to demobilize social organizations active during the transition with the goal to ensure governability. Lack of social movement pressure and lack of electoral competition for outsiders prevented expansion. With the rise of the Alliance for

³⁸⁸ In the welfare state literature retrenchment is defined as the transformation of broad programs into targeted programs, and the privatization of programs previously administered by the state. See Pierson (1994) for a discussion of retrenchment.

³⁸⁹ It should be noted that the *Concertación* is formed by 17 parties, but the largest are the ones mentioned here. See Joignant & Navia (2003: 130).

Chile, which promised social policy expansion to mobilize outsider voters, the Concertación also campaigned actively on social policy expansion in 1999.

In the third section of this chapter, I show that in the context of intense competition for outsiders, the administrations of Ricardo Lagos and Michelle Bachelet expanded social programs for outsiders to secure their support and the continuity of the Concertación in office. These social policy innovations were negotiated with the right-wing parties and with the PDC in Congress, which set limits to the redistributive ambitions of the left politicians in the PS and PPD. The fourth section of the chapter analyzes the expansion of social programs in each policy area—health care, income support and pensions—and shows how the preferences of the right in Congress, often supported by the PDC, limited policy expansion and shaped the creation of a restrictive model of social protection. Indeed, policy initiatives advanced by the Concertación were not openly blocked by the right, which also competed for outsiders since the late 1990s. Yet policy design was shaped by partisan negotiations and strategic decisions that limited expansion. The Concertación sought to avoid the rejection of its policy proposals by the right, and the right sought to limit the expansion of policies on the part of the left, without paying electoral costs. As in other cases of policy expansion, resulting benefits have been rule-based. Incumbent parties were concerned about accusations of clientelism, and the opposition feared that incumbents might gain an advantage from clientelistic expansions. The final section assesses alternative explanations to account for policy expansion and shows that economic explanations, other political factors and ideational arguments do not better account for social policy expansion for outsiders and the models adopted.

2. Democracy and the Surge of Electoral Competition for Outsiders

The democratic transition in Chile was inaugurated by the defeat of the Pinochet dictatorship in the plebiscite of 1988. The 56 percent victory of the ‘No’ option to the continuity of Pinochet in power meant that Chile would elect a new president in 1989. The No parties formed the *Concertación de los Partidos por la Democracia*, a coalition of 17 parties led by the *Partido Demócrata Cristiano* (PDC), the *Partido Socialista Chileno* (PS), and the *Partido por la Democracia* (PPD), an “instrumental” party formed by Ricardo Lagos of the PS, to register electors for the plebiscite when socialist parties were not legally registered. This party remained in place after the plebiscite due to its electoral success and appeal among independent voters (see Angell 2007:39-40).

The Concertación won the 1989 elections by a large margin against the right-wing parties UDI and National Renovation (*Partido Renovación*, PR) which formed the Alliance (*Alianza*).³⁹⁰ Between 1989 and 1997, the Concertación won each election handsomely (see Table 6.1. below). The Concertación parties came together for democracy and particularly in opposition to the military’s human-rights violations, which alienated the PDC from the right. These parties,

³⁹⁰ Alianza: in 1989, is Alianza Democracia y Progreso; in 1993 Unión por el Progreso de Chile; in 1999 Alianza por Chile (Angell and Reig Salinas 2007: 13).

particularly the UDI, had a significant share of leaders who had been active functionaries and supporters of Pinochet. The formation of these two blocs, the Concertación and the Alliance for Chile, was further incentivized by the binomial electoral system established by Pinochet, which favored the right parties.³⁹¹

During the first two Concertación administrations, little social policy expansion took place, in spite of the new democratic government. Absence of social policy expansion can be explained by lack of electoral competition for outsiders and of mobilization from below. Indeed, the first two presidential elections were won easily by the Concertación, which had strong appeal among lower income voters (see Figure 6.2 below). Despite high poverty levels and in a context of economic stability, large-scale social policy expansion did not figure prominently in the agenda of the Concertación in these elections. By contrast, in the highly competitive elections in 1999, social-policy expansion became a critical campaign issue, which was used by the Concertación to offset the appeals of the Alliance for Chile—particularly of the UDI—to outsiders (see Figure 6.2. below). In this section, I analyze the first democratic administrations from 1990 through 1999, and show that little social policy innovation directed to outsiders took shape. Second, I discuss the emergence of electoral competition in the late 1990s until the arrival of Lagos to the presidency. This section helps observe the change in the preferences of the Concertación incumbents facing a more competitive electoral environment in which inaction with respect to social policy expansion could cost the coalition its continuity in power.

2.1. Democratization without Electoral Competition and Mobilization from Below

The administration of the Concertación led by Patricio Aylwin of the PDC (1990-1994) sought to entrench the democratic system. Facing high levels of poverty, which reached 40 percent of the population, the Concertación increased the minimum wage and pensions, and made important investments in health care, particularly benefiting salaries of doctors in the public-health system (interview Jimenez de la Jara, Minister of Health of Aylwin). Despite the fact that poverty levels were higher than in 1970 (Raczynski 2000:130), and that the Concertación included the PS and the PDC, both of which had actively sought to extend social policy for outsiders in the 1960s and 1970s, no significant social policy expansion took shape under the administration of Aylwin (see Chapter 2).

The main challenges facing the Concertación in the early 1990s concerned the preservation of the economic stability achieved at the end of the dictatorship, and fundamentally, the consolidation of democratic institutions in the context of high military power. Indeed, the military retained significant prerogatives, such as designated (non-elected) senators, which included former dictator Pinochet. The power of the military in the new system indeed moderated policy decisions in the first government of the Concertación. It also discouraged the mobilization of popular associations and labor unions by parties in office. The parties of the Concertación strove to avoid de-stabilizing reactions to high levels of popular mobilization, and

³⁹¹ For a discussion of the binomial system, see among others, Siavelis (2005), Navia (2006) and Angell (2007).

actively discouraged mobilization from below. Demobilization was made possible by the fact that the left, was divided and lost support after the 1989 elections vis-à-vis the PDC, which held more moderate views about the role of protests and mobilization in the new democracy (see Hipsher 1998:159-160; Oxhorn 1995).³⁹² In fact, the political system under Aylwin has been characterized as “elite dominated” for this reason (Angell 2007: 62).

Aside from an increase in the minimum wage, which was a campaign promise of the Concertación (Angell 2007: 45), the Aylwin administration implemented improvements in the health care system. First, health expenditure was increased 40 percent in the first three years in office (MIDEPLAN 1994:205). Health expenditure had been reduced dramatically under the dictatorship. Second, health workers’ salaries, which were behind since the dictatorship, particularly among primary care health workers, were increased partly to contain union demands. At the same time, the Concertación further strengthened primary care,³⁹³ which had been decentralized at the end of the Pinochet dictatorship, and made access effectively free to the extreme poor (MIDEPLAN 1994:205). These changes helped fix some of the transformations carried out by the dictatorship on the public health care system. At the same time, the administration expanded the quota of beneficiaries of non-contributory old age and disability pensions established by the military. Yet, this expansion was very limited, increasing the number of beneficiaries 5.2 percent.³⁹⁴ In 1992, non-contributory pensions reached 28 percent of outsiders 65+.³⁹⁵

The main innovation under Aylwin was the creation of FOSIS, *Fondo de Solidaridad e Inversión Social*, by Law 18.989 in July 1990 and implemented starting in January 1991.³⁹⁶ FOSIS provided support for micro-enterprises and community development projects with the goal to create jobs and skills for lower income workers. The main mechanism to allocate resources consisted of the selection of projects submitted by micro-enterprises, associations (fishermen, communal soup-kitchens), and recently created local governments in poor areas (FOSIS 2006: 7). Despite being highly publicized, and initially introduced as the “star program” of the Aylwin administration, FOSIS was extremely small, with a budget of 40 million dollars a year (FOSIS s/d; Repetto 2001: 258).

At the end of the Aylwin administration, little social policy change had occurred. Improvements in the minimum wage and pensions as well as sustained growth, which on average reached 6.3 percent between 1990 and 1993, favored a reduction in poverty rates, which reached

³⁹² Scholars have highlighted differences across the PDC and the leftist parties with respect to protests under the military dictatorship. In the 1980s, when protests took shape in the shantytowns in Chile surrounding the 1982 economic crisis, the PDC, the PS, and the Communist party incentivized those protests, and saw the role of protest and mobilizations in different ways. While the PDC was more moderate and saw protests as a tool to push for democratization, the left saw it as a way to confront and defeat the military regime, a strategy that was rejected by the PDC. See Hipsher (1998: 157-158).

³⁹³ This included the creation of emergency primary care rooms.

³⁹⁴ In 1993 the number of beneficiaries of PAIS (non-contributory disability and old-age pensions) was 261,000, MIDEPLAN (1994).

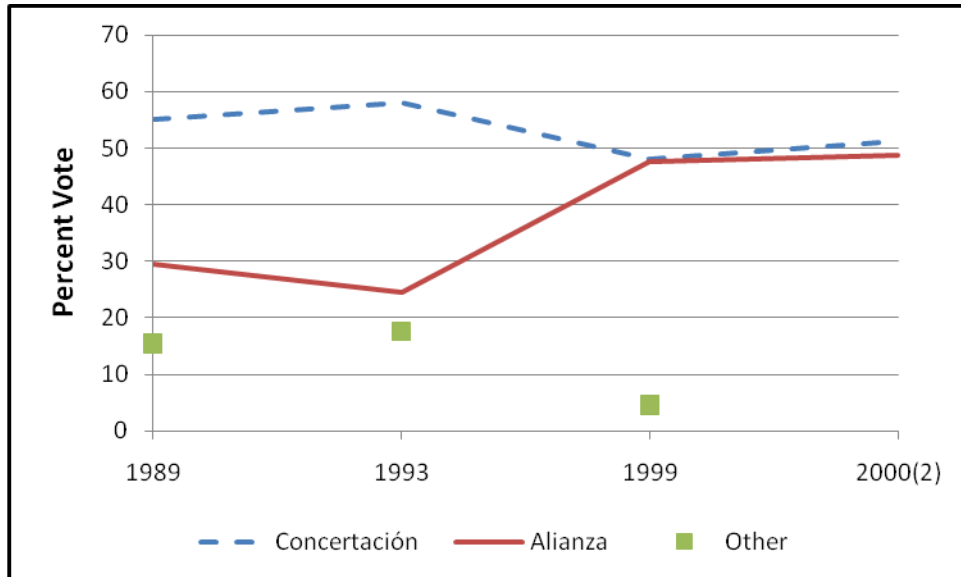
³⁹⁵ Data on pension coverage is presented in Table 6.7, section 4.

³⁹⁶ See MIDEPLAN (2001:1); FOSIS (2006: 7).

32.7 percent of the population in 1992, and unemployment fell significantly, from 12.2 percent to 4.9 percent in 1993.³⁹⁷

Aylwin's successor, Eduardo Frei (1994-2000), also came to power with a landslide victory. Facing no electoral competition for outsiders or mobilization from below, he did not innovate substantially on social policy either.³⁹⁸ There was an attempt to expand FOSIS and to include it in a broader strategy to fight poverty, yet the initiative failed and FOSIS continued to be a highly targeted social fund. This failed initiative was the *National Program to Overcome Poverty* (PNSP), which intended to make larger social investments through FOSIS and local governments. According to several analysts, PNSP had a complex institutional design, which undercut its implementation and the political support needed to launch it (see Repetto 2001: 274-5).³⁹⁹ In the context of low levels of electoral competition for outsiders and demands from below, PNSP soon lost political support and the implementation was abandoned.⁴⁰⁰

Figure 6.2. Vote Share in Presidential Elections, Chile 1989-2000



Source: www.elecciones.gov.cl/SitioHistorico

(2) Second Round.

³⁹⁷ Data from Angell (2007: 62) and MIDEPLAN (www.mideplan.cl). See also Arellano (2004) for a discussion of economic growth and household income in the 1990s.

³⁹⁸ What the Frei administration did launch was a reform of the education system. This reform was part of a set of education reforms to extend school shifts.

³⁹⁹ Although some analysts emphasize technical issues explaining the lack of implementation of PNSP, an interview with Clarisa Hardy quoted in Repetto emphasizes the lack of political support for a more decisive struggle against poverty.

⁴⁰⁰ On the evolution of FOSIS and PNSP, see FOSIS (2006: 8).

In sum, at the end of these two administrations, little social policy expansion had taken place. The Concertación emphasized careful macroeconomic management and moderate policies. Poverty reduction was significant, and had been found to result from economic growth, which increased incomes (See Arellano 2004). The increase in the minimum wage was important in this respect, but inequality remained unchanged during this period. The 1997 elections, as discussed below, began to show some voter disaffection and a leap in electoral competition, especially for floating and for lower-income voters.

2.2. The Expansion of the Right and Electoral Competition for Outsiders

Support for the Concertación began to decline in the late 1990s, and was accompanied by an increase in electoral competition for outsiders. The first sign of change occurred in the midterm election of 1997. This election showed a significant decline of voter turnout and the growth of the right-wing UDI (See Table 6.1., which shows the evolution of valid votes in elections). The rise of both opposition parties and abstention occurred especially at the expense of the PDC, the center-right party of the incumbent coalition (Huneus 2007b:81). The overall results for the Concertación in that election were nonetheless positive. However, concern began to mount in opinion surveys about citizens' views on the political efficacy of parties—which play a particularly relevant role in Chilean politics. Surveys showed an increase in voter dissatisfaction with political parties, and disbelief in their capacity to solve everyday problems.⁴⁰¹ This became a critical concern among the political class (Angell 2007: 91). Dissatisfaction was strong among youth and the poor. Among the poorest two deciles of the population, an opinion poll found that in 1998, 23 percent compared to 58 percent in 1991 believed in their capacity to solve their problems.

Table 6.1. Valid Votes in Elections, Chile 1989-1997

	1989	1992	1993	1996	1997
Valid votes as % of adult population	81.38	70.19	73.68	61.44	53.38
Total	100.00	100.00	100.00	100.00	100.00

Source: Data from Angell (2007: 90).

In the 1999 presidential election, the Alliance for Chile candidate, Joaquín Lavín of the UDI, gained impressive electoral support, particularly mobilizing disaffected voters among the low-income sectors. In this context of intense competition and serious threats to the continuity of the Concertación in power, the campaign of Ricardo Lagos promised social policy expansion. These promises aimed to offset a credible competitor who attempted to mobilize outsiders and committed to expanding effective anti-poverty programs if elected.

⁴⁰¹ See essays in Huneus et al (2007).

Although the UDI aspired to represent society vertically, “to ‘cut across society’ and represent all social sectors” (Pollack 1999: 128), it was clearly the right-wing party that courted low-income voters, compared to the RN, which sought middle class support. Building on the *gremialistas*’ historical approach of mobilizing support in lower-class neighborhoods through territorial organization, Lavín made renewed inroads in these communities in the 1990s. Even if support for the UDI in lower-class areas could be attributed to the mobilization of these sectors during the dictatorship, and UDI mayors’ distribution of resources in low-income areas at that time (Barozet 2003: 44; Huneus 2007a),⁴⁰² other factors also contributed to the growth of the UDI in the 1990s. The Concertación’s explicit demobilization of community associations—which had been historically tied to left-wing political parties and the PDC—and the consequent moderation and pragmatism of these groups, has been also found to contribute to their ties with the UDI (see Hipsher 1998:160) in the new democracy. The UDI’s work in low-income areas also became particularly intense in the mid 1990s when it launched “UDI en Terreno” (UDI on the Ground) to reach low-income groups more effectively (Barozet 2003: 44) and identify “social leaders” (Pablo Longeira, UDI legislator quoted in Pollack 1999:129).

The UDI’s work on the ground in the 1990s focused on mothers’ centers, youth clubs, and neighborhood organizations in working-class areas and the shantytowns, historically associated with the left, or to the Christian Democrats (see Chapter 2). Pollack notes that this aggressive expansion on the ground led the UDI to create as many groups and Juntas (neighborhood associations) as possible and “set up rival organizations to compete with those Juntas which it has been unable to infiltrate successfully” (Pollack 1999:128). As noted in Chapter 2, this approach is similar to that of the PDC in the 1960s, when the party spread in these areas to mobilize low-income voters in its quest to conquer their votes. Pollack indicates that the UDI “admits that this approach has been cloned from both the PDC and the Communists,” which constitutes its main electoral competition in the shantytowns (Pollack 1999:131).

