

Chapter Two

The Expansion of Welfare Commitments in Latin America, 1945-1980

As discussed in the preceding chapter, Latin America's stratified welfare systems reflected the urban biases of the political coalitions that challenged oligarchic rule and the turn toward import-substituting development models. The size and coverage of the welfare state, however, varied widely across the region. More "advanced" welfare states such as Uruguay, Chile, Costa Rica and Argentina, provided more comprehensive, if still unequal, benefits than others such as Peru, Colombia, or Mexico. In this chapter, we examine how regime type contributed to these differences. We find that the democracies, as well as some semi-democracies and competitive authoritarian regimes, exhibit a different approach than their hard authoritarian counterparts to the expansion of social security and health coverage, and to a lesser extent access to education.

The mechanisms that drove this expansion are not straightforward. In the few long-standing democracies, as well as in Argentina, the expansion of the franchise and competition from popularly-oriented political parties played an important role in the growth of social entitlements over time. The electoral connection and the sheer duration of democratic rule were consequential. With the partial exception of competitive authoritarian regimes in Mexico and Brazil, dictatorships were more inclined to retrench, to maintain the status quo, or to "deepen" benefits available to narrow but powerful groups already incorporated into the welfare system.

Democratic politics also expanded opportunities for labor unions to press their interests in the political arena, but this interest group channel had more ambiguous consequences. Unlike in Europe, unions represented relatively narrow segments of the labor force, and were generally unable to forge alliances with the peasantry or the urban informal sector. Although they pressed

strongly for an expansion of welfare spending, their efforts were directed mainly toward social security and pension programs that were the least progressive, or even regressive, in terms of income distribution.

We begin with an overview of the diversity of political regimes in Latin America and the extent to which regime type appears to correlate with aspects of social policy. The next two sections look at the development of social policy in more detail, beginning with the democratic cases and then turning to the authoritarian regimes. The final section concludes with a discussion of intra-regional differences in welfare legacies and their implications for the politics of welfare reform after 1980.

The Variety of Political Regimes in Latin America

Latin America during the period of interest to us here exhibits a wider variation in regime type than either East Asia or Eastern Europe, running the gamut from relatively durable and inclusive democracies to “hard” dictatorships. Table 2.1 provides a coding of the Latin American countries from 1945 through 1985 using the MBP-L scheme outlined in Chapter One. The MBP-L coding of individual cases does not fully correspond with the other coding schemes presented in the table (the composite Polity IV DEM-AUTH score, Przeworski et. al. [2000], and the Bueno de Mesquita et. al [2003] measure), but we rely on it here because it provides a more nuanced, and realistic, view of the differences among regimes than these dichotomous classifications.

Costa Rica and Uruguay (prior to the 1973 military coup) had the longest continuous histories of competitive politics. Until the advent of the Pinochet regime in 1973, Chile also experienced decades of constitutional government, although the lack of a secret ballot effectively disenfranchised the peasantry until the early 1950s. Venezuela between 1958 and the late 1990s

can also be classified as democratic. Most of the other countries experienced oscillation between military dictatorship and democracy, or – as in Colombia – significant restrictions on party competition. Mexico’s dominant party regime is the only continuously authoritarian system in the region.

Table 2.1: Regime Type in Latin America, c. 1945-c. 1985

	Democratic years	Semi-democratic years	“Soft” authoritarian years	Hard authoritarian Years	Polity IV: Democratic years 1945-1985	Przeworski Democratic years 1950-1985	BDM = 0.75 Years	BDM = 1 Years
Argentina								
No. of years	5	13	8	15	5	18	14	0
Period (s)	1973-1974 1983-85	1946-1950 1958-1961 1963-1965 1975	1945 1951-1957	1962 1966-1972 1976-1982	1974-1975 1983-1985	1950-54 1958-61 1963-65 1973-1975 1983-1985	1958-1965 1973-1975 1983-1985	
Brazil								
No. of years	1	18*	21	1	5	21	19	0
Period (s)	1985	1946-1963	1964-1984	1945	1946 1958-1960 1985	1950-1963 1979-1985	1946-1963	
Chile								
No. of years	29*			12	10	23	27	0
Period (s)	1945-1973			1974-1985	1964-1973	1950-1972	1946-1972	
Colombia								
No. of years	12	19		10	29	28	29	2
Period (s)	1974-1985	1945-1947 1958-1973		1948-1957	1957-1985	1958-1985	1945	1946-1947
Costa Rica								
No. of years	37	4			41	36	2	39
Period (s)	1949-1985	1945-1948			1945-1985	1950-1985	1945	1946-1947
Period (s)							1948	1949-1985

