A History of Social Protection in Latin America: From Conquest to Conditional Cash Transfers

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1. What is Social Protection?

The welfare state, or social protection system, is one of the most important functions of government. It redistributes wealth within capitalist systems that are prone to market failure and an unequal distribution of assets. The welfare state also influences long-term prospects for economic growth and poverty reduction through investments in human capital. In this sense, the welfare state can be seen as those policies that constitute the ‘social contract’—an often implicit agreement between government and citizens that defines basic social and economic protections that the government is obliged to provide; and, the responsibilities of citizens who expect to receive these rights. Indeed the right to social protection is enshrined in the constitutions and laws of most Latin American countries.

Social protection policies can be defined as the sum of two types of policies: social assistance and social insurance. Social insurance policies are used by governments to correct insurance market failures, and ensure consumption smoothing; they usually consist of pensions and unemployment insurance. Social assistance aims to reduce poverty and address equity issues, these programs include conditional cash transfers (CCTs). In Latin America, social insurance is predominantly the reserve of citizens in formal employment, while those in the informal sector must make do with social assistance. There is an explicit understanding that social insurance policies are preferable, since they offer protection and planning against life’s vicissitudes and
inevitable old age. Social assistance policies are akin to a sticking plaster, bestow a lesser monetary value, and merely try to ameliorate the circumstances of those already in dire straits.

3 There is a great deal of diversity within the Latin America region in terms of social policy. The most economically advanced countries such as Uruguay, Chile and Costa Rica spend about as much as Spain on social protection, whereas the poorest countries such as Guatemala and Paraguay spend about the same amount as the Philippines or Indonesia.\(^5\)

That said, one of the defining characteristics of the Latin American labor market is the high level of informality. Though often not the largest sector in terms of GDP, the informal sector often employs the majority of the labor force in the region. Many scholars believe that informal workers are more vulnerable than formal workers—they lack legal protection, benefits such as social insurance, and the right to union organization.\(^6\) Others claim that formal jobs are not necessarily better than informal jobs, and that workers often shift between the two sectors. However, informality seems to affect productivity in both sectors, and impedes economic growth.\(^7\)

2. The Origins of Latin America’s Truncated Welfare State

4 For as long as data has been collected on living standards, Latin America has ranked as the most unequal region in the world. Although social protection systems developed as early as the 1920s in the region, the Latin American welfare state has historically failed to address the region’s high levels of poverty and inequality.\(^8\) By the early 19\(^{th}\) century, the Latin American colonies had fought for, and won independence from Europe. Yet the independence movement was essentially an elite undertaking designed to protect established privilege, rather than transform the structure of society or rewrite the social contract and share wealth.\(^9\)

5 Post revolution, and in the absence of the unifying glue of the Castilian crown, the State looked to military strongmen to act as a stabilizing force after the economic depression and chaos that followed independence. The militarization of society created a political elite that treated politics as a form of economic enterprise; geared not towards governance, but the capture of public funds to offer patronage and build up power networks.\(^10\) By the eve of the Mexican revolution in 1910, only 2.4 percent of household heads in rural Mexico owned land, whereas this figure was 75 percent in North America, due to policies such as the Homestead Act of 1872 which distributed free land.\(^11\)

6 Despite the huge progress wrought by the first globalization boom in the late 19\(^{th}\) century—streets were paved and lit, railways were built, urban life expanded apace—there was surprisingly little change to the structure of Latin American society, and therefore the opportunities for material progress for the majority of citizens. Economic growth was based entirely on raw materials, which ultimately meant a continuance in the exploitation of the traditional rural sector. Thus during the last quarter of the 19\(^{th}\) Century, no bourgeois revolution had actually occurred. The hacienda and its vast landholdings dominated the economy and the servile rural labor force. Politics remained based on patronage, and the Latin American state remained essentially weak.\(^12\) With little incentive to revolutionize technology or innovate, the region fell far behind its northern neighbours.
Though social structures had not radically shifted, new groups which formed as a result of globalization and increased urbanization were able to push for the creation of albeit narrow social protection systems. Inspired by Bismarck’s innovations, the nascent Latin American welfare state consisted solely of social insurance, contingent on labor status. Southern Cone countries—Argentina, Brazil, Chile and Uruguay—were the first to introduce insurance schemes in the early 1920s for urban elites such as civil servants, public enterprise employees, the military, and private sector workers. These occupational plans offered disability pensions, survivorships, old-age pensions and in some cases health insurance.