Aside from the expansion of the right and voter dissatisfaction with politics mentioned above, analysts emphasize that the 1999 presidential election was also different in other ways (see Angell 2007).⁴⁰³ First, Chile was experiencing the effect of the Asian crisis, which triggered low growth compared to the average 6 percent growth of the first two Concertación administrations. In these circumstances, and lacking a safety net, unemployment had grown to about 11 percent. Second, President Frei was not particularly popular at the end of his tenure. According to surveys by the Center for Political Studies, Frei’s approval and disapproval ratings were similar, reaching about 40 percent each. Third, there was growing discontent within the Concertación. Divisions separated those politicians who prioritized the market model over redistribution, and those who sought to pursue policies that would achieve further redistribution. Indeed, by 1998, income distribution in Chile was similar to that in 1987, at the end of the dictatorship. Because of these divisions, the coalition found it “increasingly difficult to speak with a unified voice and share a common vision” (Navia 2006: 45). Finally, the Concertación’s

⁴⁰² 75 percent of UDI legislators elected in 1989 had been mayors under Pinochet (Joignant & Navia 2003)

⁴⁰³ See Angell (2007) for an analysis of the Chilean elections from the 1988 plebiscite through 2005-2006.

presidential candidate, Ricardo Lagos of the PS and PPD, initially was not supported by the entire coalition, especially the PDC.

At the same time that the power of the Concertación began to loosen, support for the right began to grow. In a highly competitive environment candidates Lagos and Lavín pledged to maintain the economic model inherited from Pinochet and to expand social programs. Both candidates promised job creation and improvements in health-care services, which were major concerns among the population, according to opinion surveys (Centro de Estudios Públicos 1998-1999). In this context of intense competition, Lagos sought to use policy expansion to secure the vote of the low-income outsiders and offset the appeals of a credible competitor who was also seeking to mobilize that electorate through policy. Social policy expansion thus became an important component of the campaign.

The growth of the right in the 1999 election was impressive. Lavín got the highest vote share of any right-wing candidate in Chile's history of full enfranchisement (Navia 2006:46). Electoral results were the closest since the restoration of democracy and involved a second round. Lagos obtained 48 percent of the vote, 0.5 percent more than the right-wing candidate. In January 2000, after switching his campaign approach and mobilizing the PDC more actively behind his candidacy, Lagos won the runoff by a small margin, 51.3 to 48.7 percent (Boas 2009).

Lavin's appeals to low-income populations were particularly successful. He won a majority in 9 of the 14 poorest municipalities in Chile in the first round (Angell 2007: 97). Using survey data collected in 2003, Table 6.2., below presents an estimate of the reported vote of outsiders and insiders in the Metropolitan Area of Santiago de Chile in the 1999 presidential elections estimated.⁴⁰⁴ In this table we see that close to 70 percent of the respondents 18+ in 1999 voted in this election. Given that about 20 percent of respondents did not provide information about their vote, this information should be taken with caution. We see that reported support for Lavín is quite even across outsider and insider voters. This indicates the importance electoral support for the right parties among outsiders voters.⁴⁰⁵

⁴⁰⁴ CIRELA survey 2003. The CIRELA survey was carried out in 2003 in Santiago, Chile. See Collier & Handlin (2009) for a description of the survey.

⁴⁰⁵ Insiders are respondents who said they worked and made social security payments. Outsiders are respondents who reported to work or to be unemployed and said they did not pay payroll contributions.

Table 6.2. Reported Vote of Outsiders and Insiders, 1999 Presidential Election

	Outsiders (468)	Insiders (407)
Voted in 1999		
Yes	61.11%	67.32%
No	38.89%	32.68%
Below 18 in 1999	9.10%	4.42%
Other Reason	29.79%	28.56%
Reported Vote		
Ricardo Lagos	49.65%	43.06%
Joaquín Lavín	25.17%	31.04%
Other	3.86%	2.55%
No Information	21.32%	23.32%
Total	100%	100%

Source: Estimates with Data from CIRELA Survey. Santiago de Chile, 2003.

As expected in the analytical framework, the Lagos administration embarked on substantial social policy expansion in response. In short, electoral competition for outsiders, through vigorous appeals to that constituency on the part of UDI, which became a credible challenger, triggered social policy expansion. These social policy innovations launched under Lagos and his successor Michelle Bachelet are analyzed below.

3. Electoral Competition for Outsiders and Social Policy Expansion

Electoral competition for outsider voters propelled social policy change. The Alliance for Chile effectively competed for outsiders and had strong chances of winning in the future. The response of Lagos was to embark on social policy expansion. These innovations continued under the Bachelet administration, which produced more significant policy changes. Under Lagos Congress still had designated senators, an institution created by Pinochet that was dismantled during Lagos' tenure. Furthermore, the institutional power of the Alliance parties and the Christian Democrats restricted the scope of the policies proposed by Lagos. Under Bachelet, a more favorable Congress, without designated senators and with a larger share of left-wing seats passed social policies that were still restrictive but had broader reach.

3.1. Tight Competition and Social-Policy Expansion under Lagos

In office, President Lagos embarked on social policy expansion. His administration prioritized improvements in health care services—one of the three top concerns cited in public opinion surveys since re-democratization in 1990 (See Centro de Estudios Públicos surveys 1990 through 2005)—and in overcoming extreme poverty, which had remained stable since the mid 1990s. The stubbornness of extreme poverty in particular had deepened divisions in the incumbent coalition among those who demanded higher levels of redistribution and those who defended more moderate spending with the idea that it would better preserve economic and political stability. These initiatives were carried out to reach outsiders and to secure their support. The economic environment was also more auspicious starting in 2000. Despite a decline in GDP growth in 1999, the first year of the Lagos administration saw economic growth resume, and unemployment decline.

In the 1999 campaign, Lagos announced his intention to launch a major reform of the health care system to guarantee quality and prompt access to all. Soon in office, Lagos created the Commission for Health Reform, a technical committee in charge of developing the proposal that would increase access. Health care reform was undoubtedly the star program of his administration and the most complex social reform undertaken by the Concertación since the restoration of democracy. It would affect the interests of outsiders and of lower-income insiders served by FONASA, a state run health care system for these groups, and the upper and middle-classes enrolled in privately-run social-security health funds, ISAPRES. Under Lagos, about 20 percent of the population was affiliated with ISAPRES, 70 percent was enrolled in FONASA and about 9 percent of the population was not covered by any system. One fundamental issue affecting the choice of either ISAPRES or FONASA was lack of regulation of ISAPRES. Indeed, ISAPRES used “cream skimming” procedure, by which they made it increasingly expensive for senior patients, even those who had been affiliated to ISAPRES, to stay in the privately-run system. Most senior patients were thus users of FONASA due to cream skimming by ISAPRES. In reforming the health care system, Lagos sought to increase access to hospital services for all users of public and private health services and to fund part of this expansion with cross-subsidies from ISAPRES to FONASA.

The Commission for Health Reform devised a gradual plan to guarantee access to 80 percent of the most prevalent conditions treated in Chile’s health system. This plan, called AUGE, would guarantee prompt access to medical services at reasonable cost to treat 56 conditions by 2007. In order to fund AUGE, the government proposed to create a Solidarity Fund (*Fondo Compensatorio Solidario*) with 3/7 of the contribution paid to FONASA and ISAPRES, and to increase the VAT (value added tax).⁴⁰⁶ The Solidarity Fund would help finance equal access to AUGE on the part of beneficiaries of both ISAPRES and FONASA, and would involve cross-subsidies from the private to the public system. These cross-subsidies would

⁴⁰⁶ Because ISAPRES offered segmented and optional services, they charged higher fees. The average payroll contribution of beneficiaries of ISAPRES was 8.5-9 percent (interview Presidential Advisor on Health Reform).

result from the fact that FONASA users present a higher risk profile and thus would more likely use AUGE at higher rates (interviews Jimenez de la Jara; Boeninger 2007:165).⁴⁰⁷

Opposition to Lagos' proposals emerged fast. ISAPRES rejected the Solidarity Fund and lobbied Congress vigorously. Right-wing legislators of the UDI and RN adamantly supported ISAPRES and threatened to block the reform, arguing that the Solidarity Fund was unconstitutional, as it limited choice on the part of users of ISAPRES, and interfered with private property (interview High Official Superintendencia ISAPRES).⁴⁰⁸ The PDC, which supported all other aspects of the health reform, also rejected the Solidarity Fund and compromised the passage of the package. After two years of negotiations, the Lagos administration agreed to drop the Solidarity Fund from the bill and got the health care reform approved. The final version was passed with the support of Alliance for Chile and the PDC, and was rejected by the PPD and PS, the left parties of the Concertación, which protested the removal of the Solidarity Fund from the bill.

The resulting policy model was restrictive. It provides limited, non-encompassing guaranteed coverage of treatments, which are fully subsidized for the extreme poor and partly-subsidized for other outsiders. This arrangement was the result of political negotiations among parties in Congress, which limited the participation of social actors such as labor unions and community associations in the drafting of the reform project and its negotiation, and established a system which, despite expanding access significantly, is compatible with the preferences of the right for limited state expenditure, benefit levels, and lack of restrictions on market mechanisms. In fact, the right, which clearly represented the interests of ISAPRES in Congress, accepted the inclusion of a Solidarity Fund within ISAPRES to fund AUGE for users of ISAPRES.

In conjunction with AUGE, the Lagos administration launched another program, *Chile Solidario*, to reach out to extremely poor families, estimated at about 225,000 in 2004 (5% of the households in Chile). The program was implemented in 2004 with funding from a 1 point increase in the VAT that was negotiated in Congress to fund this scheme and AUGE (Fairfield 2010). In contrast with FOSIS and the failed PNSP, *Chile Solidario* emphasized access to existing public services and to monetary transfers. The new scheme did not create new large transfers or services, and did not entail a significant expansion of funding, however. It aimed at helping households in extreme poverty access existing public services, such as education, health care, and housing programs, apply for existing subsidies, such as family allowances for low-income families (SUF),⁴⁰⁹ and non-contributory pensions, which were not typically accessed by very marginal families eligible for these benefits. Access to job training and employment would be facilitated by FOSIS (interview High Official FOSIS; FOSIS 2006). *Chile Solidario* employed social assistants who contacted eligible households and helped them achieve these goals. The scheme further provided a bonus, a monthly payment of decreasing value for two

⁴⁰⁷ According to a former Health Minister, the expected amount contributed to the FS by each agency would be similar. Although ISAPRES had fewer affiliates, each paid a higher contribution on average than FONASA affiliates, which served a larger share of the population, and included users with higher risk profile.

⁴⁰⁸ See also "Reforma de salud: Peligro de naufragio," *Qué Pasa* 04/16/2004.

⁴⁰⁹ Benefits created during the Pinochet dictatorship. See Chapter 2.

years, to incentivize families to join the program. Families would remain monitored by regular contact with social assistants for a period of five years.

As stated by an official of the Ministry of Development and Planning, MIDEPLAN, the objections that the opposition raised against *Chile Solidario* concerned “the fear that it would be used in electoral ways” (interview High Official Chile Solidario). Yet, as expected, the program was supported because the opposition parties feared the cost of blocking a popular initiative. However, important changes were made to the original layout of the program. These changes included the use of highly technical procedures on the part of the national government to determine the number of families that would be benefited by *comuna*, and the conditions under which social assistants would be hired to prevent them from conducting party-related activity in their work with low income families (Boeninger 2007:148). Besides discussing the rules governing the program and how to prevent manipulation in the selection of beneficiaries—which was especially sensitive in the case of transfers—the opposition, especially the UDI, demanded that selection of beneficiary families was done by local governments. This point was particularly controversial and resulted in a compromise across parties and national and local political interests (Boeninger 2007:148). It was agreed that MIDEPLAN would identify beneficiaries per *comuna*, but those beneficiaries would be verified by mayors (Interview High official Chile Solidario). Thus, the final word on who benefits has been a matter of local decision making, whereas the number of beneficiaries by *comuna* has been determined by the national government using technical criteria (Interview High Official Chile Solidario).

Both AUGE and *Chile Solidario*, as well as macroeconomic stability, contributed to Lagos’ high approval ratings at the end of his tenure. Despite the administration’s successful performance, the competitive environment that the Concertación faced in the 1999 elections was a source of concern for the 2005 elections. The parties of the Alliance for Chile obtained at least 40 percent of the vote in the 2000 municipal election, and 44.3 percent in the 2000 legislative election, and the UDI was the party with the largest vote share (Joignant & Navia 2003: 138).

The presidential candidate for the Concertación, Michele Bachelet, was selected by the coalition because of her high approval ratings as Lagos’ Minister of Health and of Defense later (Navia 2008:192). Her selection clearly signaled an attempt by the Concertación to favor electoral prospects and downplay internal disputes before the election.⁴¹⁰

The right-wing parties had achieved high electoral support but suffered from internal division. After UDI’s rise in previous years, the RN faced the dilemma of either supporting Lavín’s second run for the presidency—and thereby becoming a secondary partner in the coalition—or seeking to reshape internal dynamics by proposing its own candidate. The RN followed the second strategy, and its leading politician, Sebastian Piñera, ran against the UDI and the Concertación in the 2005 presidential election (Gamboa 2007:58-61,77). There were other reasons for the RN to launch its own candidacy, including tensions between the parties and the decline of Lavín’s popularity.

Despite Bachelet’s initially high approval ratings, which seemed to indicate an easy victory, the Concertación faced tight competition (see Angell & Reig Salinas 2007:16). Among

⁴¹⁰ A candidate proposed by the PDC removed herself from the primaries because of low vote intention.

the right-wing parties, the UDI mobilized low-income voters while also appealing to the upper classes, as the RN competed for the middle-class vote with the Concertación. The National Renovation and UDI achieved high levels of electoral support, amassing 25.4 and 23.2 percent respectively, with Bachelet obtaining 45 percent. These close margins led to a runoff. Bachelet eventually won the runoff against Sebastian Piñera.

3.2. High Competition and Social-policy Expansion under Bachelet (2006-2010)

In the face of high electoral competition in which parties courted outsiders and de-aligned voters, the Bachelet administration (2006-2010) launched another major reform, pension expansion. Pension reform was announced by Bachelet during the campaign. This initiative had been typically considered more controversial than Lagos's health care reform. As stated by an advisor to the president, pension reform was "*a taboo*" in Chilean politics, and therefore figured last in the list of the Concertación's social-policy reforms (interview Top advisor on Health Reform). The pension system was a symbol of the Pinochet dictatorship, and Chile was held a worldwide pioneer of pension privatization.⁴¹¹ Despite these circumstances, candidates still campaigned on pension expansion, which obviously involved significant state intervention. Sebastian Piñera, for example, promised pensions for housewives, which signaled that the right was not only competing for outsiders over pension policy, but also that an expansion of the pension system could find broad partisan support.

As in the case of the health care system, pension reform not only affected benefits for outsiders but also regulations of private benefits, thus affecting pension funds, an important issue for the organized constituency of the right. Specifically, the Bachelet administration sought to address two major issues affecting pensions. First it attempted to facilitate access to pension benefits for outsiders (who lacked contributions or had inadequate contributions to qualify for a pension), low-income workers, and those with unstable, precarious jobs, whose contributions only allowed them to reach a small, state-subsidized, minimum pension. Second, to regulate pension funds and reduce the fees they charged, the Bachelet government aimed to promote competition through a public pension fund formed by the Bank of Chile. The goal of a public competitor was to offer below-market pension fund fees, which were previously considered to be extremely high. As expected, pension reform was meant to be negotiated with the opposition in Congress, and a powerful lobby of the AFPs (*Aseguradoras de Fondos de Pensión*) the private pension funds), was expected to oppose changes in competition.

In order to gain leverage, the Bachelet administration convoked an Advisory Council for Pension Reform. The body included a number of technical councilors who would listen to proposals and views from civil society associations, labor unions, pension funds, and experts. As expected, in the absence of mobilization from below leading pension expansion or organized movements seeking to affect policymaking, the Council had a ceremonial role which did not

⁴¹¹ There is a large body of literature and consultancy reports about the Chilean model of pension policy. See among others, studies of pension reform that note the visibility of the Chilean model, Madrid (2003); Brooks (2001); Weyland (2004); Alonso (2000).

shape the reform proposal advanced by the government. In fact, there was no joint project for pension reform proposed by civil-society organizations, which could have put pressure on the government's agenda. Without mobilization from below, this space of interaction with the state did not serve as an opportunity to shape policy design. However, it did make the reform process and the positions and interests of all the parties involved highly visible and transparent to the population. Blocking expansion or advocating very low benefit levels would thus be a harder task for conservatives.

The proposal advanced by the Bachelet administration anticipated the preferences of the right. A major transformation of the system was not attempted. The reform aimed to increase coverage by providing pensions to the poorest sectors of the population and by subsidizing the benefit level of low-income pensioners. The most challenging innovation to the interests of AFPs, the public pension fund, was rejected by the AFPs and the right (interviews High Official Association of AFPs).

The reform was passed in 2008, after the public pension fund had been dropped. As in the case of health care, the reform was implemented gradually. It extended Solidarity Pensions, SP, which would replace pre-existing assistance pensions, PASIS and extend coverage to a larger number of low-income outsiders and established a higher minimum pension for low income insiders.