México								
No. of years			41				0	0
Period (s)			1945-1985					
Peru								
No. of years	11*	9*		21	6	17	19	0
Period (s)	1963-1967 1980-1985	1945-1947 1956-1961		1948-1955 1962 1968-1979	1980-1985	1956-1961 1963-1967 1980-1985	1946-1947 1956-1961 1963-1967 1980-1985	
Uruguay								
No. of years	28			13	21	24	6	20
Period (s)	1945-1972			1973-1985	1952-1971 1985	1950-1972 1985	1946-1951	1952-1970 1985
Venezuela								
No. of years	29	1		11	27	27	10	17
Period (s)	1947 1958-1985	1946		1945 1948-1957	1959-1985	1959-1985	1959-1968	1969-1985
Totals (N=369)	152	64	70	83	143 (N=369)	194 (N=325)	126 (N=369)	78 (N=369)
% country years	(41.2)	(17.3)	(19.0)	(22.5)	(38.8)	(59.7)	(34.1)	(21.1)

To what extent do differences in the expansion of protection and services map onto these distinctions among regimes? In three of the four long-standing democracies (Chile, Uruguay, and Costa Rica) most of the population was covered by some form of health insurance and had access to public services by the early 1980s. Social security coverage in these countries was among the highest in the region as well, between 60 and 80 percent of the economically active population (Mesa Lago 1989, 10). The percentage of the economically active population covered by social security was lower in Venezuela, which also experienced a long period of democratic

rule. But this does not include a large segment of the population covered by funds outside the main social security system.

Countries with intermittent experiences with democracy had more mixed records with respect to coverage. Argentina's welfare system, established during the Peronist era, matched those of Costa Rica, Chile, and Uruguay. Coverage rates in Brazil were also high, due to the establishment of non-contributory pensions in the mid-1970s; but the distribution of benefits remained among the most unequal in the region. In Mexico, Peru, and Colombia, between 50 and 80 percent were excluded from core social security and health insurance programs (Mesa-Lago 1989, 10).

As we showed in Chapter One, differences in the extent of public welfare commitment can be explained in part in Latin America by social and demographic factors. Many of the countries with limited welfare systems were poorer and less urbanized than those with more extensive public commitments. Yet as Table 2.2 shows, it is doubtful that these differences tell the whole story. Mexico, with one of the most limited welfare systems, was wealthier than Costa Rica and Chile, and Peru was only slightly poorer. The correlation with urbanization is also quite imperfect. Although three of the large welfare states – Chile, Uruguay, and Argentina – all had relatively large urban populations, Costa Rica had the lowest level of urbanization of any of the countries in the sample. Although wealth and urbanization affected welfare commitments, it seems likely that other, political factors were significant as well.

**Table 2.2: Inequality, Per Capita Income, and Urbanization
in Latin America (c. 1980)**

Country	Gini Index c. 1980	Percent Urban 1980	GDP per capita (PPP)
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Argentina	41(1)	83	9,200
Brazil	58(1)	67	6,070
Chile	51.9 (5)	81	4,533
Colombia	51.5 (7)	63	4,706
Costa Rica	45.5 (5)	47	5,635
Mexico	53.9 (7)	66	7,130
Peru	48 (4)	65	4,496
Uruguay	45 (1)	85	5,872
Venezuela	44.4 (9)	79	5,326
Average Latin America	48.7		5,885

To provide a clearer understanding of how regime type affects social policy we focus on the incidence of policy initiatives that either expand coverage to broader categories of blue-collar, informal-sector, or agricultural workers or that add benefits to existing programs. We also discuss initiatives that sought to cut back on entitlements and funding or to rationalize the public financing or delivery of social insurance and services. Identifying these episodes is somewhat problematic, since many governments manipulated entitlements or other benefits in the short-run to reward supporters or appease potential opponents (Ames 1987). We have tried, however, to identify those policy initiatives that go beyond short-run parametric adjustments and represent major shifts in the coverage, benefits, or administration of the social policy system.ⁱ

Table 2.3 aligns the timing of major initiatives in the provision of social insurance, health services, and education with the information on regime type presented in Table 2.1. As expected, the table shows that democracies and semi-democracies were more likely than authoritarian governments to undertake a broadening of social insurance and services. In three of the countries that oscillated between democratic and authoritarian governments, the most significant initiatives to expand social insurance and health systems came democratic or semi-democratic governments: during the Prado period in Peru, in Colombia after the establishment of the National Front, and in Argentina under Perón. In Venezuela, major social legislation was passed

in the 1960s, after the overthrow of the Perez Jimenez military regime, and in Chile and Uruguay, all of the major initiatives to expand social insurance and services came prior to the overthrow of democracy in 1973.