During the Great Depression, Latin America experienced a precipitous drop in demand from its traditional markets in Europe. This prompted states to reexamine the dangers of laissez-faire economic policy, in favor of import-substitution-industrialization (ISI). After World War II, ISI policies really took off, and states created an inward-looking economic model that relied on infant industry promotion and domestic demand to spur growth. ISI worked well for Latin American countries, and in the 1940s and 1950s, the region saw healthy growth rates, with industry outpacing overall economic growth. The ISI period proved to be an important critical juncture in terms of social protection. Between the 1940s to the 1970s, the welfare state underwent its greatest expansion, as urban-based reformists challenged the agro-export oligarchies that had dominated Latin American politics. This challenge came from a relatively wide cross-section of groups from the middle and upper classes, military officers and even dissident factions in the oligarchy itself. Political leaders also began to pursue and co-opt the newly urbanized and unionized working classes.

ISI was a system that shielded domestic industry and created conditions for the emergence of a critical mass of urban workers who gained the capacity to act collectively, and to demand social programs from the government. This connection between closed economies and the development of the welfare state is the opposite of what occurred in Europe, where, at the close of WWII, trade openness presaged the development of the universal welfare state as a compensation mechanism, to protect workers who were increasingly exposed to the vagaries of international markets. The scope and role of the growing welfare state differed among countries. In the 1940s, Colombia, Costa Rica, Mexico, Paraguay, Peru and Venezuela widened the availability of social insurance to a larger part of the formal labor force, with Central America and the Caribbean only following in the mid-1950s and 1960s. Though all welfare systems in the region had an urban-bias, some were more ‘advanced’ than others. Here the type and longevity of regime seems to have been significant. In long-standing democracies such as Argentina, Brazil, Chile, Costa Rica and Uruguay, the expansion of the franchise and growth in social entitlements played an important role. Meanwhile dictatorships were more inclined to maintain the status quo.

It was not only group pressure that forced governments’ hands, but also a simultaneous movement by the state to preemptively enact top-down social policies as a mechanism to control or co-opt the urban lower and middle classes. By giving preferential treatment, governments were able to consolidate divisions between different groups and prevent a united popular movement that would challenge state power. Therefore social security coverage started with the military, civil servants, and the judiciary and was later extended to the liberal professions and workers in the most organized and strategically located sectors. With the partial exceptions of Mexico and Venezuela, the expansion of
the welfare state did not extend to the countryside. Here elites maintained their grip on power, and eventually established patronage-based ‘clientelistic’ electoral machines. This ‘labor-market dualism’ meant that there was little solidarity between urban white and blue-collar workers and the rural poor.

Throughout the ISI period, Latin American governments also used subsidies on goods and services as the principal mechanism for social assistance. There were two main types of food-based programs: one that targeted poor households specifically, and another which focused on select demographic groups such as school children. The effectiveness of Mexico’s milk and tortilla subsidies are illustrative of these instruments in general. These policies were poorly targeted; regressive in that non-poor also benefitted alongside the neediest; and, they also created price distortions.

In Latin America democracy and industrialization did not therefore emerge simultaneously. Thus when pressures for redistribution could not be met through the political aggregation of interests, governments turned to the tried and tested draconian measures of the caudillos to keep the peace. Urbanization then, created a lethally destabilizing force. Thus ISI was accompanied by increasingly authoritarian forms of government. This marked the ultimate failure of the Latin American welfare state to work —to be progressive, inclusive and democratic. Unable to cope with the clamor for enfranchisement from the urban proletariat, elites sought to protect their power and clamped down on dissent. Cleavages between the export sector and protected domestic industry, between capital and labor, and between white and non-white deepened to the point where any possibility of a consensual social contract evaporated.

From the mid-1960s, virtually all advanced Latin American states underwent periods of internal war and military despotism.