At the same time that the government was negotiating pension reform, Bachelet expanded pre-existing, non-contributory pensions to swiftly facilitate access. She submitted a bill to Congress to increase the budget for PASIS, the existing non-contributory pensions, in order to pay a larger number of benefits. With the passage of broader pension reform, PASIS would be replaced by the Solidarity Pension. PASIS had remained relatively stable since the Pinochet administration created it in the mid 1970s. This resulted from the fact that the state established a quota of benefits it paid each year, regardless of the number of seniors who qualified. This quota created a waitlist of potential beneficiaries who lacked pension benefits. In 2006, Congress passed Bachelet's bill to remove the quota, and PASIS was expanded to all eligible applicants. The number of old-age non-contributory pensions grew 10 percent from 1990 until 2004. Between 2004 and July 2008, it grew 38 percent, propelled by the elimination of the quota.⁴¹² As discussed below, the new program of non-contributory pensions, Solidarity Pensions, increased access significantly starting in July 2008.

Finally, the Bachelet administration expanded the number of beneficiaries of Single Family Subsidy (SUF), a scheme of family allowances created by the Pinochet regime for low-income outsiders. SUF provided a very small benefit for children 0-18 and was also limited by a quota. Under Bachelet, the quota was eliminated and beneficiaries grew by over 30 percent, reaching close to 50 percent of children in "outsider" households.⁴¹³ Expansion of PASIS and SUF were presented by the Bachelet administration as mechanisms that involved little additional expenditure but would make access more transparent and less bureaucratic.⁴¹⁴ Likewise, given

⁴¹² Estimates with data from MIDEPLAN, INP, and Instituto de Previsión Social.

⁴¹³ Estimates with data from MIDEPLAN, INP, and Instituto de Previsión Social.

⁴¹⁴ See Cámara de Diputados 2007; República de Chile, Senado activities June 2007.

impending pension expansion with the reform of the pension system, legislators did not block the milder extension of PASIS.

As expected in the framework, the opposition faced hurdles to blocking expansion, and unanimously voted for the extension of SUF. Although the actual expansion was not very large, as the benefit already existed, it did increase the number of recipients from around 35 percent to 50 percent of estimated outsider children.⁴¹⁵ In explaining why the opposition supported the measure, a high-ranking official of MIDEPLAN suggested,

“In concrete term, to keep your hand pressed on financial resources may generate in the public opinion a negative impression. At the time of lean cows we don’t spend because there is no money, and now that there is money we don’t spend because we have to keep on saving for the times of lean cows. So citizens perceive that. It is not an organized thing, but they perceive it. And the opposition benefits if the state is not seen as the one that blocks these resources from being used. The opposition is working hard to win the next election” (interview).

Social policies inaugurated by Bachelet were more significant than those launched in the past. Political reasons help account for more decisive policy change. The Bachelet administration was marked by the expansion of the right and an increase in electoral competition (due to voters willing to shift preferences from one election to the other). This “threat to survival” to the Concertación in power was also intensified by events early on in the Bachelet administration which initially undermined her popularity, and by divisions within the coalition. In particular, early policy failures concerning a reform of the public transportation system seemed to compromise public support for her government. At the same time, divisions within the Concertación concerning the extent to which the left should limit its policy agenda to make it viable for the right grew intensely, resulting in a division of the Concertación before the 2009 presidential election. Finally, the UDI and RN came together behind Piñera for the 2009 election, forming a more unified electoral block with significant electoral power.

4. The Restrictive Model and Domains of Expansion

Table 6.3., below, shows the main features of restrictive policies across the domains of income support, health care, and pensions. We see that the scope of coverage across policy areas is limited in the cases of health care and income support, and moderate in the case of pensions. Benefit levels are moderate in the case of pensions and health care, and low in the case of income support. Finally, implementation is non-participatory and state-centric across all policy areas. It should be noted that despite leaving a significant percentage of outsiders unprotected,

⁴¹⁵ Estimates with data from MIDEPLAN, INP, and Instituto de Previsión Social, and INE (www.ine.cl).

this social policy expansion has been unprecedented. Below I analyze these expansions, and in the next section I trace the process of policy design in each policy area to illuminate the reasons behind the policy choices.

Table 6.3. The Policy Model: Restrictive Social Policy for Outsiders in Chile c. 2007

Policy Area	Scope of Coverage	Benefit Level	Participation in Policy Implementation	Dates of Expansion
Income Support	Limited 50% school-age children	Low Average benefit about 8% of the poverty line	No participation	2004, 2007
Health Care	Limited (27% outsiders without coverage)	Free for the poor	No participation	2004-2005
Pensions	Moderate 62% (65+)	60% of minimum pension for insiders	No participation	2006, 2008

Sources: Appendix 2.

The creation of restrictive policies in Chile was driven by electoral competition for outsiders and by negotiations in Congress about social policy design. These negotiations involved the parties of the Concertación and the Alliance for Chile. Expansion began in the Lagos administration, when the Concertación had 62 of 120 deputies and 20 of 47 senators, and the right had 57 deputies and 17 senators.⁴¹⁶ The PDC, which had more moderate social policy preferences, had 38 deputies and 12 senators, compared to 11 deputies and 5 senators for the PS.⁴¹⁷ In this Congress there were 4 independent deputies, and 9 designated senators, which served their last tenure in Congress given that their positions were eliminated by a constitutional reform.

In the 2005 legislative elections, the Concertación obtained a majority in both chambers in Congress for the first time since 1990. In the same election, within the Concertación, the parties of the left obtained for the first time a larger vote share than the PDC, and the PS appointed more Senators than the PDC. Under Bachelet, the Concertación had 20 senators (of a total 38) and 64 deputies, compared to 17 Senators and 54 deputies for the Alliance for Chile, and there was one independent legislator in each chamber (Angell & Reig Salinas 2007: 21-23). Only 20 of the 64 deputies and 6 of the 20 Senators of the Concertación were PDC between 2006

⁴¹⁶ There were 38 elected senators and 9 designated senators until 2006.

⁴¹⁷ Composition of the senate available at www.senado.cl

and 2010 (Angell & Reig Salinas 2007:23). In short, the 2006-2010 Congress was more auspicious for the left of the Concertación.

The parties of the Concertación have had differences with respect to policy design, with the PDC aiming to represent its middle-class core constituency (see Boeninger 2007), and the left maintaining a preference for redistribution and state intervention. The right-wing parties of Alliance have typically preferred market intervention; they have rejected mechanisms establishing solidarity across income groups via cross subsidies; and they have preferred lower benefit levels.

Below, I analyze each policy area to characterize the specific policies and discuss the reasons behind the choice of a restrictive model, that is, of small to moderate coverage, benefit levels, and non-participatory implementation. We see that all parties preferred to reach beneficiaries directly without intermediation in these policy areas, and thus, as expected in the framework advanced by this study, these policies have been non-participatory. Both blocs have been in favor of expansion, although the scope of coverage of resulting policies has been shaped by the right's preference for limited coverage. Finally, the absence of cross-subsidies and a greater role for market mechanisms is understood in terms of the institutional power of the right, which preferred benefits set in accordance with payment capacity and administered by private agents.

Income Support

The most important transformation since the Concertación took office in 1990 was the expansion of a pre-existing policy, the Family Subsidy (SUF). This benefit, which consisted of the provision of formal-sector family allowances to low-income outsiders, had been extended by the Pinochet dictatorship after the financial crisis in 1982-83. As discussed in Chapter 2, the economic crisis raised threats to survival due to pent-up mobilization of popular sectors that had been highly organized before the coup, and massive discontent in the face of 31 percent unemployment. Income transfers for the unemployed were extended quite massively to dampen discontent (see Chapter 2). However, they were rapidly discontinued as unemployment went down from 31.3 percent in 1983 to 14 percent in 1987. Family allowances to low-income families continued to be paid when the unemployment benefits were eliminated in 1987 (see Raczynski 1994: 48, 75). Given they were highly targeted, beneficiaries of this subsidy declined by the end of the 1980s as the economy improved.

Family allowances were not significantly modified by the first Concertación governments. As seen below, the evolution of beneficiaries of family allowances remained quite stable since the 1990s until 2007 (Figure 6.3 below). Family allowances were distributed through a quota system. A quota of benefits was established for distribution in each municipality, which selected beneficiaries according to poverty criteria. However, the quota system allowed for manipulation due to the existence of waitlists. In 2007, the executive sent to Congress a proposal

to eliminate those quotas and make the benefit automatic for eligible low-income families.⁴¹⁸ The key goal was to eliminate the waitlists. Eligibility is established for a three year period, when a new means test is done to check whether the household is still eligible. Means tests are more or less stringent depending on budget decisions.

The other important transfer is Chile Solidario. Since its creation in 2004, this temporary scheme has covered about 200,000 families in extreme poverty and helped them access existing subsidies and services. It has also provided a special transfer for two years to incentivize families to join the program, which could be extended for another three years if families accomplished the program's goals. These transfers provide a small flat rate benefit regardless of family size and are of decreasing value.

Chile Solidario is distributed by *comunas*. The National government establishes a number of beneficiaries for each *comuna* according to technical criteria. This technical evaluation identifies the number of households per *comuna* and the households that should receive the *Chile Solidario* benefit. Local governments verify whether the families identified by the national government are the ones to receive the benefit based on a municipal-level evaluation (interview official *Chile Solidario*). Based on their own evaluations, municipal governments can select other families. According to an official of *Chile Solidario*,

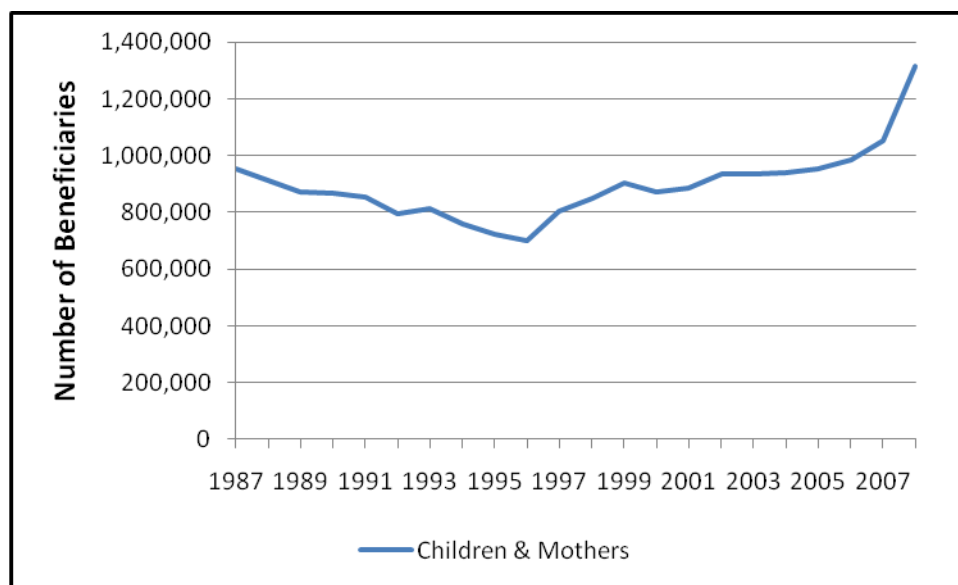
“What is not changed is the goal that we establish: if we establish 100 cases in that commune, then the commune has to have 100 cases. Why is that? Because those are resources that are allocated from the national government to the comuna, and it is not good for the comuna to lose resources that, in a good sense, it uses to solve problems of its neighbors. And this is politically well regarded” (interview official Chile Solidario).

Scope of Coverage. The scope of coverage of SUF, the main monetary transfer for households, is limited.⁴¹⁹ Households with children 0-18 and pregnant women lacking social-security benefits can apply for SUF. Eligibility is determined by a means test that the government establishes each year. After the expansion of the benefit in 2007, about 1 million children 0-18, between 45 and 50 percent of the children estimated to reside in “outsider” households, received SUF (See Figure 6.3 below). In exchange for the benefit, children 6-18 have to attend school and medical check-ups (interview high official of Subsidies, MIDEPLAN).

⁴¹⁸ Eligible means those families with a specific poverty score according to a standardized social protection instrument (Ficha de protección social).

⁴¹⁹ There are other subsidies that the government provides to low income families. Those subsidies also exist in other countries but are not packaged together as part of the protection system of low income families and have not been traced for this project. Those subsidies involve electricity (e.g., Luz para Todos in Brazil, large universal utility subsidies in Argentina since 2003, provincial-level water subsidies, etc.).

Figure 6.3. Evolution of Beneficiaries of SUF 1987-2008.



Source: Built with data from Anuario Estadístico, Instituto de Normalización Previsional, and MIDEPLAN.

Benefit Levels. The benefit level of SUF is here considered low. Although it is equal to the benefit level of family allowances for insiders, its value is low compared to the minimum wage and the poverty line as seen below. Argentina is the other country in which family allowances were created for formal workers in the past and later on extended to outsiders. In that case the benefit level of family allowances is significantly higher according to the poverty line and the minimum wage. Table 6.4. below shows that the benefit level of SUF for a household with two children ranged from 5 to 8 percent of the poverty line and around 15 percent of the minimum wage.

Table 6.4. Benefit Level of SUF Relative to the Poverty Line and the Minimum Wage, 2002-2008 (percent).

	FA-SUF/ Minimum Wage	FA-SUF/ Poverty Line	Minimum Wage/ Poverty Line
2000	16.6	4.90	98.6
2003	16.5	5.30	107
2006	13.5	6.00	141.5
2009	12.6	8.33	166.6

Source: Estimates with data on minimum wage from INE (www.ine.cl); Poverty data from MIDEPLAN and data on SUF from INP, and MIDEPLAN.

Estimated SUF and Family Allowances for 2 children.

Estimated Poverty Line for Household with 2 adults 2 children

Benefit levels provided by the bonus of *Chile Solidario* are small and flat-rate regardless of family size. The bonus is extended for two years, and the benefit level decreases over time. Taking the values of 2006, during the first semester the benefit level provided to a family represented almost the equivalent of about 12.7 percent of the poverty line estimated for a family of 2 adults and 2 children; in the second semester, 6 percent; in the third semester, about 4 percent, and in the last 6 months, the family bonus is equivalent to 3 percent of the poverty line for a family of two adults and two children⁴²⁰ (see Table 6.5., below). The idea underlying low benefit levels is to avoid low-income families' dependence on these subsidies (interview top official subsidies, MIDEPLAN).

Table 6.5. Benefit Level of Chile Solidario's Bonuses Relative to the Poverty Line and SUF, 2006.

	Bonus/Poverty Line ¹ (percent)	Bonus/SUF ²
Protection Bonus		
First Semester	12.7%	2.7
Second Semester	6.0%	2.05
Third Semester	4.1%	1.4
Fourth Semester	3.0%	1
Exit Bonus		
36 months	3.0%	1

Sources: Bonus and SUF MIDEPLAN (2005), Poverty data from MIDEPLAN.

¹ Estimated Poverty line for 2 adults 2 children.

² Equivalent to one unit of SUF (allowance for one Child).

Participation. As in the case of other policies in Chile, the implementation of large-scale social programs for outsiders does not involve the participation of social organizations in implementation. The implementation of *Chile Solidario* or the subsidies provided by the national government does not involve national or local councils of organizations representing outsiders.

These policy innovations, the expansion of SUF and the creation of Chile Solidario, are seen by officials of MIDEPLAN as “state” initiatives rather than as responses to issues raised by civil society organizations. In the words of an official of MIDEPLAN: “We are talking of a civil society that is not placing topics on the agenda” (Interview High Official Chile Solidario). The passage of these policies in Congress involved negotiations over the rules governing access, as seen above. Differences across partisan blocs prevented the launching of a larger policy. It should be noted, however, that although *Chile Solidario* has been the most publicized of these innovations, the extension of SUF has been significant in terms of the amount of resources it provides to families and its scope.

⁴²⁰ See program guidelines, MIDEPLAN (2005).

Chile Solidario, which was expanded first and was highly identified with the administration of Ricardo Lagos, had a more difficult passage in Congress. The benefit was ultimately supported after major controls on the potential manipulation of the benefit were established, that is, when it was clear for the opposition that the benefit would be rule-based, and when mayors (alcaldes) were granted important participatory input in implementation. Aside from the beneficiary selection procedure, there were no serious concerns about potential manipulation.

Pensions

The reform of the pension system in Chile was one of the most important and politically sensitive policy changes since democratization. The government of Michelle Bachelet aimed to make transparent the delicate financial situation of the privatized pension system, and the financial commitment of the Chilean state to a large percentage of current and future pensioners. Contrary to predictions made by proponents of privatization, the share of pension contributors declined and state expenditure remained high after pension privatization in 1981. From 1981 through 2004, the Chilean state spent on average 5.7% per cent GDP a year to support the pension system (Gobierno de Chile 2006: 2).