Table 2.3: Regime Type and Social Insurance and Services Initiatives in Latin America

	Years (N=361)	Initiatives (Administrations)
Democracies (N=145)		
Costa Rica	1949-1980	1961. Constitutional amendment to universalize pensions and health insurance. 1971. Inclusion of self-employed and all rural workers in health and pension system; increased payroll taxes to expand benefits.
Uruguay	1945-1973	1943. New entitlements for family allowance and maternity benefits; coverage expanded to all workers in industry and commerce. 1954. Social security extended to rural workers. 1961. Social security extended to unemployed. 1970. Health insurance made mandatory for all public and private-sector employees. Ministry of Health increases services to poor.
Chile	1945-1973	1952. Pensions expanded to new blue-collar categories. 1958-73. Expansion of primary education under Frei and Allende. 1964. Basic health program launched and expanded (Frei and Allende). 1970-1973: expansion of social security coverage to self-employed; increase in blue-collar pensions
Argentina	1973-1974	Plan to establish unified and universal social insurance and health systems aborted by interest-group resistance to standardization and by military coup.
Colombia	1974-1980	Primary school-building program, expansion of national public education system, pushed by teachers' unions.
Peru	1963-1967	Improved protection for covered groups, but also some expansion to some categories of non-insured peasants (selected Indian communities, peasants associated with agrarian reform and colonization). Expansion of hospital network into uncovered areas. Major expansion of health and social security expenditures (by 66 percent and 250 percent respectively), but state does not pay contributions and major deficits ensue.
Venezuela	1958-1980	1961. New constitution guarantees free primary education, resulting in major expansion of access. 1966. New social security entitlements to old-age pensions, integrated medical assistance, disability, and survivors benefits. Coverage extended to public employees and domestic workers.
Semi-Democracies (N=43)		
Argentina	1946-1950	Expansion of social security and health insurance coverage to most of the labor force. 1954 health insurance law established principle of defined health benefits, with progressive distribution.
	1958-1961	1959: Frondizi increases benefits to covered workers
	1963-1965	No major initiatives

Brazil	1946-1963	New entitlements to covered sectors. In 1960, minimum age is eliminated as eligibility requirement for workers already covered by pension funds.
Colombia	1945-1947 1958-1973	1946. Expansion of social security legislation. 1958. Plebiscite mandates at least 10% of government expenditures must go to education. 1962: Establishment of Family Compensation Fund. Healthcare and education subsidies for affiliated white-collar workers.
Peru	1945-1947 1956-1961	Initiatives to expand social security coverage for white and blue-collar workers cut short by military coup of General Manuel Odría. APRA-Prado coalition expands social security entitlements to blue-collar and public-sector workers. Financing for blue-collar funds increased, conditions for access were substantially eased, establishment of old-age pensions, disability and death benefits for blue-collar workers.
Venezuela	1945-1947	1946. Law mandating primary education (reversed in 1948) 1945. Establishment of Fund for Sickness and Maternity.
Soft Authoritarian Regimes (N=77)		
Argentina	1945; 1951-1957	No major initiatives. No major initiatives; Obras expand, but public health system allowed to erode.
Brazil	1964-1984	1971. FUNRURAL extends limited social security entitlements to rural workers without a contribution requirement. 1974. Pensions extended to old or disabled urban residents who had made partial, but incomplete contributions to system. 1976-1977. Expansion of emergency health services through FUNRURAL. 1977. PIASS: limited extension of clinics and sanitation programs for northeastern states.
Mexico	1945-1990	1960. Expansion of pension coverage (Lopez Mateos) 1973. Expansion of pensions and health coverage to rural areas (Echeverria)
Hard Authoritarian Regimes (N=96)		
Argentina	1945; 1951-1957 1962 1966-1972 1976-1983	No major initiatives No major initiatives No major initiatives Partial consolidation of social security funds, new restrictions on eligibility. After uprising of Cordoba unions, coverage expands as provincial employees are incorporated into system. Obras also expand coverage substantially after uprising, but government also encourages expansion of private providers Employer contributions eliminated, which increases financial strain on system. Primary education system decentralized to provinces, federal financing reduced.
Chile	1973-1980	1975. Introduction of targeted work programs. Reduction of entitlements for blue- and white-collar workers. Partial consolidation of social security funds 1980. Introduces mandatory private pension accounts for all entrants into the workforce. 1981: Establishes private health insurance funds (ISAPRES) and private schools to compete with public systems.