However, merely stifling dissent did not make it disappear, nor by the early 1980s had the military brass managed to transform Latin America’s economies as promised. The ISI model had run out of steam and money. The collapse of the political status quo presaged a period of democratic transition across the region.

To respond to new democratic social demands and short-circuit social movements fueled by hunger and discontent, Latin American governments introduced social assistance policies for the first time, such as in-kind transfers, social funds, and workfare programs. An important innovation in social assistance policy at this time was the introduction of social investment funds (SIFs). Once as trendy as CCTs, SIFs were designed to ameliorate the effect of stringent economic adjustment programs, by generating employment opportunities for the poorest. The funds typically involved mopping up excess labor to work on an array of small infrastructure projects. Though SIFs were well targeted to the poor, they were vulnerable to political manipulation and clientelism. Emblematic of this problem was Peru’s Foncodes program, which gave politicians and bureaucrats wide discretion to choose which communities to help, while Mexico’s Pronasol was equally prone to use by the PRI government to reward certain constituencies. Guatemala’s Fontierras used government subsidies to help communities buy land as part of the country’s Peace Accords. However, the explicit subsidy caused a hike in land prices, thus saddling indigenous communities with unserviceable debt. The development of social assistance programs can therefore be seen as another instance of elite co-option of newly enfranchised masses, much the same as had occurred in the first period of globalization.
3. Financial Crisis and the Advent of CCTs

The breakthrough in social assistance policy was heralded not by democratic transformation, but fiscal crisis that required governments to do more with less, and to prevent social upheaval. Between 1980 and 1998, Latin America experienced more than forty episodes of currency crisis, during which GDP fell by four percent or more.\textsuperscript{35} In 1980, 120 million Latin Americans lived in poverty, but by 1985 the number had grown to around 170 million. Were it not for illegal drug exports, immigration, and the informal economy, the outcome could have been far worse.\textsuperscript{36}

The new mantra was small government and free markets, policies enshrined in the ‘\textit{Washington Consensus}’.\textsuperscript{37} Essentially this was a prescription for two types of policy—a simultaneous shrinking of the state and opening up of the economy. Fiscal constraints strengthened the hands of the technocrats, who were able to implement liberal reforms to limit social spending, which dropped in most countries to about seventy percent of pre-crisis levels.\textsuperscript{38} Ten Latin American countries undertook structural pension reforms which wholly or partially substituted the public system with a private one,\textsuperscript{39} and pension coverage as a whole dropped in eleven countries.\textsuperscript{40} Countries facing less severe economic conditions were generally more cautious in introducing liberal reforms, and could better maintain broad-based welfare systems. For example, pension privatization initiatives in Colombia, Costa Rica, and Uruguay preserved a large role for the government. Costa Rica went further to ameliorate the economic pain, and its more moderate structural reform was accompanied by employment creation schemes, and a strengthening of healthcare and social assistance for marginalized groups.\textsuperscript{41}

It was in Mexico, where the \textit{tequila crisis} in 1994 couple with a Zapatista revolt, pushed governments to think creatively about social protection. On January 1\textsuperscript{st}, 1994, a CCT program was first introduced, based on pilots in Brazil. The \textit{Progresa} program then went nationwide in 1997. According to Santiago Levy, the former deputy finance minister and ‘godfather’ of \textit{Progresa/ Oportunidades}, the resistance from entrenched interests linked to food subsidies, was strong: “it helped that we were working under severe budget constraints—we had to do things more efficiently. When you don’t have much money, the hand of the Finance Ministry is strengthened.”\textsuperscript{42} Levy also employed a strategy of incremental cuts to remove tortilla and milk subsidies to avoid a showdown and pay for the new CCT program. “In the end I removed the subsidy by stealth. I cut the quantity and the price subsidy little by little; it took about two years to do, from 1996-1997. We sold all the infrastructure and closed down the factories. Although I was never able to close the milk racket completely as I ran out of time”.\textsuperscript{43} To date, \textit{Oportunidades} has helped a quarter of Mexico’s population of 100 million gain access to nutrition, health and education services.