A number of factors has made pension policy particularly costly for the state since privatization. First, given that the pre-existing PAYG pension system was big and some pension funds, such as the military's, were in financial troubles, the "transition cost" of privatization was high, costing the state 3.9 percent of its annual GDP for regular pensions plus 1.4 percent to pay for the military pensions. Second, because privatization introduced tighter eligibility conditions and the labor market faced dramatic instability, particularly in the 1980s and late 1990s, several workers lacked sufficient contributions to qualify for a minimum pension at retirement age. For these people, the state guaranteed a minimum state-subsidized pension after 20 years of contributions, and non-contributory pensions (PASIS) for the extreme poor. Due to low contributions and high public commitments, the state has increasingly subsidized minimum pensions for workers who reached retirement age with inadequate savings, and non-contributory pensions for the extreme poor who did not even qualify for partly-subsidized pensions. Non-contributory pensions and subsidies have taken up on average 0.6 percent of the annual GDP from 1981 through 2004 (Gobierno de Chile 2006: 2). Finally, the dictatorship eliminated employers' contributions, which obviously reduced workers' savings significantly.

According to estimates from the CENDA research center, as of 2005, the state paid the majority, about 85 percent, of existing pensions to seniors. Furthermore, the state subsidized half of the pensions granted by the private system to people 65+. It also estimated that less than 11 percent of the workers made stable payroll contributions (CENDA 2006). Only 69,207 of the old-age pensions granted by the private funds (which reached 3.5 percent of people 65+ in 2005) were completely funded with savings (estimate with data from CENDA 2006). At the same time, about 48 percent of the economically active population was outside the formal labor market, making no regular contributions (CUT 2006).

In this scenario, state intervention would remain significantly high in the coming years. While these new commitments grew, the number of pre-privatization pensions benefits (that is, the benefits the state had to pay to pensioners at the time of privatization) was declining as more senior pensioners passed away, and thus spending on those pensions was beginning to decrease and would continue to do so in the future. The Bachelet administration launched a reform, suggesting that the “state has to organize its participation in the pension system” and “cover” the growing pool of outsiders (people who had never contributed or not contributed enough). The intention of the Bachelet administration was to keep spending at 6 percent of the GDP on pensions, but to use an increasing share of that percentage on non-contributory pensions and partly-subsidized pension benefits. At the same time, and to increase small savings in individual pension accounts, Bachelet aimed to reduce fees charged by private funds. This was a particularly strong concern among politicians of the left and unions. The AFPs (private pension funds) charged a fixed monthly fee that punished low-income workers and represented on average 20 percent of monthly contributions (CENDA 2006, CUT 2006). The method proposed by the government to limit high fees was to create a public pension fund, which would charge a lower fee and regulate competition. This was the most controversial piece of the reform, as it directly affected the profits of the AFPs. In 2004 these AFPs administered savings equivalent to 7.8 percent of the GDP (Gobierno de Chile 2006:6).

The reform of the pension system involved three main issues affecting outsiders. It created a Solidarity Pension (Pensión Solidaria, or PS) for people without benefits. This pension replaced the previous non-contributory pension, PASIS. Though still means-tested, it reaches a larger pool of outsiders and is more generous than the prior benefit. Finally, the reform has increased the state subsidy provided to contributory pensions to guarantee a minimum pension for all insider pensioners.

Scope of Coverage. The new SP extended coverage significantly, achieving moderate coverage (coverage is moderate when it reaches between 55 and 75 percent of outsiders) According to my estimates, 62 percent of the outsider population 65+ received pension benefits in 2009. This is an important difference with the situation of outsiders in 1992, when 28 percent received pension benefits, and in 2006—the year the reform process was launched—when it reached about 40 percent of outsiders due to the expansion of existing non-contributory benefits. These non-contributory benefits were the PASIS pensions. Table 6.6. below presents the percentage of the population 65+ considered outsiders (without access to social-security pension benefits), which represented close to 37 percent of the senior population in 1992, 2006, and 2009; and the evolution during this period of outsiders 65+ with pensions, which doubled due to the reforms.

Table 6.6. Outsiders with Pension Benefits, Selected Years.

	1992	2006	2009
% 65+ Outsiders	36.5%	38.3%	37.5%
% Outsiders with Pension	28%	39.8%	62%

Estimates for 1992 and 2006 built with data from MIDEPLAN (2006) based on CASEN Surveys and population data from INE (www.ine.cl). For 2009 estimates with population data from INE, and beneficiaries from Instituto de Previsión Social, IPS.

Benefit Levels. The Solidarity Pension had a moderate benefit level. In 2009, it represented 45.4 percent of the minimum wage,⁴²¹ and 62.5 percent of the minimum pension paid by the contributory system. PASIS provided a lower benefit level. In 2004, it represented on average 51.2 percent of the minimum pension paid by the contributory system and 33 percent of the minimum wage. It should be noted that the benefit level of PASIS was segmented by age group, with high benefits for seniors 70+ and 75+⁴²² (See Table 6.7).

Table 6.7. Benefit Level of Pensions for Outsiders Relative to Minimum Pension for Insiders and the Minimum Wage, Selected Years.

Pensions for Outsiders/Minimum Pension		Pensions for Outsiders/Minimum Wage	
PASIS (2004)	Solidarity Pension (2009)	PASIS (2004)	PS (2009)
51.5%	62.5%	33%	45.5%

Source: Estimates based on data from Superintendencia de Pensiones, INE, and Consejo Asesor de la Reforma Previsional (2006).

The average benefit level of Solidarity Pensions is moderate compared to the Brazilian and Argentine pensions, which are hereby classified as high because they represent more than 75 percent of the minimum pension paid by the contributory pension system. At the same time, the Chilean benefit level is higher than that of noncontributory pensions paid in Mexico, which are hereby classified as low as they represent less than 50 percent of the minimum pension paid to insiders.

Participation. The pension system does not include participatory mechanisms in policy implementation, as it is the case in other policy areas. It should be noted, however, that the creation of the President’s Advisory Council for Pension Reform (*Consejo Asesor Presidencial para la Reforma Previsional*) has been an important element in the reform of the pension system. It included experts on pension issues who worked closely with the government in discussing the reform proposal. The council provided technical soundness to the project as well as legitimacy in the eyes of other parties and the public. Different groups and associations were invited to hearings in which they addressed a set of questions pre-established by the advisory council. This participation was important as it entailed a space for interaction between associations and the state. However, the role of civil society actors was largely ceremonial. Participation was limited by time, as it consisted of one specific and brief intervention, and it did not foster the creation of joint proposals or pressure from society to shape the process of policy design in particular ways.⁴²³ Overall, the pension bill was not written by the council or by the associations that

⁴²¹ Built with data from Instituto Nacional de Estadística (INE), Consejo Asesor para la Reforma Previsional (2006) and Superintendencia de Pensiones (SP).

⁴²² See Reports of the Consejo Asesor Presidencial para la Reforma Previsional (2006).

⁴²³ See especially Consejo Asesor Presidencial para la Reforma Previsional (2006), where the procedure of the consultation is presented in detail.

participated in the hearing. Mechanisms of participation in the new policy were not created either, such as new councils or the inclusion of associations in the monitoring the implementation of pension benefits.

This expansion was the result of electoral competition for outsider voters. As described above, pension expansion had already become a campaign issue and the parties of the right also advanced their version of pension expansion in 2005. The candidate of the RN, Sebastian Piñera, promised pensions for housewives if elected. As in other policy areas, in the context of a highly competitive electoral environment, expansion was proposed by all major parties. The most important difference concerned the features of the new benefits and the overall design of the new pension system.

Pension reform was negotiated among legislators of the Concertación and the right. The main disagreement revolved around the issue of the public pension fund, which was eventually dropped to facilitate the reform. To legitimize the reform process, the Bachelet administration convoked a council of experts to debate pension reform, produce recommendations, and listen to the actors involved in pension policy (labor unions, pension funds, social organizations, and research centers and think tanks of different ideological orientations). These meetings were held individually with each actor and did not foster the articulation of social interests around the reform. Social organizations did not hammer out a common proposal either. The consultation was therefore not a process through which social actors came to define common goals and acted together. In contrast with instances of mobilization from below, in which social movements set and/or shaped the process of policy design, social organizations did not place the issue on the agenda nor directly shape the reform proposal in a meaningful way in Chile.

Health Care

The Chilean health care system was expanded in the 1960s and early 1970s in the context of intense electoral competition for outsiders. As presented in Chapter 2, both the Christian Democrats and the Popular Unity promised and effected significant investments in health care, particularly in primary care and mother and child care. Under Pinochet, health care reform was central in the governments' agenda. After failed attempts at radically privatizing the health care sector, selling existing public hospital facilities and creating private health funds, the dictatorship decided on a more feasible reform (see Medlin 1998, Castiglioni 2005). Starting in 1985, formal workers could choose between private-health funds, ISAPRES, and the public-health fund, FONASA (Titelman 2000). For outsiders, these reforms established free access to FONASA for the extreme poor, and social-security contributions for the rest of outsiders. Currently those workers making above the minimum wage are required to contribute 7 percent of their income to FONASA.

The new system was thus segmented by income level. Furthermore, FONASA suffered from disinvestment, particularly in hospital services, until re-democratization (see MIDEPLAN 1994: 202-203). The democratic governments of the Concertación increased health care spending significantly (MIDEPLAN 1994: 205; Titelman 2000: 15-17). Despite making progress, health

care continued to be a major concern in public opinion. Users of FONASA—about 60-65 percent of the population—suffered from long waitlists, crowded facilities, and often expensive copayments. Similar plights affected beneficiaries of ISAPRES, as the health funds used “cream skimming” (risk selection procedures) and charged expensive co-payments. Because of this, risk was more concentrated in the public sector (see Titelman 2000). For example, in 2002 close to 90 percent of seniors were users of FONASA. Because of cream skimming, the public sector subsidized the private funds (Interview Advisor on Health Reform).

A reform of this system was not launched before Lagos. As we have seen, investments were increased but problems in access continued and the organization of the system remained unchanged. The reform passed under Lagos improved access, generating a restrictive health system for outsiders.

Scope of Coverage. The reach of the health care system for outsiders is hereby considered moderate. Access was broad, although FONASA did not automatically cover the entire population. Ten to sixteen percent of the population was not registered in any insurance. My estimates with data from 2007 indicate that about 27 percent of the outsider population was not formally covered and thus could not request access to health care services. Primary care was accessible and free. However, access to hospital services was more limited. What especially limits actual coverage is the requirement to pay contributions on the part of outsiders who are not beneficiaries of social transfers (SUF or the SP) or categorized as indigent or low-income (up to one minimum wage), . It should be noted, however, that the size of the population classified as “indigent” far exceeds that classified as such by the MIDEPLAN, the Ministry of Social Development. Indeed, in 2007, about 15 percent of the population (apart from those cashing monetary transfers) was considered indigent by FONASA. In 2006 the household survey measured indigence as just 3.4 percent of the population. This shows that in fact there is a much broader ad-hoc inclusion of outsiders in FONASA, which may be curtailed if eligibility conditions were to be more strictly enforced.⁴²⁴

Benefit Levels. The benefit level provided by the health care reform is moderate. It provides full, free coverage of a large universe of conditions to outsiders in extreme poverty (FONASA groups A and B).⁴²⁵ These are 80% of the most prevalent treatments provided in Chile’s hospitals. However, other outsiders (those not in extreme poverty) had to pay a premium and co-payments. The benefits are thus encompassing for those with payment capacity and for the very poor. The creation of AUGE lightened the weight of co-payments (although they still exist) and guaranteed access to timely services. This helped reduce the long waitlists that plagued the system and hindered access to services including lab tests, appointments with specialists, and surgeries. Further, AUGE included a provision for outpatient drugs for free or at a lower cost, depending on the income level of the patient, for the conditions covered by AUGE (interview Jimenez de la Jara; *El Mercurio* 08/12/2004).

⁴²⁴ Data from FONASA (2007) accessed at www.fonasa.cl

⁴²⁵ “Lagos: Auge Garantiza acceso, oportunidad y calidad de salud,” *El Mostrador* 07/01/2005.

Participation. As in the other policies, health care reform lacked consistent user participation. Social groups, with the exception of the medical association, did not participate actively in the reform process. The Lagos administration ran surveys to measure public support for the reform and organized a communication campaign to earn approval for AUGE. Likewise, the medical association posted ads against the reform, but no social mobilization organized around this.

The process of designing the health care reform was marked by negotiations among parties in Congress. Four bills were elaborated by the Health Reform Commission and submitted to Congress in 2002.⁴²⁶ The idea of submitting different bills aimed to facilitate their approval in Congress, preventing controversial issues in one arena from blocking reforms in others (interview advisor to health reform). One of these bills proposed AUGE, the plan that created guaranteed access to 56 treatments; others established regulations on ISAPRES, and extra taxes to fund the system. Although all parties in the Concertación and the Alliance for Chile acknowledged the need to embark on health care reform, they had contradictory views about how to fund the new benefits. The most controversial issue was the creation of the Solidarity Fund. The FS was originally designed by the ministry of health under Bachelet (El Mercurio 08/10/2004). It established that 43 percent (3 out of 7 percent of the salaries) of the contribution of each ISAPRES and FONASA affiliate would be deposited in a Solidarity Fund that would be redistributed across the population adjusted to risk. This reform would entail cross-subsidies from the private to the public system.

The creation of the FS was rejected by PDC and the RN and UDI. At the same time, the medical association pressured the government to raise taxes and provide broader funding to FONASA. In early 2004, the differences between the government and the right grew over the FS. Although some government officials feared for the survival of the project, it was clear for others that to defend ISAPRES and block the reform would negatively affect the right electorally.⁴²⁷ In April 2004, ISAPRES, with the support of right-wing legislators, threatened to initiate actions to declare the bill unconstitutional. As a solution, the right proposed that if the state created the FS, then it should have to pay the cost of AUGE to beneficiaries of ISAPRES. Legislators from the Alliance for Chile further suggested that instead of one FS, two be formed (one for ISAPRES and one for FONASA affiliates) (*Qué Pasa* 04/16/2004). President Lagos refused to pay the cost of guaranteed services to affiliates of ISAPRES and suggested that the cost of AUGE should be deducted from the “inacceptable” fee that ISAPRES charged its affiliates (*Qué Pasa* 04/16/2004).

Facing opposition to the reform, the Lagos administration removed the FS from the project. As expected by Concertación politicians, the right did not oppose the reform because of the electoral cost it posed, but instead limited its reach by rejecting the FS. According to a functionary of the Superintendencia de ISAPRES:

⁴²⁶ It should be noted that a different set of working groups and a different proposal was submitted by the Ministry of Health headed by Michele Bachelet. Eventually, the ministered was appointed to another ministry and the reform proposals sponsored by the Commission prevailed.

⁴²⁷ See “La Reforma de Salud: Peligro de Naufragio” *Qué Pasa* 04/16/2004.

“It was expected that there would be opposition to the reform. Because ISAPRES and the right said that the FS affected private property. They said that creating a risk pool was an expropriation ... They claimed it was unconstitutional. So when [the bill] was gridlocked, it was negotiated. What was negotiated? Something unexpected: that the fund would only be created for ISAPRES. And those who negotiated the reform thought that it was better to introduce the idea [of the solidarity fund] in the private sector in order to discuss it again in the future. ..The issue is that the fundamental logic [of the reform] was the solidarity between the public and the private sectors. It was not the governments’ business to establish [the fund] among private agents. But leaving the mechanism there would make ISAPRES lose the fear of creating a fund. And then the public sector would be added some way.” (interview)

The Head of Colmena ISAPRES spelled out the position of ISAPRES on the Solidarity Fund: “We rejected that from day one because we found it unfair to have to provide the money of our affiliates to the state so that it would end up in the hands of FONASA affiliates” (*El Mostrador* 08/25/2004).

In addition to the right, the medical association also opposed AUGE. The main opposition stemmed from the fact that AUGE did not entail large-scale investments, and that by guaranteeing access to a specific list of conditions, medical services would naturally prioritize these over other conditions, thereby segmenting access. At the same time, doctors rejected higher levels of control that would be imposed on the cost of these treatments (interviews Jimenez de la Jara; advisor to health reform). This argument against AUGE was similar to critiques against *Seguro Popular* in Mexico. In this case, doctors associated with the PRD sustained that by prioritizing certain conditions in the name of scarce resources, the state was neglecting other patients with uncovered conditions (interview health expert PRD).