Peru	1948-1955	No major expansion initiatives. Some benefits to white-collar workers.
	1962	Caretaker regime; no major initiative.
	1968-1980	Effort to consolidate blue-and white collar social security funds and standardize benefits, leading to slight improvement in access for blue-collar workers. Did not implement stated priority of extending coverage to rural and self-employed workers, and left system underfunded.
Uruguay	1973-1984	Partial consolidation of social security funds, but increased retirement age and reduced benefits. 1981 law eliminated restrictions on affiliation to mutual funds of older persons and pregnant women, but significant cutbacks in expenditure. Efforts at greater control and centralization of education, but no major changes. Expenditures lag behind increases in enrollment.
Colombia	1948-1957	No major expansion initiatives
Venezuela	1948-1957	No major expansion initiatives

With the exception of Brazil and Mexico, authoritarian regimes did not generally expand social programs. Instead, their social policy initiatives were directed either toward increasing benefits for privileged groups or toward the consolidation of existing programs. In the Andean countries, military coups cut short social policy initiatives in Venezuela (1948), Colombia (1948), and in Peru (both 1948 and 1961). There was also surprisingly little expansion under the leftist dictatorship established in Peru under Velasco in the late 1960s, which concentrated primarily on unifying the social security system (Mesa-Lago 1978, 120-125). Bureaucratic-authoritarian regimes of the southern cone focused primarily on the rationalization or retrenchment of the existing systems. We examine these experiences more closely in the following sections of the chapter.

Welfare Expansion under Democratic Rule: The Long-Standing Democracies

We begin with the countries with the longest experience of democratic rule prior to the 1980s: Uruguay, Chile, Costa Rica, and Venezuela. We argued in the Introduction that the duration of democratic rule matters: long-standing democracies offer more extended

opportunities for the mobilization of parties and interest groups that appeal to low income sectors, and greater possibilities for the cumulative growth of social commitments over time. For this reason, they can be distinguished from countries in which democratic openings were either more partial or of shorter duration.

Uruguay

Both democracy and the origins of Uruguay's comprehensive social welfare system date to the critical realignment of the early 20th century. Under Colorado party leader José Batlle y Ordóñez, the government pursued a broad reform project that included the establishment of mass suffrage, the provision of broad social protections, and even the beginning of a state-led effort to promote industrialization. During Batlle's first term as president (1903-1907), the labor movement was still very weak. Nevertheless, he believed urban workers as could tip the close political balance between his own Colorado party and the Blanco opposition. (Collier and Collier 1991, 279). Promotion of the organized workers movement and the extension of public welfare were thus an integral part of his larger political project.

During Batlle's first term, he focused mainly on fending off armed opposition challenges. and consolidating control over the Colorado Party itself (Collier and Collier 1991, 273). Nevertheless, several important steps laid the foundation for further welfare-state expansion in subsequent years. Most important, voting rights were extended to most adult male citizens, and by 1920, all restrictions on adult male suffrage were eliminated.ⁱⁱ Efforts to expand primary education went hand in hand with the expansion of suffrage: new legislation passed during this period declared primary education to be free, secular, and compulsory, and increased the share of education in the government budget (Engerman, Mariscal, and Sokoloff 2000). The creation of a

Civil Service Pension Fund in 1904 marked an important step in the creation of a broad system of social insurance (Mesa-Lago 1973, 72)

By the time of Batlle's second term (1911-1916), he had consolidated control over the Colorado party and secured the political hegemony of the party itself, clearing the way for him and his successors to advance the project of social reform. Additional social security legislation, drafted under Batlle, was passed in 1919 and 1920 by his immediate successor. New funds were added for utility workers, providing protection against old-age, disability, death and unemployment (Mesa-Lago 1978, 73), as well as a non-contributory pension for indigents, a unique step for this period. In 1920, the government added a maternal health care program and substantially expanded public hospitals (Filgueira 1995, 5). The Batllista governments also continued to promote the cause of labor unions, passing a labor code that established extensive rights to organize and strike.