The dramatic failure of free markets to bring about sustained growth, or reduce poverty and inequality, led to a slow reappraisal of previous policy prescriptions. In 2005 the World Bank issued a mea culpa, admitting:

“At the start of the 1990s, economists thought the road ahead was clear...(but) the results of these reforms were unexpected. They exceeded the most optimistic forecasts in some cases and fell well short of expectations in others. At the same time, booms and busts continued in Latin America...Sustained growth depends on key functions that need to be fulfilled overtime: accumulation of physical and
human capital, efficiency in the allocation of resources, adoption of technology, and the sharing of the benefits of growth.”

One of the consequences of the painful social upheavals that occurred during the financial crises was a new respect for the political and social benefits of adequate social policy. In effect, a quiet revolution unfolded, as governments sought to reduce high poverty rates by extending the role of the welfare state with the creation a new generation of social assistance programs. Conditional cash transfers are widely perceived to be the most successful of these new policies, and now exist in 16 Latin American countries in total, benefitting an estimated 22 million households—16 percent of the region’s population.

4. What is So Great About CCTs?

For many development specialists the most revolutionary aspect of CCTs is the fact that they have done a far superior job at targeting the poor than previous social assistance programs. CCTs replaced targeted or generalized food subsidies, often delivered by intermediaries, with direct cash in hand. Beneficiaries themselves decide how to spend the money, rather than the government. The cash transfer is conditional on specific and measurable patterns of behavior by beneficiaries, such as ensuring children attend school, or visit a health clinic. Payments are given to the female head of a household, due to quantitative evidence that shows that women are more likely to use extra income productively—to help their family and themselves. CCTs aim to alleviate poverty in the short-term, through the redistribution of wealth, and in the long-term, by building up human capital among the poor through improved education, health and nutrition.

CCTs have entailed a modest shift in resources away from traditional social assistance programs. On average CCTs account for around 0.25 percent of GDP, and cover 16.9 percent of Latin America’s poorest families. There are significant differences across countries in terms of expenditure, with 0.1 percent of GDP spent in Chile and Peru, 0.2 percent in Colombia, and 0.6 percent in Ecuador. Coverage in El Salvador is 1.5 percent of the population, and up to 54 percent of the population in Bolivia. Although they are not expensive, efficient targeting to the extreme poor means that CCTs are able to reach those most in need. CCTs have had a wider impact than on social assistance alone, and have rationalized the social protection infrastructure as a whole, by helping to rationalize and integrate social assistance programs. This was especially the case in Brazil, where Bolsa Família consolidated four other programs—Bolsa Escola, Bolsa Alimentação, Cartão Alimentação, and Auxílio Gás, under the centralized CCT program.

CCT programs have increased household consumption, and reduced poverty. There is also a strong link between the introduction of CCTs and reductions in inequality. According to the Fundação Getulio Vargas, CCTs in Brazil helped reduce the Gini index (that measures inequality) from 0.58 to 0.54 from 2003 to 2008.

In terms of education and health outcomes, CCTs have led to significant increases in the use of services. Virtually every program has found a positive effect on school enrollment and a reduction in drop-out rates, including programs in Chile, Colombia, Ecuador, Honduras, Jamaica, Mexico and Nicaragua. However, there is less evidence that final attainment rates have improved. The story is similar in terms of health, and we see that CCTs have had a positive effect on the use of services—the take-up of vaccinations and
visits to health centers for consultations for example. CCTs have also achieved improvement in a number of other key health indicators. Final outcomes, again, are more modest however. CCTs must be put in their proper context therefore: they are great at reducing extreme poverty in the short run, but in the long run, health and education services must improve.

Some scholars claim that CCTs reduce clientelism through the systematic use of modern targeting and implementation techniques. Conditioning the transfers on “good behavior” may also be perceived as less paternalistic than the alternative of conditioning transfers on say, voting for a certain party or belonging to a required social organization. In short, CCTs do not require political brokers, and receipt of benefits is not conditional on political loyalty. Moreover, systematic evaluations provide empirical evidence about CCT program performance and results. What happens when CCTs are used by politicians for electoral means? but CCTs supposedly constitute vote buying of the ‘good’ sort. Voters that supported President Lula thanks to Bolsa Familia were simply acting in a rational manner; Thus politicians derive rewards or punishments from the electorate, based on their record of providing services.