Despite the opposition to its implementation, Plan AUGE was finally passed in 2004 with the support of the right-wing parties in *Alianza por Chile* and the PDC after the government removed the Solidarity Fund. Legislators from the PPD and PS, by contrast, abstained, rejecting the changes to the law.⁴²⁸ The Lagos administration managed to prevent PS and PPD legislators from voting against the entire project, but could not persuade them to support it.⁴²⁹

5. Assessing Alternative Explanations

This chapter has emphasized the importance of electoral competition for outsiders in the expansion of social policy in Chile. Other potential factors have not played a decisive role. Unlike the cases of Argentina and Brazil, mobilization from below has not been significant in Chile since re-democratization in 1990 and has not emerged around the demand for social

⁴²⁸ “Plan Auge da paso final y ahora es ley,” *El Mercurio* 08/11/2004.

⁴²⁹ “Auge listo para ser ley y cubrir 56 patologías,” *La Nación* 08/10/2004 p.3; “Gobierno juega sus cartas tras amplia aprobación del AUGE,” *El Mercurio* 08/10/2004.

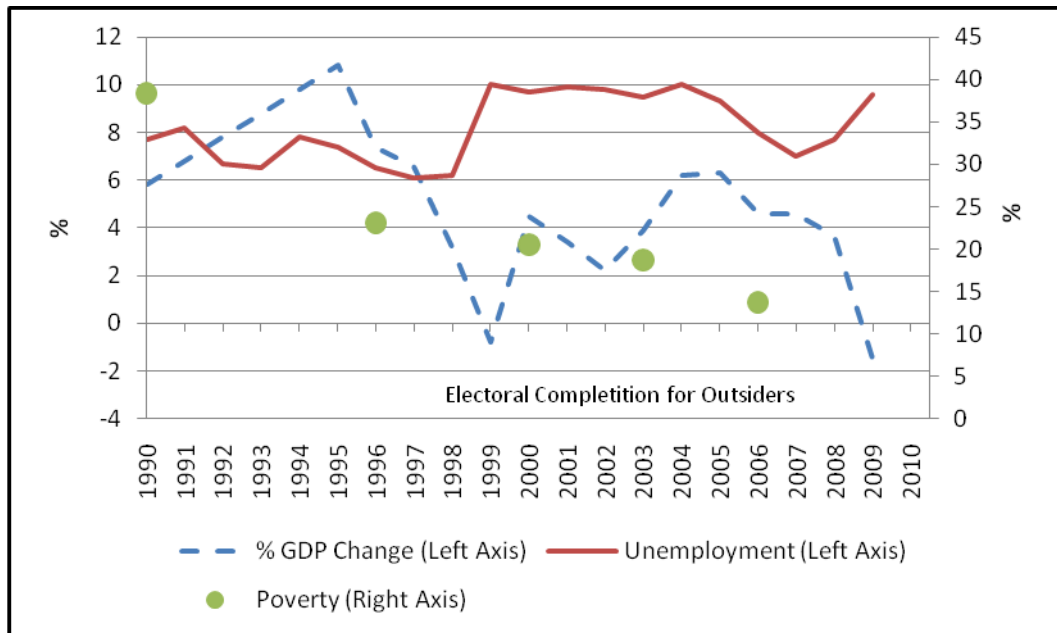
benefits. After the transition to democracy, political parties in Chile have sought to prevent the intense mobilization of the 1964-1973 period, concerned that this might generate reactions and affect regime stability. Since the early 1990s, the parties of the left, in particular the PPD and the PS, formed the Concertación with the center and developed direct linkages with voters, without involving social organizations. Even labor unions, which had been significantly disarticulated by repression and changes in the labor laws, were marginalized by the Concertación's decision-making. Lack of ties with parties, which openly circumvented social organizations, limited the emergence of mobilization around social policy.⁴³⁰ At the same time, lack of participation in the implementation of social policies further limited the involvement of social organizations in policymaking, preventing the surge of demands for policy expansion.

The partisan affiliation of the incumbent has not been a good predictor of decisions to expand new policies in Chile. New policies have been launched by the Concertación in power since 2002, after a decade of little social policy innovation, and no expansion as here defined. Even if politicians of the left occupied the presidency at the time of expansion, both left- and right-wing parties competing for low-income voters promised social policy expansion in their campaigns in 1999, 2000, and 2005. However, partisanship was important for the kinds of programs that parties advanced in terms of their scope of coverage and benefit levels. While the right-wing parties generally advanced smaller policies for the poor, the left-wing in the Concertación preferred broader coverage and benefit levels. A major difference among the left and the right concerned, as it did in Mexico, the role of the state and the market in the administration of social policy. We have seen that the right advocated the interests of ISAPRES in Congress during health care reform, whereas the left-wing parties in the Concertación hoped to achieve higher levels of solidarity across income groups by using the public and the market-based systems, a proposal that was resisted by the parties in the Alliance for Chile. The Christian Democrats in turn resisted solidarity across public and private health funds.

Due to higher levels of economic stability in Chile compared to the other countries under investigation, it is worth assessing its effect on policy innovation. Economic crises did not affect the Chilean economy after the financial collapse of 1982. Lack of crises should generate a more auspicious environment for policy expansion. Yet the inauguration of new policies for outsiders only began under Lagos (2000-2006). These reforms did not come as a result of economic stability, which had been a feature throughout the 1990s. Therefore, this factor by itself does not help explain expansion when it occurred. A similar argument can be made about the role of economic growth. As seen in Figure 6.4., growth remained stable in Chile since the late 1980s. Despite this stability, there were no serious attempts to expand social policy throughout the 1990s until the following decade. The absence of economic restrictions may help advocates of expansion, but it does not by itself social policy innovations. The same parties that refrained from expansion for a decade did so in the new millennium. These innovations, as here suggested, were triggered by competition for outsider voters.

⁴³⁰ See Hipsher (1998); Schneider (1995); and Oxhorn (1995) on social movements. On the mobilization of the electorate by the Concertación, see Angell (2007); Navia (2006) and Boas (2009).

Figure 6.4. Economic Growth, Unemployment and Poverty Rates, Chile 1990-2009



Sources: GDP (1996-2009) and Unemployment from Banco Central de Chile (www.bcentral.cl); Poverty Rate from MIDEPLAN.

The lack of expansion despite the absence of economic crises and of financial constraints produced by low growth is surprising, given the high poverty rates in Chile during the 1990s. When the Concertación came to power, poverty was about 40 percent, and remained high even after Frei’s landslide victory in a context of economic stability and growth. Frei’s administration was marked by relatively high levels of unemployment, yet no serious attempts were made to address joblessness (see Figure 6.4.). The only innovation until 2002 was the highly limited FOSIS, which does not qualify as “an expansion” as I here define these policy innovations.

Social policy innovations launched by Lagos and Bachelet were negotiated among left-wing parties in the Concertación, which sought higher levels of coverage and redistribution, and conservative parties, which have a preference for lower benefit levels, smaller coverage and market-based provisions. Since competition intensified for outsiders right-wing parties have been more willing to extend broader access to social policy. Yet a crucial feature of the right has been its rejection of any cross-subsidies or regulations that could transfer resources to the state (as its rejection to create a solidarity fund that would provide cross-subsidies to individuals with higher risk profile who use the public health system) or reduce the profits of market agents (as in the case of the right’s rejection of a public pension fund). These reforms were not shaped by international blueprints that dictated how to address high poverty. As seen in Figure 6.4. poverty was indeed lower when policy expansion began than they were during the years in which no

innovation was carried out. The reform of the pension system and the expansion of family allowances have little resemblance with other reforms in the region, and with international models of social protection. As in Mexico, lack of mobilization from below involved in the process of social policy design explains why no participatory mechanisms were included in the resulting policies.

6. Conclusions

This chapter has drawn on the analytical framework advanced in this study to explain why Chile has built restrictive social policies for outsiders. As expected in the framework, electoral competition for outsiders led incumbents to expand social policy to offset the appeals of credible competitors seeking to win support among outsiders. These challengers mobilizing the outsider vote moreover campaigned on social policy expansion to win away that constituency from the incumbent Concertación. Fearing electoral defeat—especially after the dramatic showing of the UDI candidate Lavín in the 1999 presidential election—the Lagos administration (2000-2006) initiated social policy expansion to ensure the continuity of the Concertación in office.

These expansions have resulted in restrictive policies, which have moderate or limited coverage, low or moderate benefit levels, and no participation of organizations representing outsiders in policy implementation. This policy outcome is explained by the negotiations involved in the process of policy design. These negotiations were carried out among political parties without social movement involvement (a critical condition for the creation of inclusive benefits). Moreover, these negotiations involved, as they did in Mexico, significant conservative power in Congress. In contrast with Mexico, however, institutional power in Congress was not accompanied by the presence of a conservative incumbent. Chile illustrates a scenario in which a center-left coalition and a leftist incumbent faced high conservative power in Congress and negotiated expansions that were acceptable to conservatives in order to achieve policy success. These expansions, despite being restrictive, have been broader under Bachelet than under Lagos, when the left had more institutional power.

As in the other country cases, these expansions have been rule-based. In the context of intense electoral competition for outsider voters, concern about accusations of clientelism and manipulation have made incumbents particularly attentive to creating institutions that limit discretion in new policies. The opposition in turn has pressed for rule-based policies to prevent the incumbent from benefiting from these policies in the short-term. The discussion surrounding Chile Solidario clearly illustrates these dynamics. As a result of these strategic interests, policies have been institutionalized and stable, and have clear eligibility rules.

7. Conclusions: Including Outsiders in Latin America and Beyond

1. Overview

This study has characterized a dramatic and unanticipated expansion of rule-based, stable social policy for outsiders in Latin America. Despite the focus in recent literature on privatization as the dominant trend in social policy, we have seen episodes of large-scale social policy expansion in three policy areas—pensions, health care, and income support—in Argentina, Brazil, Mexico, and Chile. These policy areas had historically shown a marked divide between insiders and outsiders. Yet, over the past two decades, access to benefits on the part of outsiders has increased substantially.

Expansion began at different moments starting in the late 1980s, when new social rights were passed in Brazil. In some cases expansion advanced slowly and gradually, most notably in Brazil, while in other cases rapid policy changes occurred after decades of neglect of the outsider population, as in Argentina. These initiatives had been preceded by failed attempts to extend benefits to outsiders at specific moments starting in the 1930s, when programs for insiders were first implemented. The earlier attempts that nonetheless succeeded were the remarkable free public hospital system created Argentina in the 1940s and the expansion of health care services, particularly primary care, in Chile during the 1960s and early 1970s. Other innovations were also introduced for outsiders before the 1980s, but unlike institutionalized social policies, these initiatives were small or temporary and/or clientelistic, such as the unemployment benefits launched by the military dictatorship in Chile and the rural pensions established in Brazil.

This study has argued that the creation of institutionalized policies relates to the strategic interests of social movement leaders and politicians.⁴³¹ In the context of intense electoral competition for outsiders, opposition politicians demanded new policies to be rule-based so that incumbents would not manipulate new benefits and take advantage at the expense of the opposition. When social movements demanded social benefits, they sought to achieve institutionalized policies to prevent the manipulation that could exclude them from receiving benefits. Incumbents were not oriented to clientelism either. Facing electoral competition, incumbents feared accusations of clientelism that could discredit them and favor the opposition. In the context of mobilization from below, incumbents feared that clientelistic benefits would trigger further mobilization.

I have identified two models of social policy, which I term *restrictive* and *inclusive*. Restrictive policies have more limited scope of coverage, provide lower benefit levels and do not include the participation of social organizations in the policies' implementation. Inclusive policies, by contrast, are broad-reaching, achieving often universal or near-universal coverage, provide higher benefit levels, and include social organizations in policy implementation.

Social policy expansion was driven by political transformations made possible by democratization. Incumbents expanded social policies in response to dynamics opened up by democratic politics: a) electoral competition for the vote of outsiders, and/or b) mobilization

⁴³¹ The exclusion of activists from program benefits is a typical tool employed by political machines.

from below. When incumbents faced credible challengers competing for the vote of outsiders, they had a strong incentive to secure outsiders' support and they expanded social policy to that constituency to offset the appeals of credible competitors. Credible competitors also often sought to mobilize the vote of outsiders by promising social policy expansions.

In Latin American multi-party systems, incumbents had to negotiate policy expansion with the opposition in Congress. Given that new social programs are popular, opposition parties had little incentives to block them, especially if competing for the vote of outsiders. However the opposition could affect policy design. In other words, new policies had to be compatible with the preferences of the incumbent coalition and to a greater or lesser extent, with the preferences of opposition parties. As seen in the cases under study, these initiatives were either proposed by conservatives or negotiated with conservative parties in Congress. Conservative parties have a core constituency in the economic elite and prefer more limited coverage. As a result, these negotiations across congressional parties produced more modest policy initiatives. At the same time, and in the absence of mobilization from below, politicians preferred a non-participatory implementation to avoid deviation of program goals and to discourage social demands around new policies. Therefore, policies resulting from competition were generally *restrictive*, with limited benefits and bureaucratic implementation.

Incumbents facing intense mobilization from below sought to curb social pressure. This mobilization was often intense to the point that it challenged the legitimacy of the government and could destabilize or weaken the incumbent. Under this condition, the incumbent President (and sometimes Congress) responded to movement demands with social policy to restore legitimacy, and sometimes even to survive in office. In these cases, policies were negotiated, formally or informally, with social movement leaders, who usually demanded broad coverage and participation in policy implementation. Movements demanded generous benefits equivalent to those of programs covering insiders. They further demanded participation in program implementation in part to ensure organizational survival and to supervise policy implementation. Incumbents generally responded with broad policies and participatory implementation to limit pressures from below and channel activism and pressure into policy implementation. These negotiations resulted in inclusive policies.

Despite their different socio-economic characteristics and partisan histories, Argentina and Brazil both created inclusive policies. In Argentina, small income benefits for outsiders were first established in the late 1990s, and new benefits were then expanded massively in different policy areas starting in 2002. By the end of the decade, pensions and family allowances reached all (in the case of pensions) or a significant share of outsiders (in the case of family allowances).⁴³² Health services (which were already significant) extended access to primary care and pharmaceuticals via a free-prescription drugs program to all outsiders.

The expansion of protection for Argentine outsiders was propelled by mobilization from below led by a movement of unemployed workers formed in the late 1990s. This unemployed workers' movement embraced federations and fronts that rested on hundreds of community-based associations. Despite divisions concerning partisan politics among different unemployed

⁴³² See discussion of income support in Chapter 3.

groups, they formed the basis for coordinated, large-scale mobilization and protest. Ties with unions, particularly public sector unions in the CTA, helped this movement grow and expand geographically. These alliances further helped put together demands and policy proposals, such as the universalization of family allowances. Part of the movement forged an alliance with the FV, a PJ faction led by presidents Néstor and Cristina Kirchner starting in 2003. Groups allied with the incumbent coalition, as well as those outside the government, have put pressure on the state to expand rule-based generous policies and to allow for participation in implementation. Electoral competition for outsider voters was not intense during this period, as this electorate has been a traditional support base of the PJ. Rather, it was mobilization from below that propelled the dramatic growth of programs for outsiders.

In Brazil, social policy expansion began in the 1980s with the adoption of social rights in the new constitution. A universal health system, non-contributory pensions for rural workers and low-income outsiders were implemented starting in the early 1990s. In 2001 and 2002, income support benefits were expanded to low-income families. These transfers were later collapsed into one major benefit and extended massively starting in 2003. By the end of the decade, Brazil had built a universal health care system, about 80 percent outsiders aged 65 and more had pension benefits, and a similar proportion of outsider children in school age accessed cash transfers.

The first wave of expansions in the late 1980s was propelled by mobilization from below. Social movements promoting health reform, rural workers, labor unions, church movements, and other social movements put pressure on legislators to create universal policies. These movements were more or less closely connected and supported each others' demands in the Constituent Assembly. Implementation of new rights was not immediate. It began after a new wave of mobilization took shape surrounding the collapse of President Collor in 1992. Groups in the impeachment movements against Collor formed the basis for Citizen Action against Hunger and for Life and demanded implementation of new rights and a massive anti-hunger program. Facing pressures and lacking legitimacy, the Itamar Franco administration negotiated social policies with movement leaders and initiated implementation of social rights.