The shock of the great depression led to a tightening of political controls under Gabriel Terra (1933-1938). But full democracy and unrestricted party competition was restored in 1942, opening the way to a second wave of social security initiatives. Between 1941 and 1957, the dominant factions of the Colorado party, led by Batlle y Ordóñez's nephew Luis Batlle, pursued an economic and social reform agenda that included both import-substitution industrialization and a major extension of social security coverage. In 1943, family allowances were added to the social security program and extended to all workers in industry and commerce. In 1954, the government incorporated rural workers into the system (Filgueira 1995, 21).

Electoral competition drove much of this expansion. In the run up to the 1958 presidential election, for example, the incumbent Colorados extended family allowances to unemployed blue- and white-collar workers and approved paid maternity leaves for urban

working women (Mesa-Lago 1978, 77). In the run up to the 1965 election, an incumbent Blanco administration expanded coverage to its rural constituency, despite worsening economic conditions and high inflation (Mesa-Lago 1978, 79).

The health system was somewhat slower to expand and remained weighted toward curative medicine. But the Ministry of Health did establish low-cost public health services early in the century and began to shift some resources into preventive care beginning in the 1940s (Filgueira 1995, 5). As in Argentina, much of the blue-collar population was covered through semi-autonomous health insurance funds rather than through the social security system itself. In 1970, however, health insurance became compulsory for all public and private employees (about 60 percent of the population) and the urban and rural poor gained access to state and university hospitals and rural clinics. As was the case almost everywhere in the region, the quality of services remained unequal. Nevertheless, by the early 1980s, most of the population had access to basic healthcare.

The Uruguayan welfare state came under increasing economic strain in the mid-1950s as revenues derived from meat and agricultural exports declined. By that time, however, it was politically costly for democratic governments to challenge established entitlements. Even the post-1973 authoritarian governments did not change the basic structure of the welfare system, although they did retrench substantially on benefits (Castiglioni 2005).

Chile.

As in Uruguay, the foundations of Chilean social insurance system were established during the decisive challenges to the oligarchic state in the mid- and late-1920s. In 1920, Arturo Alessandri Palma was elected to the presidency on a wave of popular protest in the northern mining camps and among the urban middle class. Social legislation was stalled for a period of

years by a conservative congress, but in 1925 pressure from the military broke the stalemate and led to a series of legislative initiatives. These included the establishment of pension funds for miners, blue-collar workers, and white-collar employees, and guarantees for blue-collar workers to medical attention.

Division of the system into special funds for different categories of white and blue-collar workers reflected a deliberate intention on the part of conservatives to co-opt and divide the workers' movement. This approach provided the institutional template for a multiplicity of new funds (over 160 different funds by the 1970s) and a system that was not only fragmented but highly stratified in terms of benefits and financial contributions (Borzutzky 2002, 49-50). Nevertheless, viewed as a whole, the system provided at least a partial safety-net for a relatively broad share of the urban working class.

Throughout the 1930s and 1940s, both social security and covered health benefits expanded incrementally as competing center-left and center-right coalitions attempted to consolidate clienteles among segments of the union movement (Mesa-Lago 1978, 29-30). A major step in the development of the health system came in 1938. In that year, a newly-elected center-left government, which included Salvador Allende as Minister of Health, launched a mother-and-infant health program for the families of workers covered in the social security program (McGuire 2001a, 1683). The new healthcare program contributed to a substantial decline of infant mortality among the insured population (Borzutzky 2002, 61).

The big push across a range of welfare activities, however, occurred during the 1960s and early 1970s. The spur was a series of electoral reforms that dramatically increased the franchise, including the introduction of women's suffrage and a secret ballot in the countryside. These reforms opened the way to intensified competition for the rural vote between the reformist

Christian Democrats and the Socialist-Communist coalition led by Allende (Valenzuela 1978, 26-39). Riding the expansion of the franchise, the Christian Democratic government under Eduardo Frei (1964-1970) came to office promising a “revolution in liberty” and undertook major new initiatives aimed at building support within both the peasantry and the urban informal sector. Fiscal constraints forced the government to retreat from its initial goals after its first three years in office, and an effort to unify and rationalize the disparate pension funds foundered on opposition from the left parties and allied union movement (Stallings 1990; Borzutzky 2002, 116-117). Health and education initiatives, however, were more successful. Education expenditure doubled during this period, and the primary enrollment rate increased from 67 percent to 100 percent of the school-age population. The Frei administration also expanded basic health services, building rural health clinics, training community health workers, and shifting financial and personnel resources from hospitals to community health centers. These efforts contributed to a steep decline in infant mortality rates during the 1960s and 1970s (McGuire 2001a, 10-13).