Other scholars argue that CCTs are an example of a more exclusive clientelistic linkage, or a type “new caudillismo”, whereby a select group of politicians benefit from the spoils of state-funded largesse. Santiago Levy laments the fact that CCTs have often not become properly established within line ministries, or under law, and are therefore vulnerable to changing political winds.

Some scholars argue that the conditional aspect of CCTs has managed to improve the social contract, since the State is seen as a partner in the process, rather than a nanny. In effect, the Left like CCTs because they are a restatement of citizen’s rights, and embrace the ideology of redistribution; whereas the Right like CCTs because they represent a contract that avoids passive dependency. Others find the very idea of conditionalities objectionable, since it presupposes that the government knows better than citizens how best to use their time. After all, the recipients of state pensions have not been required to comply with any conditionalities with regards to their children’s health or schooling.

5. Reverse Robin-Hood: Latin America’s Welfare State Today

For all the success of CCTs, they have not managed to change the essential paradigm of Latin American social protection systems, which remain two-tier nature: the rich and poor have access to separate benefits that differ greatly in quality. The benefits offered by expanded social assistance programs such as CCTs are often markedly inferior to those afforded by traditional insurance programs; programs that still only cover about one third of the labor force in most countries. This lack of coverage can be blamed on the inherent design features of Latin American welfare states that were modeled along European lines. These systems were based on the presumption that as an economy develops, the majority of the labor force would be absorbed into the formal economy. Yet far from declining, informality has risen in recent decades, and today ranges between one and two thirds of the economically active working population in the region.
Still, too little revenue comes from income or land taxation, and too much from regressive, indirect or value-added taxes. Once nominally financed by contributions, most social insurance programs are now funded more or less directly by taxes. The social insurance system therefore fosters a ‘reverse Robin Hood effect’, by which the poor are made to pay for the benefit of the rich. Those in the top quintile of the population receive about 60 percent of net social insurance transfers. It is the poorest, often-rural workers, who have the lowest coverage rates. Even in Brazil, Chile, Costa Rica and Uruguay—relatively well-covered countries—coverage rates are still much lower for the bottom quintile of the labor force. In Brazil, while almost 70 percent of the top quintile is covered by contributory old-age pensions, only 20 percent of the poorest fifth are. Moreover, the poor quality of education and health care undermines upward social mobility.

In terms of social expenditure across the globe, Latin America only spends more than South Asia and Sub-Saharan Africa in total. However, once the split between social insurance and social assistance is taken into account, Latin America spends less on social assistance relative to most other regions of the world. In many countries in the region, income tax is not sufficient to finance contributory social insurance systems, and thus these pensions, unemployment benefits and health insurance schemes are running deficits, which must be financed from taxes on current and future generations. Net pension subsidies absorb around 5 percent of GDP in the region—higher than spending on social assistance, and average spending on education and health combined. Social assistance is financed out of general revenues and subsidies to informal sector workers. Given that Latin America has one of the lowest direct tax intakes in the world—at around 15 percent of GDP—these schemes are an added strain on public finances. Non-contributory SI schemes (NCSI) have failed to significantly extended pension coverage to a broader segment of society, or put social insurance on a more fiscally sustainable trajectory. Only a minority of workers have access to unemployment insurance, with just below 0.2 percent of workers in Colombia, 0.22 percent in Chile and 1.0 percent of employed workers in Brazil with unemployment insurance savings accounts. Social insurance still remains a two-track system, and demands from select groups have managed to maintain superior benefits for the few.

While expenditure on social insurance hardly benefits the poor, by contrast spending on health and education constitutes about 75 percent of the total social expenditures received by families in the lowest quintile, and has a positive impact on the overall distribution of income. Yet poor quality continues to plague both health and education systems in the Latin America, as the middle classes flee from public to private schools and health insurance, sharply curtailing their interest in improving these services for the majority of citizens. Even in countries with near-universal protection, there are vast differences between geographical zones. Costa Rica and Cuba—the only countries with integrated systems, along with Brazil, exhibit the least variation in standards. Worryingly, health and education standards in other developing regions, especially Asia, have generally improved at a faster rate, and Latin America has fallen behind.