In the following years, electoral competition began to grow subnationally with the expansion of the left in an increasingly institutionalized party system. Income support benefits were expanded by subnational governments in competition for voters. Pressure from conservative machines mounted in the late 1990s to achieve decisive national-level expansion of social benefits to counteract the left. In response, the Cardoso administration launched income transfers before the 2002 elections to offset the rise of the Workers' Party. In 2003, and after a failed attempt to implement a massive food program promoted by social movements linked to the PT, the Lula administration consolidated all income transfers in a large program and expanded it massively in the coming years, as social movements allied to the party demanded broad policies, the historic commitment of the PT. Income transfers and other major investments built dramatic support for the PT among outsiders, who had been the traditional electorate of conservative machines. As in Argentina, social movements demanded participation in policy implementation, and mechanisms that afford voice to social organizations were established in these policies.⁴³³

The other two cases, Mexico and Chile, created restrictive social policies. In Mexico, expansions began in the late 1990s, when President Zedillo of the PRI launched PROGRESA, an income program for low-income households. Expansion continued when Vicente Fox of PAN became president in 2000. *Progres-Oportunidades* increased massively, and health insurance and pensions were created for outsiders. By 2009, about half of the outsider children in school age received transfers, health benefits reached a similar share of the outsider population and around 40 percent of outsiders aged 65 and more received pensions. The expansion of social protection was propelled by electoral competition for the vote of outsiders, which grew dramatically in the late 1990s as voters de-aligned from the PRI. Electoral competition continued under Fox, who sought to consolidate support among the outsider population. As the 2006 elections approached, the rise of the left-wing PRD candidate López-Obrador, who had campaigned on social policy expansion, put pressure on the incumbent to further expand benefits. Pensions were implemented during the presidential campaign to offset the appeals of the López-Obrador, who promoted universal pensions. After PAN's Calderón became President, the PRD negotiated the creation of broader and rule-based pension benefits. As seen, most of these expansions were launched by conservative parties facing competition for outsiders, and despite being restrictive these policies were broader when the left had more institutional power.

Chile also built restrictive policies, although slightly broader in the case of pensions and health care. The expansion of health services and income support began in 2004, with the creation of *Chile Solidario* and *Plan AUGE*. Between 2006 and 2008, pensions and family allowances were extended to low-income families. By 2008, about half of the outsider school-age children in school age received family allowances, and 62 percent of outsiders aged 65 and over received pension benefits. A large share of outsiders had access to health care (which as we have seen was already broad since the 1960s). These changes were propelled by heightened electoral competition for outsider voters that started in the late 1990s, particularly around the 1999 presidential election when right-wing UDI was on the ascendancy. The Lagos administration expanded income support benefits and health care after long negotiations with conservative parties in Congress. With the arrival of Bachelet in 2006, the left enjoyed more institutional power. Pension reform was negotiated and approved in 2008, and family allowances were extended to more children. As in the case of Mexico, these policies are restrictive. Yet the expansions launched when the left had more weight resulted in broader policies. In both Chile and Mexico, social movements did not propel expansions and parties eschewed participatory mechanisms in policy implementation.

In the rest of this concluding chapter I first extend the argument to assess the expansion of social policies to outsiders in a number of middle-income countries of Latin America, as well as in South Africa. I explore whether similar initiatives have occurred and whether the argument in this study helps account for such transformations. Then I revisit alternative explanations that could explain these innovations, most notably structural economic change which is gaining attention in the comparative literature of social policy expansion. Finally, I discuss the broader implications of this study. I show how this argument builds on the literature on the welfare state

in advanced industrialized countries, briefly present some welfare effects of new social programs, and consider the implications of this study for democratic politics.

2. Extending the Argument: Latin America and South Africa

A critical question is whether the argument developed around these cases helps characterize and explain social policy expansion elsewhere. In chapter 2, I applied the argument to a larger number of cases by looking at the evolution of social policy for outsiders in Argentina, Brazil, Mexico, and Chile before massive expansion took place. I systematically assessed whether rule-based social policies were seriously considered, adopted, and implemented before the 1980s. This long historical analysis showed that very few episodes of expansion occurred and that expansion took shape at rather unique moments of democracy and electoral competition for outsiders. Other policies created for outsiders during these decades do not fit the description of institutionalized social policies. The analysis helped distinguish different types of non-institutionalized social policies for outsiders and the political conditions under which they emerged. We saw that authoritarian regimes facing high levels of mobilization expanded often clientelistic and/or temporary provisions that were launched to dampen protest.

In this section, I will extend the argument to a larger number of cases that share some features with the four cases under investigation and can provide a preliminary assessment of the framework of this study. These cases are Venezuela, Uruguay, and South Africa. These are all middle-income countries that possessed deep social policy divides between insiders and outsiders. These three countries developed industrial models in the postwar period and have frequently been included in comparisons with other cases under study.⁴³⁴

A preliminary assessment indicates that these three additional cases have witnessed the inauguration of new social provisions. Yet, not all of these are institutionalized social policies like the ones that constitute the focus of this study. A preliminary assessment indicates that Venezuela, which has lacked both competition for outsider voters and large-scale mobilization from below, has witnessed innovations that do not involve institutionalized social transfers and services. Uruguay, by contrast, has seen significant expansion starting in 1999 as electoral competition for outsider voters heightened. Finally, South Africa has seen landslide victories of the ANC since the installation of democracy and no competition for the low-income vote. Social policy expansion did take shape after a surge in mobilization from below in 2003. South Africa is launching its first significant initiatives, which may lead to further policy development if pressure remains high. This preliminary assessment, which requires further in-depth research to test rival explanations and more thoroughly measure policy change, seems to support the main expectations in the analytical framework. Below I analyze each case in turn.

⁴³⁴ Brazil and South Africa have been compared on taxation and racial politics, Lieberman (2002); Marx (1998), and labor politics, Seidman (1994).

Venezuela

Venezuela is an interesting case to assess the argument of why incumbents expand individual, institutionalized transfers and services to outsiders. Despite the oil rents enjoyed since 2003, and the left-wing orientation of the government, Hugo Chávez, who won the 1998 presidential election by a landslide and has won successive elections since then, has not launched major institutionalized social policy innovations. Although social policy investments have undoubtedly grown, especially in education and land rights, and economic conditions have improved significantly starting in 2004, institutionalized benefits (such as pensions and rule-based transfers for low-income households) and institutionalized health services have not been launched decisively. This apparent lack of adoption of stable, long-lasting transfers and services can be understood as a result of the lack of electoral competition for outsider voters and the absence of pressure from below to expand these policies. Below I briefly present the main features of the Venezuelan case that are relevant for this study, the policies that were created, and the reasons behind their adoption.

Unlike the other cases under study, the political regime in Venezuela was a stable democracy founded on an institutionalized two-party system since the late 1950s. Scholars have shown that these parties formed a “partyarchy,” or party dominance in which particularly Democratic Action (AD) and the Committee of Independent Political Electoral Organizations (COPEI) penetrated and co-opted civil society organizations, weakening autonomous movements (Coppedge 1993:254; Lander 1995, Chap 2).

The decline of oil rents, on which the Venezuelan economy rested, and the debt crisis in the 1980s, raised daunting challenges to the Venezuelan economy. This economic downturn undermined the main parties, as they were unable to fix dire economic problems (See Burgess and Levitsky 2003). After failed stabilization plans, the AD administration of Pérez (1989-1993) announced a drastic package of economic reforms, which stalled in the face of labor mobilization and opposition by AD politicians (Murillo 2001; Burgess & Levitsky 2003:893). Political conflict and harsh economic conditions moreover led to a rise in popular riots, particularly against runaway prices (López Maya 2005, Chaps 3-4). These riots were not organized in the form of a social movement or political organizations that competed for power, but were instead more spontaneous protests.

Repression of protests severely undermined existing parties. In 1989, discontent broke out after sharp increases in public transport fares, triggering a wave of lootings known as *Caracazo*. Lootings were followed by massive repression by police and military forces, with close to 400 people killed in the popular neighborhoods of Caracas (López Maya 2005: 85-89). None of the Latin American countries under study witnessed a similar episode of runaway violence against the popular sectors under democratic rule since the third wave of democracy. The state’s response to the lootings, and the fact that political parties were seen as implicit supporters of repression, fatally undermined popular support for the governing parties and the political system (López Maya 2008:10). Amidst an economic and political crisis, the Pérez administration faced two frustrated coup attempts by nationalist military officers, one of them led by Hugo Chávez in 1992, and resigned in 1993.

New political forces capitalized on massive discontent with the AD and COPEI. In 1994, Rafael Caldera, candidate of the newly formed coalition *Convergencia*, and former leader of COPEI came to power and small left-wing parties won a few subnational elections. Unable to solve economic problems, *Convergencia* implemented orthodox adjustment and its support eroded dramatically in 1998 in the face of a deteriorating economy (López Maya 2008:12). Both the Pérez and *Convergencia* administrations launched short-term social programs that were targeted at small sectors of the population and failed to compensate for deleterious living conditions. In 1996, over 60 percent of the population lived in poverty and about a third in extreme poverty (Lopez Maya 2005:36). The dramatic discrediting of the party system in the late 1990s saw the surge of support for small left-wing parties and new political movements, such as the Bolivarian Movement of Hugo Chávez, which formed the Fifth Republic Movement (MVR) behind the candidacy of Chávez and won a landslide victory in 1998. Traditional parties obtained a dramatically low vote share in these elections, marking the collapse of the existing party system (Seawright 2006).

In the first years of the Chávez government, there was little social policy innovation. In 1999, Chávez launched the *Plan Bolívar 2000*, which had a modest budget and distributed (via the military) food and vaccines in very poor areas of the country. This program ran parallel to the existing public bureaucracy to bypass local authorities, as social funds sponsored by the World Bank in the 1990s typically did (see Tandler 2000). This scheme lacked social participation in implementation Collier and Handlin (2009: 320). *Plan Bolívar* suffered from administrative problems and discretion, which resulted in corruption scandals. In 2001 a new initiative aiming to finance social investments, *Fondo Unico Social*, was established under the control of the Presidency, which implemented it with discretion (Penfold 2008: 70). This program financed cooperatives, health care activities, and education and was still small in scope.

In 2001, Chávez launched reforms that were rejected by the economic elite and the business community, triggering massive conservative mobilization (see Roberts 2006: 142). In 2002, a general strike was declared by the business peak association and the labor confederation. This general strike was followed by protests and lockouts and by the removal of Chávez from office, which was reversed after massive mobilizations by Chávez's supporters in the military and in lower-class neighborhoods (López Maya 2005; Roberts 2006: 142).

After this major political conflict and regime instability, Chávez launched a more ambitious set of policy innovations known as “Bolivarian Missions.” These are social funds created parallel to the existing bureaucracy to allocate resources for specific activities, such as land reform, health care, nutrition, and education. The activity of the missions was initially an “emergency” response to the deleterious conditions produced by the strikes and the economic crisis they spurred (López Maya 2008:19). Yet these missions were also established after the opposition demanded a recall referendum at a time when Chávez's popularity was at its lowest levels (López Maya 2008: 17). Although the lower-income populations were not courted by other parties, the erosion of the economy after the strikes was seen as potentially undermining popular support for Chávez.

The *Barrio Adentro* mission, which finances primary care and preventive health services, is relevant to this study. This program is carried out with support from Cuban doctors because,

according to López Maya, the Venezuelan medical association rejected the program (2005: 358).⁴³⁵ These activities began in Caracas and were later on expanded to the entire country (López Maya 2005: 357). By 2005, the program was run by 20,000 Cuban doctors and 3,500 Venezuelan doctors and nurses (ibid 357). Besides health services, *Barrio Adentro* establishes health committees formed by community groups. The expansion of primary-care centers has been significant. Yet the institutional arrangement under which the program operates especially the absence of a larger number of permanent staff, makes it at first sight unstable and dependent on Chávez's electoral fate. Other missions dealing with education have provided school grants to teenagers to remain in school, and other grants to adults, yet the number of grants is extremely small, about 200,000 a year since 2004.⁴³⁶

Missions are not institutionalized in legislation and lack mechanisms of oversight (López Maya 2005: 362-363).⁴³⁷ Funding for missions comes directly from PDVSA, the state oil company, to a special fund administered by the President (Penfold 2008: 65). Aside from being under the control of the President, missions have promoted the participation of social organizations. Before the arrival of Chávez to the presidency, the organizations of the popular sectors were weak, fragmented, and often lacked autonomy due to their co-optation, particularly by the AD (Lopez Maya 2005:361).⁴³⁸ Although systematic information is still lacking, under Chávez, social policies have incentivized the formation and inclusion of organizations linked to Chavez's broader political movement in policy councils (see Handlin & Collier 2009:322). The Bolivarian Circles, which are successors to the Bolivarian councils created by Chávez in the 1990s, have been critical among these new organizations, and have operated as sources of mass support (Roberts 2006:142-143).

Overall, a preliminary assessment indicates that social policy has been expanded in Venezuela starting in 2003, after decades of neglect of the outsider population. Yet, the policies adopted appear to be different from those identified in this project. Institutionalized transfers, pensions, and health care services that establish clear rules to access benefits do not appear to be the choice of the Chávez government so far. Instead, more informal participatory schemes, which rely heavily on volunteer work (such as soup kitchens), or unstable institutional arrangements (such as health centers), characterize these innovations. Organizations participating in these settings appear to be immersed in the broader political movement spawned by Chávez, as social policies are seen as incentivizing the formation and inclusion of organizations linked to

⁴³⁵ It should be considered whether doctors are in short supply in low income areas. Information from Mission Barrio Adentro indicates that the ratio of doctors to the population is adequate according to the standards set by the World Health Organization (see "La salud en Venezuela, hagamos memoria," in <http://www.barrioadentro.gov.ve> accessed 2010).

⁴³⁶ See Misión Robinson (www.misionrobinson.gov.ve, accessed 2010).

⁴³⁷ For example, social organizations have denounced that credits are not granted to cooperatives that do not form part of Chavismo or that criticize the government (Lopez Maya 2005: 363).

⁴³⁸ Data from the CIRELA survey of 240 popular associations carried out in Caracas, Venezuela in 2003 shows high levels of fragmentation in the associational world and very few linkages among associations. This survey was taken shortly before the Missions and their councils were established. This image of the associational world contrasts with the density and linkages found among associations in Lima, Peru; Santiago, Chile; and Buenos Aires, Argentina. See the analyses of popular associations in Venezuela in essays in Collier and Handlin (2009) based on this survey.

the incumbent coalition (see Handlin & Collier 2009: 322). This top-down participation is related to the existence of less autonomous and fragmented social organizations that were not clearly organized in a social movement before the arrival of Chávez to the presidency (López Maya 2005: 361). The little institutionalized and more unstable character of the policies expanded is also related to the absence of parties competing for lower-income voters.

Uruguay

Uruguay illustrates a case of large-scale, rule-based, social policy expansion. These policy innovations for outsiders began in the late 1990s driven by electoral competition for outsiders. This competition was propelled by the growth of the left-wing Frente Amplio (Broad Front, FA), and expanded more significantly when the FA came to power in 2005. Income support benefits, pensions, and health care services were expanded in 1999, 2004, and particularly in 2005 under the administration of Tabaré Vazquez (2005-2010) of the FA.

The victory of the FA in 2004 broke “175 years of electoral dominance by the traditional Colorado (PC) and Blanco (PB) parties,” the two-party system that had governed Uruguay under democracy (Luna 2007:1). The traditional two-party system was featured by “elite parties” that cleaved the electorate vertically, mobilizing voters across social classes (Roberts 2002: 12; Lanzaro 2004; Collier and Collier 1991). The labor movement was not institutionally allied to either of these parties and was not a stable partner in governing coalitions, although unionized voters tended to support the Colorado Party (Collier and Collier 1991). The other party, the National Party or *Blancos*, mobilized voters in rural areas in particular, although both parties were top-down elite parties that relied on a multi-class and multi-sector coalition (Collier and Collier 1991:125). Both of these parties were highly fragmented organizations and tied to constituencies through clientelistic arrangements (see Collier and Collier 1991:125). Until the 1950s, the Colorados had a dominant position, which probably reflected low levels of effective inter-party competition for outsider voters.

Relevant changes in the party system took shape in the 1960s and 1970s as new political forces challenged this stable party system. There was a surge in labor conflict, a guerrilla movement was formed, and political polarization gained ground (Collier and Collier 1991: 640-641). Small left-wing parties that previously had not gained any significant electoral support, the Communist party, the Socialist Party, and the Christian Democratic Party, formed the FA and obtained a considerable vote share in the 1971 presidential elections (Lanzaro 2004: 36; Luna 2007: 5). The momentum of these transformations was interrupted by a military coup in 1973, which formed part of a conservative reaction seeking to curb social conflict. The military closed Congress, dissolved political parties, and remained in power until democratic elections were held again in 1984 and a new democratic government took power in 1985 (Collier 1999: 139-140). With the restoration of democracy, the FA began to amass a larger electorate, appealing to voters across the social structure and seeking to reach low-income outsiders historically mobilized by traditional parties (see Lanzaro 2004; Luna 2007: 5).

Social policy expansion at the national level began in the face of the electoral growth of the FA. In 1999, the administration of Julio Sanguinetti (1995-2000) of the Colorado Party

initiated an expansion of family allowances a few months before the presidential elections. Family allowances were extended to all children in households making up to three minimum wages, thereby reaching dependents of low-income formal, informal, and unemployed workers. This expansion was launched to curb the momentum of the rising FA, which not only grew significantly in urban areas, but also expanded its reach among the poor in the interior of the country in the late 1990s (Luna 2007: 7-8). The 1999 election was tight, and the FA won the first round by a small margin. The Colorado party ultimately obtained the presidency in the second round with the support of the Blancos.