These programs accelerated during the brief and turbulent term of Salvador Allende (1970-1973). Like Frei, Allende was unable to challenge the administrative interests and organized beneficiaries that controlled existing social security funds. But he did increase blue-collar pension benefits and extended coverage to approximately 900,000 self-employed workers. These initiatives brought total coverage to about 76 percent of the economically active population. (Borzutzky 2002, 140-141). Allende also widened and deepened the health and education programs launched under Frei.

These measures, however, were undertaken in a broader context of economic populism and increasing ideological polarization over land reform and nationalizations. Moreover, they

placed serious strains on fiscal resources and thus contributed to the broader economic deterioration of the Allende period. A constitutional deadlock ensued when the government was unable to reach a compromise with the opposition Christian Democrats over stabilization or the pace of nationalization, and in 1973 the government was overthrown in a bloody military coup (Valenzuela 1978, 93-8). The Pinochet dictatorship that emerged from this coup ushered in an entirely new phase of welfare policy; we discuss those developments in more detail below in our consideration of authoritarian regimes.

Costa Rica

In Costa Rica, the establishment of the first major social security funds dates back to the critical realignment of the early 1940s. Rafael Calderón Fournier (1941-1945), the leader of the reform coalition, was from an old family and was elected president in a system still dominated by the ruling oligarchy; nevertheless, an odd coalition of reformist Catholic clergy and communist-dominated unions united behind his ambitious reform program. Conflicts deepened over the course of the 1940s, and in a dispute over the outcome of the 1949 election, the coalition that had backed Calderón was defeated by opposition forces in a brief civil war. Although conservatives were part of the opposition movement, however, the main winners were middle-class reformers, who were staunchly anti-communist but identified broadly with the progressive goals pursued under Calderón. Under the leadership of their political party (the National Liberation Party, or PLN), democracy was quickly restored and the welfare system established during the 1940s was expanded in subsequent decades.

The Costa Rica Social Security Fund (CCSS), established initially during the Calderón era, was an important source of welfare proposals. Drawing on advice from the International Labor Organization, its officials pressed for a more unified administrative and financial

framework than those introduced in Uruguay and Chile. The influence of the CCSS, however, depended on the support of politicians in the legislature, particularly within the left-of-center PLN. Broad social policies provided the PLN with an important resource against more conservative challengers in highly competitive presidential elections and allowed them to dominate the legislature.

Although social security coverage expanded incrementally during the 1950s, the first big push came in 1961 with a constitutional amendment that mandated universal pension coverage and health protection within a ten-year period. The initiative came originally from the CCSS, which sought increased funding that would not be subject to legislative discretion. PLN legislators backed the request for earmarked funding, but insisted on linking it to the progressive extension of coverage to the entire population. Although this goal was not reached on schedule, coverage did double from about 25 percent to over 50 percent of the economically active population (Rosenberg 1979, 127).

A second wave of expansion came during the 1970s under PLN presidents José Figueres Ferrer (1970-1974) and Daniel Oduber Quirós (1974-1978). The financial underpinnings of this effort were established by a series of measures that consolidated the financial base of the CCSS. Legislation raised salary caps on social insurance contributions and increased employers' share of contributions. These reforms provided resources for new legislation that mandated obligatory pension coverage for self-employed workers and extended healthcare coverage and family assistance to all sectors of the population. The PLN administrations also established non-contributory old-age pensions for indigents, one of the first such programs in the region (Duran-Valverde 2002, 14). As in Chile during the 1960s and 1970s, the expansion included efforts to establish primary healthcare units in rural areas, beginning with the launching of the Rural

Healthcare Program in 1973. Over the course of the next five years, over 200 health centers served an additional 600,000 people, primarily in communities of less than 500 people. In comparison to most other Latin American societies, these efforts to reach into rural areas and poor neighborhoods were distinctive and had a positive impact on inequality, poverty and infant mortality (McGuire 2001a, 7-10).

Venezuela

Unlike Uruguay, Chile and Costa Rica, conservative military governments dominated Venezuela throughout the first half of the twentieth century. One of these, a new military government headed by Eleazar López-Contreras (1935-1941) passed the first major pension and health legislation in 1940 to deflect popular discontent stirred by a movement of reformist intellectuals. Nevertheless, López-Contreras and his military successors were unwilling to share power with the reformists and had little interest in expanding social policy.