The discussion above can be summarized by a simple typology that links the expansion of the social contract, and inclusive, social insurance coverage for all. In this conception, governments progressively replace clientelistic, and exclusive social protection policies with more programmatic and inclusive policy making (Figure 1.1 below). In this simplified world the ideal is to improve on both axes simultaneously—for example programmatic policy making without social capital would look something like South Africa under apartheid. Starting in the 1970s Latin American societies began to throw off military rule and thus social capital increased, however social protection policy, especially social assistance, remained clientelistic.

Hence, another way of asking whether CCTs have changed the paradigm of social protection in Latin America; is to define whether CCTs have pushed the Latin American welfare state somewhere along the line from point A towards point B.

In light of the current evidence, CCTs help to keep hunger from the door, but those who receive them are often excluded from social insurance, which still consumes the bulk of social spending. Moreover, the quality of health and education—the very services that CCTs rely on to combat inter-generational poverty—vary widely between rich and poor neighborhoods, urban and rural areas. We therefore note a shift along the line from A to B. However, this movement might not be linear—backsliding could take place as middle class Latin Americans question the cost of CCTs.
More worrying is the suggestion that CCTs will not allow a linear progression from point A to point C (policy gets stuck at point B), and make elite-sponsored reform even more difficult. This is because CCTs are so popular with recipients; many of whom received little or nothing from the state before, that they might staunch the kind of ‘critical juncture’ moments such as the Chiapas uprising, thus denying the universal right to social protection enshrined in almost every Latin American constitution. Ironically the success of CCTs could become their biggest failure. For all their sophisticated implementation and evaluation mechanisms, CCTs will ultimately fail if they cannot change the paradigm of inter-generational poverty.

7. Conclusion

The inherent problem of the welfare system in Latin America is its two-track nature. For Santiago Levy and many others, the ideal would be a uniform and universal system. Furthermore Levy believes that informality is the key stumbling block for change. Informality lowers the productivity of both formal and informal workers. The tax on salaried labor reduces formal employment, and the subsidy on non-salaried labor increases informal employment. Investment is therefore distorted in favor of the informal sector, where productivity of labor is lower. This reduces aggregate productivity, and ultimately GDP growth. Thus, even if the human capital of poor workers is improved by CCT programs, their productivity in the labor market will not increase and inter-generational poverty will continue to plague Latin America. The only way to mend the social contract and provide social insurance for all citizens is to create universal entitlements for all workers, irrespective of whether their job is formal, or informal, and paid for out of the same source of revenue. This, indeed, would be a truly paradigmatic shift in social policy.
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NOTES


5. Ibid., pg.15.


14. Ibid.


19. According to Ferreira and Robalino (2010) the expansion of the Latin American welfare state was influenced by the Beveridge report of 1942 in the United Kingdom. Chaired by economist William Beveridge, this seminal report was commissioned by the government to recommend
ways in which Britain should be rebuilt after the Second World War. It identified five ‘Giant Evils’ in society: squalor, ignorance, want, idleness and disease, and went on to propose widespread reform. Highly popular with the public, the report formed the basis for the modern British welfare state, which included the expansion of National Insurance and the creation of the National Health Service. See Beveridge (1942). The Beveridge Report, Social Insurance and Allied Services, Modern History Sourcebook, Executive Summary.