In 2004, the administration of Jorge Batlle (2000-2005) initiated another expansion as the presidential election drew close. Electoral competition for outsider voters had grown dramatically and Colorado party hold on power was severely threatened by the rising FA. In 2003, the executive submitted a bill to Congress to pass a more significant expansion of family allowances to offset the appeals of the FA among outsiders. This new expansion sought to reach low-income dependents who were unprotected, about 15 percent of children 0-18. Opposition parties suspected the expansion was motivated by electoral concerns and noted that the Colorado Party had dismissed proposals submitted by left-wing parties to expand benefits since 2001 (Cámara de Senadores 12/23/2003: 321-335; Cámara de Representates 12/20/2003: 49-74). Congress nonetheless supported the proposal. As summarized by a legislator of the opposition, “Is this initiative electoral? Is this motivated by awareness of a social problem? If these are the questions, then let’s support the measure and make the government accountable...” (Cámara de Representates 12/23/2003:67).

The timing of this expansion was important for two reasons. First, the initiative was launched before the elections after virtually no innovations during the Batlle administration. To illustrate the effort of the President to implement this policy before the election, legislators of the Colorado Party insisted that the executive hoped the expansion would be implemented very fast (Cámara de Representates 12/30/2003:67). Second, this timing is telling because Uruguay had a recession after a currency devaluation launched by Brazil in 1999, and a dramatic financial collapse in 2002 as a coattail of the Argentine economic crisis.⁴³⁹ Unemployment grew in 2002 to levels comparable to those of Argentina at the time.⁴⁴⁰ Despite these circumstances, the incumbent party only seriously considered social policy innovations in the face of the highly competitive elections of 2004.

The 2004 elections marked the victory of the FA and a dramatic collapse of support for the Colorado Party, which obtained a historic low of 10 percent. Aside from winning the first round, the FA amassed a legislative majority, which no party had attained since the restoration of democracy (Luna 2007:1). In office, the FA created the Ministry of Social Development, MIDES, and launched an emergency plan called PANES in 2005, which provided monetary transfers to households below the extreme poverty line, about 10 percent of all households, and food support.⁴⁴¹ In 2007, the government designed an alternative, more institutionalized plan to fight poverty, the *Programa de Equidad Social* (Social Equity Program, PES). PES embraced a

⁴³⁹ On the effects of the Brazilian and Argentine economies on Uruguay, see discussion in Castiglioni (2010).

⁴⁴⁰ See MIDES (2009)

⁴⁴¹ See Arim, Cruces, and Vigorito (2009) and MIDES (2009).

battery of innovations, such as a new extension of family allowances, the creation of the National Integrated Health System (SNI), and a 30 percent increase in the number of non-contributory pensioners, with the extension of the benefit to people 65 and above in extreme poverty.⁴⁴² The expansion of health care and family allowances had been advocated by the left since the late 1990s (Cámara de Representates 12/30/2003:59).

The FA set up participatory roundtables to discuss these initiatives with social organizations. It opened up spaces of deliberation about pension reforms with pensioner associations and included social organizations in permanent channels of consultation both at the local and national levels.⁴⁴³ These initiatives seem to correspond with the participatory approach of the FA administration of Vázquez in the City of Montevideo, where the FA won the local election in 1989 and implemented participatory programs directed to the lower income.

As a consequence of these initiatives, family allowances protected a large share of outsider children, and health care became virtually universal for all children.⁴⁴⁴ Outsider households in extreme poverty also received a food-stamp if they had children. Further changes were considered by the government and may be implemented in the future to reach households without children and to provide income to adults without jobs who do not qualify for an old-age pensions. Given that most of these transformations are recent, their future evolution in terms of the scope of coverage is still hard to assess. Social policies may grow during the new FA administration of José Mujica (2010-) because he is linked to the Movement for Popular Participation which is particularly close to social organizations.

Social policies launched by the FA under Vázquez have incorporated participatory mechanisms in policy implementation. The expansion of the health care system was accompanied by the formation of councils such as the National Board of Health (JUNASA), which includes the participation of labor unions, organizations of users of health services, and participatory health councils. Social participation has also been included in the implementation of income programs such as PANES and PES. MIDES has fostered the establishment of local social councils formed by social organizations to foster policy deliberation and oversight of the programs launched by the ministry on the ground (Movimiento de Participación Popular n/d: 6; MIDES 2009). In 2009, there were 22 social councils, one per department, and 31 councils in small localities. In all, 280 community associations participate in these councils (MIDES 2009).

It seems quite clear that the first family allowances initiatives were launched by incumbents facing high electoral competition for outsider voters, and that they were negotiated in Congress before the 1999 and 2004 elections. These initiatives were restrictive, as several low-income households did not qualify due to unclear provisions in the laws, poor enforcement, and problems in implementation. The benefit levels were also small. Lastly, these innovations were not adopted in consultation with social organization (Cámara de Representates 12/30/2003: 49-74).

⁴⁴² This benefit existed for people aged 70 and more.

⁴⁴³ For example, *Diálogo Nacional sobre Seguridad Social*, National Dialogue on Social Security to discuss reforms to the Security System. See MIDES (2009) and MPP n/d.

⁴⁴⁴ See Arim, Cruces, and Vigorito (2009). Family allowances are conditional on school attendance.

A preliminary assessment suggests that policy initiatives launched by the FA have been inclusive. Further research is needed to characterize these policies and the process of policy design in greater detail. Based on preliminary evidence, these initiatives appear to be driven by electoral competition and by social movement involvement in policy design. Social mobilization appears an important factor for two reasons. First, movements in the FA with linkages to popular organizations, such as the Movement for Popular Participation (MPP), have grown in the FA in recent years, potentially affording more space to social organizations in the coalition. Second, it is likely that movements have gained further weight due to the opening up of spaces of negotiation of social reforms. If this is true, then the expansions launched by the FA have been produced by electoral competition for outsider voters and social movement pressure via institutional channels. This social pressure may not be strong enough to propel expansions itself but may gain weight and influence policy choice through its linkages to the FA and via participatory roundtables and councils.

South Africa

South Africa has recently witnessed significant social policy expansion, especially of transfers for children. The scope of these benefits grew particularly starting in 2003, when social mobilization put pressure on the government to establish a basic income grant (BIG) in the face of extremely high unemployment and poverty (see Seekings & Natrass 2005: 364; Makino 2004). The government responded with the expansion of a smaller pre-existing benefit, the Child Support Grant (CSG) in 2003 (Seekings & Natrass 2005: 373-374). By 2009, the CSG reached about 9 million children (SASSA 2009). A pre-existing program of non-contributory pensions was also extended reaching over 2.2 million people (SASSA 2009).

The African National Congress (ANC) has governed South Africa since the first democratic elections in 1994. The ANC, which is allied to the Congress of South African Trade Unions (COSATU), has won by a landslide in every presidential election, and has attained large congressional majorities in every legislature since 1994. The vast majority of low-income people in South Africa strongly support the ANC. The second largest party, the Democratic Alliance (DA), is a conservative coalition that has obtained a maximum vote share of 16 percent in the 2009 presidential election, and has a core constituency in the economic elite. The DA's support for broader social policies (see Makino 2004: 28) has raised concern from the ANC and the COSATU about the DA's "attempts to woo voters" in "disadvantaged communities" (COSATU 2003:5).⁴⁴⁵ However, the key point is that the ANC has not faced significant competition for outsider votes, as it has locked up its support. Thus, it has faced no electoral pressure to expand social programs for outsiders.

Social policy expansion began on the eve of the democratic transition in 1993. Old age pensions were de-racialized, as benefit levels were made equal for all races (Seekings & Natrass 2005: 341). Under apartheid, labor and social policies were racially biased (Taylor Committee

⁴⁴⁵ COSATU's documents are available at www.cosatu.org.za

2002: 6). The old-age non-contributory pension was provided initially to whites and was extended to blacks in 1944 (Sagner 2000: 535). These pensions nonetheless discriminated on the basis of race, as blacks received a benefit level substantially smaller than whites (see Seeking & Natrass 2005: 341) Starting in the 1970s, these disparities in benefit levels began to shrink until their elimination in 1993, a year before the first democratic elections.

The ANC, the Communist Party, COSATU, and allied social movements were critical to the end of apartheid and the installation of democracy (see Wood 2000). The ANC came to power with a clear public commitment to mitigating poverty and inequality (see ANC 1994; Lund 2008). Yet massive social benefits reaching outsiders have not resulted from pro-active decisions of the ANC governments, but rather from pressure from allied social movements. The ANC faced several challenges in office, particularly the persistence of high unemployment, which has been above 20 or 30 percent of the EAP depending on how unemployment is measured; and weak infrastructure conditions and state administrative capacities in several areas.⁴⁴⁶ Upon taking power, the ANC set up a committee (the Lund Committee) to analyze existing social assistance and make policy proposals for future reforms. This committee proposed the replacement of a pre-existing child support benefit for single parents with a cash grant for all low-income children up to 6 years of age. The new Child Support Grant, CSG, would pay a lower benefit but reach a much larger number of households (see Lund 2008).

The recommendations of the Lund Committee were not welcomed by NGOs, community associations, or COSATU (Lund 2008: 91). NGOs put pressure on the government to increase the benefit level and to be included in decision-making (Lund 2008:103-104). After setting up hearings and meetings with NGOs, the ANC increased the benefit level and initiated implementation in 1998 (Lund 2008: 104). NGOs did participate in the implementation and monitoring of the CSG (see Lund 2008: 105). Despite this expansion, however, the take-up rate of the allowance grew slowly due to complicated registration procedures (Makino 2004:22).

COSATU, NGOs, and social movements pressed for further expansion. These movements formed the BIG coalition, and mobilized for the creation of a universal basic income grant (BIG), proposed by COSATU. The BIG proposal was hammered out in 1998 and was included in the confederation's platform in 2000 (COSATU 2003: 34). By 2002 a large number of NGOs, human rights organizations, and churches lobbied for BIG's adoption (Makino 2004: 18). In response, the government set up a new committee. In 2002, the Taylor Committee proposed the adoption of BIG and presented it as a constitutional obligation of the state (see Reports of Taylor Committee 2002; BIG coalition 2003). The report of the Taylor Committee strengthened the position of the BIG coalition, but was rejected by the government. This was followed by campaigns and protests in defense of the proposal (Makino 2004: 18).

In the face of pressures to adopt the policy, the ANC government responded with an extension of the CSG to children up to 14 years old. Furthermore a broad registration campaign was launched by the state with the support of NGOs to reach the eligible population. Coverage rose massively, from about 2 million to 9 million children in 2009 (SASSA 2009). The benefit was further extended to children up to 18 years old in 2009.

⁴⁴⁶ On unemployment see Seekings & Natrass (2005).

The extension of the CSG was significant. Yet given high unemployment, pressure on the government to expand BIG continues. Furthermore, protests have broken out locally in demand for public services. In addition, a movement of the unemployed, South African Unemployed People's Movement (SAUPM), which is formed by unemployed women, began to mobilize in 2009. One of the principal demands of SAUPM is the establishment of BIG (SAUMP 2010).

In sum, based on this preliminary assessment it seems that South Africa has initiated a process of social policy expansion as a response to pressure from below by social movements and labor unions. Given that electoral competition for outsider voters has not been relevant, expansions only occurred with the surge in mobilization from below. It is likely that if pressure from below remains high, further social policy expansion will take shape in the coming years.

3. Assessing other Explanations

This study highlights the political dynamics involved in social policy development. Without denying the importance of structural socio-economic changes and the spread of pro-market policies that occurred in Latin America over the past three decades, this study has suggested that economic conditions and their transformations by themselves do not explain social policy innovations. Moreover, and in contrast to the emphasis on diffusion in the literature on pension privatization, this study has not found that new benefits for outsiders were established because of the strong influence of an institutional actor, such as the World Bank, putting pressure on the government to expand these policies, or because of policy learning and imitation. Below I discuss each of these arguments focusing in particular on ongoing work emphasizing structural economic change.

Structural Economic Conditions

Structural economic arguments about social policy change in Latin America can be grouped into two broad categories that contend that expansions happen either a) in the face of growing "financial resources," or b) in the face of new or growing "need." Broadly speaking, the first category suggests that economic growth should propel expansions while fiscal constraints and economic crises should prevent them. Arguments based on "need" single out "de-industrialization," growing unemployment, and poverty as the causes of expansions.

With respect to fiscal resources, scholars have actually invoked this explanation to suggest why expansions have not occurred over the recent decades (see Haggard and Kauffman 2008). There are two shortcomings with this argument. The first is that expansion of social protection for outsiders has indeed taken shape, as documented in this study. The second is that episodes of expansion have occurred both at times of economic growth and of economic crisis. Availability and dramatic lack of fiscal resources by themselves therefore are not sufficient to explain social policy expansion. We have seen that in the cases under investigation, the occurrence of a crisis has not been necessarily accompanied by new benefits. The 1989 and the 1994 economic crises in Argentina and the 1982 and 1994 economic crises in Mexico were not

followed by new social policy provisions. For example, Zedillo established PROGRESA in 1997, after economic growth had been restored and his administration began facing heightened competition. By contrast, the 2001 crisis in Argentina and the 1992-1993 crisis in Brazil witnessed social policy innovations. As seen in this study, these crises were accompanied (and preceded) by significant social mobilization from below in demand for social policy. Crises amplified demands, which made incumbents vulnerable and prompted them to respond with social policies. One could thus argue that economic crises have contributed to expansions if they accentuated pre-existing, organized social mobilization, or if they helped to strengthen political competition for outsiders.

Economic growth, like crises, cannot explain patterns of social policy expansion. We have seen that expansion occurred at times of growth and failed to occur at comparable moments. Cases when social initiatives faltered despite strong economic growth include Chile under the Concertación governments in the 1990s, Argentina under Menem between 1992 and 1995, and Brazil under Cardoso, when previously expanded policies were consolidated, but new initiatives were not launched until the 2002 elections drew close. Moreover, we have seen that Brazil and Chile, which have had relatively more stable growth patterns since they achieved economic stabilization in the early 1990s and late 1980s respectively, have pursued significantly different models of social protection. While Chile built a restrictive model, Brazil built an inclusive model. Likewise, Mexico and Argentina have both experienced more unstable patterns of economic growth. These countries have nonetheless built different models, with Mexico creating restrictive social policies and Argentina building inclusive policies reaching a larger number of beneficiaries.

With respect to growing *need* driving the extension of social policies, ongoing work by Carnes and Mares (2009) contends that growing need spurred by deindustrialization, understood as the simultaneous decline in employment in industry and agriculture from 1960 through 2000, is causing expansions. They suggest that industrialization fostered the development of coalitions that marginalized outsiders and prevented their protection.⁴⁴⁷ Deindustrialization, in turn, has debilitated these coalitions. According to the authors:

“the deepening of deindustrialization will change the distributive coalition supporting the pre-existing social policies. Declining shares of contracted employment have accentuated the fiscal problems experienced by social insurance programs in the region and have lowered the relative attractiveness of the status quo to insiders...As a result, deindustrialization is expected to create a window of opportunity for the introduction of noncontributory programs that do not rely on payroll taxes for their financing. As more workers move from being contracted ...to independence...they will prefer noncontributory alternatives that better fit their employment status (2009:22).”

⁴⁴⁷ This insider-outsider argument is also present in other studies of welfare policies in the region which contend this divide has prevented expansions at times of market reforms. Weyland's 1996 book on social policy reforms in Brazil's new democracy highlights this fact.

Three points can be made about this argument. First, vast segments of Latin America's society have long lacked social protection. As shown in Chapter 2, in 1960 about 50 percent of the EAP contributed to social security in Argentina, 23 percent in Brazil, and 18 percent in Mexico. Thus, the phenomenon that Carnes and Mares claim is driving the expansion of social protection is not new. In other words, at the time that deindustrialization began, a large share of workers were already not "insiders." Agricultural and industrial employment has been characterized by high levels of non-compliance with payroll contributions, or by the outright non-existence of protections for workers. The political regime is important to understand this limited expansion.

Second, even if labor market institutions and social security benefits segmented the working class favoring a minority, the view of labor unions as systematically blocking expansion of benefits to outsiders appears to be overstated. In Chapter 2, we saw that health services funded with tax revenue were established in Argentina and Chile, and that these innovations were not contested by labor unions in the period of industrialization. These occurred at unique moments of democratic politics and electoral competition for outsider voters in Argentina in the 1940s, and in Chile in the 1960s and early 1970s. Third, although the labor movement as a whole has not engaged in actively promoting expansion, we have also seen that in Argentina and Brazil, social-movement unions, that is, unions with a broader political agenda, have been critical to mobilization from below that drove expansion. Furthermore, recent expansion of pensions and family allowances to outsiders in Argentina, where unions are powerful, has been supported by the labor movement. This is particularly important because this expansion is funded with payroll contributions of insiders, rather than with tax revenue, as the deindustrialization argument predicts.