A coup led by military and civilian reformers opened the way for a brief period of democratization in 1945. Consistent with our expectations about the effects of democracy, the 1945-48 period – commonly known as the *trienio* – was marked by an ambitious agenda of social as well as political reform. The civil-military coalition, led by the left-of-center Democratic Action (AD) party, drafted a constitution that eliminated major suffrage restrictions and mandated comprehensive social security and health coverage. The coalition also placed substantial emphasis on public education, and funds allotted for this purpose tripled (Martz 1966, 81-89). Unlike most other populist movements in the region, moreover, this period also saw efforts to organize rural unions and initiate a program of land reform (Powell 1971).

These social initiatives, however, met with strong opposition. Military and business elites viewed plans for land reform with particular alarm and the Catholic Church saw efforts to

expand public schooling as a threat to its control of the educational system. In 1948, the reformist project was reversed by another military coup, backed by business leaders, the Church, and much of the middle class. For the next decade, Venezuela was again ruled by a conservative military dictatorship, headed by Marcos Pérez Jiménez (1948-1958). The new regime presided over a period of high growth and lavished burgeoning petroleum revenues on the military and business cronies. At the same time, however, it reduced commitments to education and public health that had been made during the *trienio* (Martz 1966, 91) and repressed rural unions. Until the more enduring turn to democracy at the end of the 1950s, social protections remained limited to workers in Caracas and a few other large urban centers.

Following the overthrow of the Perez dictatorship in 1958, Venezuela entered a more prolonged period of democratic rule. Democracy rested on a series of power sharing agreements among the major parties and other organized interests. Chastened by a decade of repression or exile, leaders of the AD and supporters within the urban union movement were willing to abandon the rural radicalism of the *trienio* period and to scale back other plans for social reform. After a decade of corruption and cronyism under Perez, conservative politicians, business elites, and Church leaders were also inclined to compromise. The broad coalitions formed during the early 1960s were essential for building informal norms of cooperation among political elites, but were not conducive to major social policy reforms.

In the mid-1960s, however, the two major parties, the AD and the COPEI (Comité de Organización Política Electoral Independiente), the main opposition party, began to compete more directly for votes. Radical attacks on the concentration of property remained off the table, but initiatives to expand more conventional forms of social insurance and services became a staple of the political debate. Formal sector and state workers were the principle beneficiaries. In

1966, the government of AD president Raúl Leoni (1964-1969) extended social security coverage to a broader range of workers in the formal private sector, and added a range of new benefits including long-term disability, and old-age and survivors' pensions (Márquez and Acedo 1994, 156-7). Competitive pressure from the AD, in turn, induced its main rival, COPEI, to reach out to unionized blue-collar workers as well. Employment security legislation, sponsored by COPEI president Rafael Caldera (1969-1974), helped the party to establish a significant base of support within the union movement.

Although social security initiatives were restricted to formal-sector workers, the 1960s also saw substantial progress in the areas of health and education. Governments tended to over-invest in services for middle-class groups, such as hospitals and universities, but malaria was eradicated and child mortality declined. Primary education also expanded, and adult illiteracy rates fell from over 10 percent of the 15-24 age group in 1970 to about under 6 percent in 1980 and to 4 percent by 1990 (UNESCO 2002).

The oil economy that financed these new initiatives also created well-known distortions and vulnerabilities. The massive influx of resources during the boom period of the 1970s financed the building of hospitals and the deepening of welfare benefits for the middle-class and blue-collar workers at the expense of the unorganized (Márquez and Acedo 1994, 163-4). The close relations between the dominant parties and the unions may also have encouraged such priorities. With the end of the boom in the early 1980s, growth collapsed, leading to a disastrous decline in per capita income and in social insurance and services. Through the mid-1980s, the government attempted to cushion the fall in oil prices with price controls and deficit spending. As part of this effort the IVSS was compelled to accumulate non-negotiable treasury bonds, with

devastating effects on its finances. By the early 1990s, beneficiaries faced backlogs in the processing of payments and substantial erosion in the real value of benefits.

Short-lived democracies and semi-democracies

Compared to Uruguay, Chile, Costa Rica and even Venezuela, experiences with democracy elsewhere in Latin America were much more limited in terms of their durability or competitiveness. Outside of these four cases, most of the governments we have classified as fully democratic in Table 2.1 survived only a few years before being cut short by military coups. The opportunity for electoral or interest group pressures to fundamentally change the shape of social policy in these cases was far more restricted than in the longer-lived democracies. Semi-democratic regimes permitted electoral competition and interest group organization, but the capacity of politicians and social groups to press distributive demands on the government was weakened by suffrage restrictions, military vetoes, or elite agreements that removed certain issues from effective political contention. Consequently, in most cases coverage and benefits remained limited.