20. Ibid., p.5.
27. Skidmore, Thomas E. and Peter H. Smith (2000). Modern Latin America, Oxford, Oxford University Press 5th edition, p.56. Only Colombia, where the elite already had a comfortable hold on the levers of power, and arguably had been living through a civil war since the 1940s, avoided a full-scale military take-over.
28. This was with the exception of Mexico, Peru and Venezuela. Although the PRI began a process of political gradual liberalization in the 1990s a powerful executive exercised substantial discretion over the allocation of resources until the election of Fox in 2000. In Peru, Fujimori’s autogolpe in 1992 led to almost a decade of restrictions on civil and political liberties. Under Chavez, Venezuela remained somewhat more open until the early 2000s, but after 2002 he steadily began to dismantle legal and political checks on his personal dominance. See Haggard, Stephan and Robert R. Kaufman (2008), op. cit. P. 266.
38. Grosh, Margaret, del Ninno, Carlo and Tesliu, Emil & Ouerghi, Azedine (2008). For Protection and Promotion, Washington D.C. World Bank Discussion Papers, p.XI. Note however, that there was significant diversity between countries in the region.
39. Ibid., pg.16. Note that in 2008, Chile introduced a comprehensive pension ‘counter-reform’, Argentina closed its private system and moved all insured and funds to the public one, and Bolivia is considering a counter-reform.


41. Ibid., p. 8.

42. Ibid.

43. Ibid.


47. Ibid., p.20.

48. Ibid., p.22.


51. The World Bank, CCT Program Profiles, data relates to 2006 and 2007 respectively.

52. Fiszbein and Schady op.cit., (2009). Pg.4-8


54. Ibid., p.20.


59. Fiszbein & Schady, op. cit. (2009) support this view and claim that the “excellence in systems”, and the high degree of transparency in documentation and the evaluation culture that characterizes most CCT programs, has contributed to their attraction., p.10.


62. De Janvry, Alain; Frederico Finan; Elisabeth Sadoulet; Donald Nelson; Kathy Lindert ; Bénédicte de la Brière and Peter Lanjouw (2006). Brazil’s Bolsa Escola Program: The Role of Local Governance in Decentralized Implementation. World Bank, Social Protection Unit, December.

63. The concept of the caudillo harks back to Latin American independence at the dawn of the 19th Century. The vacuum left by the Catholic monarchy, economic depression, and the breakdown of law and order, all contributed to the Caudillo phenomenon. This was a figure that would impose order through a combination of military and political skills, treating politics as a form of economic enterprise in order to win control of public funds and further enhance their

64. Author interview with Santiago Levy, 2011.

65. Fiszbein and Schady, op.cit., (2009), pg.10.


77. Ibid., pp. 22-25 & 32.


**ABSTRACTS**

This paper reviews the development of the Latin American welfare state since the conquest, illustrating how initial factor endowments arrested the development of inclusive social policies. With industrialization social insurance was expanded to urban working and middle classes, however, it took the debt crises of the 1980s, rather than democracy, to prompt the creation of effective social assistance policies in the form of Conditional Cash Transfers (CCTs). Unlike previous social assistance policies, CCTs are better targeted to the poor, and have succeeded in increasing income while improving human development indicators. They have not, however, changed the essential paradigm of the Latin American welfare state, which is still characterized by a two-tier system: the rich have separate and better quality protection than the poor, as well as access to better health and education services. Thus while CCTs are tranquilizers—some might
even call them populism—they are not a cure for existing inequalities, and might even delay the creation of a truly inclusive welfare state.

Cet article examine le développement de l’État-providence en Amérique Latine depuis la conquête, illustrant la façon dont les dotations en facteurs initiaux ont arrêté le développement de politiques sociales inclusives. Avec l’industrialisation, l’assurance sociale a été étendue aux classes défavorisées et en milieu urbain. Cependant, ce sont les crises de la dette des années 1980 – et non la démocratie - qui entraînèrent la création de politiques d’aide sociale efficaces sous la forme de transferts monétaires conditionnés (TMC). Contrairement aux politiques antérieures de l’aide sociale, les TMC ciblent mieux les pauvres, et ont réussi à augmenter les revenus tout en améliorant les indicateurs de développement humain. Ces derniers ne sont toutefois pas parvenus à modifier les fondements de l’État-providence en l’Amérique latine, qui se caractérise toujours par un système à deux vitesses: les riches ont une protection distincte et de meilleure qualité que les pauvres, ainsi que l’accès à de meilleurs services de santé et d’éducation. Ainsi, alors que CCTs apaisent les tensions sociale, certains pourraient même les qualifier de populisme, ils ne sont pas une solution pour les inégalités existantes ; ils pourraient même retarder la création d’un État-providence réellement inclusif.

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