Ideational Factors

This study has not found strong support for theories of diffusion, which would suggest that policies for outsiders were established because of the spread of a particular model of social protection or due to pressure exerted by a powerful institutional actor (such as multilateral agencies) on governments to protect outsiders.⁴⁴⁸ Despite the fact that the use of common policy tools may seem to indicate a shared blueprint, these tools such as a cash transfer by themselves say little about coverage levels or the degree of participatory implementation. This study has suggested that variation along these features has not been promoted by international diffusion or imposition, which would point toward a common outcome, but rather by political decisions of the actors involved in negotiations over policy design.

Interviews with policymakers did not reveal that states launched massive new programs in response to pressures from multilateral agencies or the availability of a new tool for solving pressing public problems. In fact, as seen in previous chapters, multilateral agencies tended to promote temporary, smaller, and less generous benefits than those that were ultimately established. Despite the idea that the provision of massive transfers to children was initially

⁴⁴⁸ See the discussion of diffusion in Weyland (2005, 2006).

proposed by multilateral agencies, World Bank officials have suggested that the entity “has trailed behind governments” in the region when it comes to designing income-support benefits (interview World Bank official). These programs were developed by governments, sometimes simply extending pre-existing family allowances to outsiders. Even though multilateral agencies may promote conditional transfers, they do not generally recommend broad scope of coverage and high benefit levels. Participatory forms of implementation are not broadly supported by these agencies either (Interview World Bank official).

4. Theoretical Implications

Social Policy Expansion in Latin America and the Literature on the Welfare State

How does the argument advanced in this study relate to the broader literature of social policy development and the welfare state in advanced industrialized countries? This argument builds on the comparative welfare state literature that has presented social policy as a fundamental tool to deal with different forms of pressure—both electoral and mobilizational—and different constituencies over time. Social policy was initially launched as a response to labor union mobilization at the end of the 19th and beginnings of the 20th century. (Esping-Andersen & Korpi 1984), and subsequently as a response to the power resources of labor that were institutionalized in alliances between unions and left-wing parties (Esping Andersen & Korpi 1984; Korpi 2006). Social programs were also created as a result of class compromise and strategic alliances across employers and labor unions (Swenson 1991; Mares 2003; Korpi 2006). The early development of social policies has therefore been fundamental for state interactions with organized labor and left-wing parties, for the regulation of labor markets, and for the formation of labor identities.⁴⁴⁹

Scholarship on the welfare state has also shown that social policy has been a critical tool for politicians seeking to court specific constituencies outside the system of industrial relations, such as women, white collar middle-class workers, or the self-employed, and a potent component of citizenship building in the post-war period (i.e., creation of national health systems) in Western Europe. Such is the case with the extension of family allowances to the self-employed in the Netherlands when that population became the focus of intense party competition following the secularization and depillarization⁴⁵⁰ of the electorate in the 1960s (see Lynch 2006: 83-85). This is also true for Spain’s massive expansion of unemployment programs to its rural sector, which was the target of intense competition among leftist parties in the aftermath of the democratic transition (Watson 2008). More recently, social policy expansion has also been important for preventing disruption after market adjustment. For example, social programs were expanded by incumbents seeking to quell discontent among outsiders who could be courted by far-right anti-system parties and who have been prone to social contestation in France (Levy

⁴⁴⁹ For advanced industrialized countries, see among others, Tilly and Tilly (1998); Korpi and Esping Andersen (1984); Esping-Andersen (1990); and Huber and Stephens (2003). For Latin America, see among others, Malloy (1979); Mesa-Lago (1978, 1989); and Collier and Collier (1991).

⁴⁵⁰ Meaning that voters’ automatic ties with parties of their religious denomination broke down (Lynch 2006:84).

2004; Levy, Miura & Park 2006). The findings of this study relate particularly with these works that focus on state expansion to labor-market outsiders, the sectors that were not the early beneficiaries of social policy development in these welfare states.

In short, social policy expansion has been a powerful tool linking incumbents with those outside the framework of industrial relations to gain their electoral support or prevent conflict. Despite differences in levels of economic development and size of the outsider population, which has been much larger in Latin America, there are interesting parallels between the political dynamics analyzed in this study, and those involved in the construction of universal social policies in advanced post-war democracies. Policies that grew out of the latter cases entailed the extension of rule-based, large-scale, stable protections to populations that were not the typical subjects of occupational social benefits. An important difference, however, is that in contrast to the cases of Western Europe in the post-war period, the Latin American cases I analyze present a broader circle of actors pushing for policy change, as well as alliances across different social movements and labor unions, and even political parties that are much less institutionalized than those present in Western Europe. Further, democratic politics has shown higher levels of instability in Latin America as some of these expansions took shape amid pronounced political crises in which social mobilization achieved victories from vulnerable incumbents seeking to remain in power.

Social Policy Expansion and Welfare Effects

The initiatives described in this study, have increased welfare for outsider households significantly and have produced three broad effects that deserve attention. In the first place, transfers provide *stable income*, a primary concern for outsiders, who lack stable, protected income from employment. Income from family support or the presence of a pensioner in the home may prevent households from going without income in the event of unemployment, economic downturn, or sickness. This is a fundamental difference with the past, when no stable transfers were available on a significant scale.

Second, studies on the effects of social transfers have found that these benefits have contributed to a reduction of income inequality. Recent scholarship has documented a drop in inequality in Latin America since 2000 (Lopez Calva & Lustig 2008). In the four cases under investigation, social transfers have been found to account for part of this decline.⁴⁵¹ Brazil, one of the two most unequal countries in the world in the 1990s, has seen an important drop in inequality in part associated with the extension of income transfers.⁴⁵²

Another important point is that the expansion of transfers and pensions has primarily favored women. Insider benefits, by contrast, tend to favor men at higher rates, given their higher participation in the formal labor market. Consider the case of pensions. Before the expansion of rural pensions in Brazil, the benefit created by the military in 1970s only reached male rural workers. The 1988 constitutional reform expanded the benefit to female rural workers. The

⁴⁵¹ See essays in Lopez Calva and Lustig (2008).

⁴⁵² See IPEA (2006).

expansion of pensions in Argentina likewise benefitted women disproportionately. In 1995, 57 percent of pension beneficiaries were women, whereas in 2008 they represented 67 percent of total pension beneficiaries.⁴⁵³ Furthermore, given that transfers for children or low-income families are directed to the child's mother, their expansion has also resulted in a larger number of women receiving benefits. Other policies that are not gendered in favor of women have also seen a large number of female beneficiaries. The Unemployed Heads of Households Program (UHHP) in Argentina is an example. About 70 percent of this program's beneficiaries at the peak of expansion were women.⁴⁵⁴ The influence of these benefits on women's participation in public affairs and in politics deserves attention in future research.

Democratic Politics and Mobilization from Below

The motivation for this study was to characterize social policy initiatives for outsiders and understand why they took shape. In the course of the analysis I found that structural economic pressures, though important, were not as relevant for social policy expansion as the political dynamics that for decades had prevented the protection of outsiders and those that often in shorter periods of time had spurred large-scale social policy transformations. The change from an inward-oriented to a market model is not the main factor underlying these transformations. Rather, the main driving force is political.

Two political dynamics favored under democratic politics, electoral competition for the outsider vote and social movement pressure, propelled social policy change. These two dynamics expanded the scope of conflict and inaugurated significant social policy innovations. These innovations are important because of the welfare they provide. More fundamentally, they matter because they have established long-term, public commitments to serving outsiders, rather than creating short-term policies highly dependent on the continuity of a particular leader in office.

The analysis leads one to speculate that if democratic politics with electoral competition and/or mobilization from below had been in place under an inward-oriented model of industrialization, the expansion of coverage to outsiders could have occurred before "deindustrialization" or economic liberalization became prominent. Universal health care was indeed implemented in the 1940s and 1960s in Argentina and Chile under democratic administrations that faced electoral competition for outsiders. Despite subsequent authoritarian regimes, these policies for outsiders were not dismantled.

The main implication of this study thus concerns the importance of democratic politics for the creation of encompassing social policies in middle-income countries. It is true that democratic governance alone is not enough to produce these programs. They require the presence of this type of electoral competition and social mobilization pressing the state for benefits, but these dynamics rarely occur in authoritarian regimes and they do not yield the same kind of policy effects when they emerge. Institutionalized, stable, rule-based expansions have

⁴⁵³ See MTSSyE (2009:25). This includes old age and survivors' pensions.

⁴⁵⁴ See Ministerio de Trabajo Seguridad Social y Empleo (2004: 49).

never taken shape under authoritarian regimes in the countries under study, even if those countries faced some level of protest and if elections were held. In these countries, authoritarian regimes have not inaugurated institutionalized, stable social policy commitments for outsiders, regardless of whether the country was undergoing deindustrialization or launching industrial deepening.

The role of democracy deserves particular attention because earlier literature suggested that democracies did not bring about social policy expansions in Latin America.⁴⁵⁵ Previous scholarship focusing on democratic accountability also presented a gloomy view of social policy expansion. This literature generally stressed the importance of clientelism in the region. This study has shown, however, that even in political systems populated by clientelistic machines and patronage-based parties, rule-based social policies are created if electoral competition for outsiders and /or mobilization from below takes shape. The expansion of social policies by the PJ administrations of Duhalde and Kirchner in Argentina, which rely on a party with a machine structure attests to this. Similarly, in Brazil, the pressure on the Cardoso administration by its coalition partner, the machine party PFL, provides another example. The PFL sponsored a fund for the eradication of poverty to launch large-scale policies in the face of competition from the left. Even if clientelism is not eliminated in other, often smaller social programs, and patronage affects infrastructure investments and state employment, the presence of these large-scale social policies that are not discretionary may contribute to eroding the appeals of clientelistic politicians to voters in the longer term.

Another major implication of this study concerns the importance of social mobilization from below for the creation of broader and participatory social policies. As seen in the analysis, in the cases in which mobilization took shape, notably Argentina and Brazil, it has been large and coordinated, has included alliances with labor unions, and has propelled the creation of broad, inclusive policies. Therefore, although the literature has generally seen outsiders as unable to advance their interests and achieve state responses, social mobilization has been able to propel large-scale initiatives. Social movement leaders advocating these new programs, moreover, have not simply acted out of self-serving interests or clientelistic exchanges with the state. On the contrary, they promoted universal, rule-based policies out of fear that the new schemes would be manipulated. Institutionalized social policies were perceived as necessary to prevent partisan machines from excluding social movement members and capturing policy benefits. Social movements generally demanded participation in implementation to perpetuate their influence in the policy and also to gain oversight over policy implementation. Large-scale mobilization from below was in fact the main reason for the creation of inclusive policies in Brazil and Argentina.

Looking at these issues on a higher level of generality, a further point can be made. This concerns diverging modes of interest representation that are taking shape in Latin America. In the cases of Argentina and Brazil, this study shows that outsiders' interests are being expressed not exclusively in the electoral arena, but also through institutionalized spaces of organized influence within the state. This has important ramifications for the evolution of these new policies and for politics cross-nationally. Specifically, in line with studies of institutional

⁴⁵⁵ For example, see Weyland (1996a).

evolution and change (Pierson 2005; Thelen 2004), we can expect institutionalized participation to make these policies harder to scale back, and to speed up the pace of welfare expansion in the inclusive models. The presence of organized participation within the state, and the pace of welfare reform over the past decades, can lead us to hypothesize that the inclusive model may become a site of greater experimentation and policy innovation in the coming years. At the same time, the creation of institutionalized spaces of organized representation for outsiders may strengthen these organizations and potentially affect the coalition bases of future political parties and party systems in fundamental ways.

Appendix 1.

Dataset of Protest (Argentina)

I built this dataset using online editions of two national newspapers, *Clarín* and *La Nación*. For some years, I have also used paper and online editions of *Página 12*, online editions of local newspapers *Río Negro* and *Diario El Día*, and a chronology of protest built by *Observatorio Social de América Latina* covering the years 2000 to 2003. The latter sources served to check the reliability of the two national newspapers. The unit of analysis is the *act of protest*, from the point when a particular set of demands is made through mobilization, until mobilization finishes. Mobilizations include demonstrations, marches, occupation of buildings, and roadblocks. I gathered and analyzed data on several characteristics of those acts (type, sponsors, location, duration, number of participants, demands, targets, violence, victims, arrests, and policy deals). This is the most comprehensive dataset of unemployed/informal poor protest in Argentina that I know for that period, including 962 acts. For the construction of datasets of mobilization, see Beissinger (2002: 460–487) and Silver (2003: 180–203).

Database of Policymaking

I constructed a dataset of social-policymaking episodes based on analysis of newspaper articles from 1987 until 2006 in Brazil, and from 1989 through 2007 in Argentina and Mexico. For each country, I surveyed one national newspaper: *La Jornada* in Mexico, *Clarín* in Argentina, and *Jornal do Brasil* for 1987 and 1989 in Brazil. For the latter case, for 1988, and between 1990 and 2006, I worked with an index of newspaper clippings of different national newspapers built by the Library of the Brazilian Senate. For the sake of brevity, the names of Brazilian newspapers are abbreviated when cited in the text of the dissertation.

Newspaper Abbreviations:

Folha de São Paulo, FdSP
O Estado de São Paulo, OEdSP
Jornal do Brasil, JdoB
Jornal da Tarde, JdT
Jornal de Brasília, JdeB
Correio Brasiliense, CB
O Globo, OG
Gazetta Mercantil, GM

Appendix 2 . Data Sources

1. Pensions.

Pension Coverage

Argentina. Estimates built with pension data from Cipoletta & Archaga (1995) for 1990; ANSES, *Informe de la Seguridad Social* (several years); Ministry of Labor, *Panorama de la Seguridad Social* (several years); and *Boletín Estadístico de la Secretaría de Seguridad Social* (several years). Population data from INDEC (www.indec.gov.ar). Other sources consulted are figures provided by social security expert, Carlos Gruska on overall pension coverage including contributory benefits (1990-2006), as well as documents from provincial pension funds (Buenos Aires, Santa Fe, and Córdoba).

Brasil. Estimates built with data from *Anuario Estatístico da Previdência Social*, Ministério da Previdência e Assistência Social, and Ministério Previdência Social (several years). Estimates of total pension coverage available for some years (contributory and noncontributory benefits) from IBGE. Population data from IBGE (www.ibge.gov.br).

Mexico. Estimates built with data from SEDESOL on pension benefits; population data from INEGI (www.inegi.gov.mx), and from CONEVAL (www.coneval.gov.mx).

Chile. Estimates built with pension data from MIDEPLAN, and *Anuario Estadístico* from Instituto de Normalización Previsional (INP), and Instituto de Previsión Social. Population data from INE (www.ine.cl).

Benefit Levels/Implementation

I used the same sources as well as government documents and legislation. I complemented those data with information from newspapers clippings and interviews.

2. Income Support

Coverage of Income Support Schemes.

Argentina. Data on workfare and employment programs was provided by the Ministry of Labor. Data for some years is available from *Estadísticas Laborales* (several years) Ministerio de Trabajo, Seguridad Social, y Empleo. Data on *Familias por la inclusión social* provided by Ministry of Social Development. Population Data from INDEC (www.indec.gov.ar)

Brazil. Estimates built with data on transfers in Brazil provided by Secretariat of Evaluation of MDSCF from 2002-2006. For 2007-2010, data from documents of MDSCF (www.mds.gov.br).

Mexico. Estimates built with data on Progres-Oportunidades from SEDESOL, available at www.sedesol.gov.mx and from Levy (2006). Population data from INEGI (www.inegi.gov.mx)

Chile. Estimates built with data on SUF from *Anuario Estadístico*, Instituto de Previsión y Normalización Previsional (INP) (several years), and MIDEPLAN. Population data from INE (www.ine.cl).

Benefit Levels/Implementation

I consulted the same sources as well as government documents and legislation. I complemented those data with information from newspapers and interviews.

3. Health Care

Coverage/Benefit Levels/Implementation

To characterize health care policy, I consulted the secondary literature, gathered information in interviews and used data from the following sources:

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Brazil. Documents from Ministry of Health on SUS and PSF. Recent data from Ministério da Saúde (2009).

Mexico. Information from Secretaría de Salud, *Informes de Avance del Seguro Popular* (several years).

Chile. AUGE's legislation, statistical information on FONASA available at (www.fonasa.cl).

Interviews

This project relied on information collected in a total of 204 interviews in the four countries. Below I list the interviews cited in this dissertation.

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