Argentina

Argentina is the exception to these generalizations: despite recurrent restrictions on democracy, the country ranks with Chile, Costa Rica, and Uruguay in the comprehensiveness of its welfare state. The potential for this development can be traced to the influx of literate and often highly militant immigrant workers in the early 20th century and correspondingly high levels of urbanization.ⁱⁱⁱ Nevertheless, the major breakthrough did not occur until Juan Perón's rise to power in the late 1940s and early 1950s, a period of relatively open political competition and one that we have identified as marking critical realignment in Argentine politics.

Our classification of this period as semi-democratic, to be sure, is somewhat problematic. Perón often used harsh tactics in dealing with dissent, and became increasingly repressive in the early 1950s. Nevertheless, from the mid-1940s to the early 1950s, important features of democratic politics were in place. In 1946, Perón ran for the presidency in a highly competitive electoral contest, defeating a broad and well-financed coalition of Communists, socialists, and the middle-class Radical party. Throughout most of Perón's first term in office, moreover, he faced a vigorous opposition press and criticism from agrarian interests and other conservative groups. It was not until the early 1950s, and especially during his second term (1952-1955), that Perón began to crack down on political challengers and to exercise increasingly authoritarian controls over his own base of support in the labor movement.

Until the advent of Perón, social insurance protection was confined mainly to the military, white-collar workers, and a few strategically situated blue-collar unions. In his bid to establish a popular base, Perón initiated an aggressive program of import-substitution, and used social security as a major instrument for consolidating support and control of the burgeoning labor movement. From the mid-1940s to the early 1950s, Perón expanded pension coverage to about 70 percent of the labor force. (Mesa-Lago 1978, 164-165). The government also sponsored the expansion of health insurance, run through union-owned funds (*obras*), and established a broad network of public hospitals that extended medical service to low-income sectors of the population (Collier and Collier 1991, 341; Rock, 1985, 263-265; Lloyd-Sherlock 2000: 146-148).

As Mesa-Lago (1978, 165) points out, Perón was also careful to add to the benefits of powerful groups that had already received coverage, including the military, civil servants, railroad workers, and the merchant marine. As in Chile and Uruguay, this fragmentation of funds

and benefits created both inequities and financial strains that plagued the system in subsequent decades. Nevertheless, the rapid extension of benefits attracted the strong support of a powerful union movement and established a broad framework of entitlements that was not fundamentally challenged by successor military or democratic regimes until at least the mid-1970s.

Peru.

The expansion of the Peruvian welfare system occurred in a very different socio-political context from Argentina, including a much larger rural population and literacy and suffrage restrictions that disenfranchised most of the indigenous population. Import substitution began much later than in the other Latin American countries. Limited industrialization and the long-term exclusion of rural and indigenous populations from the political system help to account for the limited spread of welfare benefits and basic social services, including schooling. Periodic political openings, however, did provide opportunities for the popularly-oriented APRA party to compete for power and helped urban workers gain access to social security protection.

The framework of the major social security fund for blue-collar workers, the *Seguro Social Obligatorio* (SSO), was established in 1936 under the conservative government of Marshal Oscar Benevides (1933-1939). The initiative came in response to the Aprista challenges that marked the onset of the critical realignments in Peru (see Table 1.9). Shortly afterwards, however, Benevides cracked down again on dissent, and the SSO tightened eligibility requirements and restricted benefits to maternity care. In 1946-1947, a second brief political opening under Manuel Prado also led to new initiatives (Mesa-Lago 1978, 117). These favored mainly white-collar workers but also allowed the SSO to expand hospitals and provide insurance for occupational diseases and injury. Again, however, the momentum toward expansion was halted by a military coup that installed General Manuel Odría (1948-1956). The Odría

government established a variety of new funds for the army, police, navy, civil service and white-collar workers but SSO benefits remained restricted and financing was cut substantially.

The most significant changes in the pre-1980 decades came during the semi-democratic and democratic periods that followed the end of the Odría dictatorship and the reentry of the Apristas into the political system. From 1956-1962, Manuel Prado returned to power in coalition with the Apristas. Mesa-Lago (1978, 118) characterizes the social security legislation passed during this period as the “refounding” of the social security system. As before, the government responded to substantial pressure from white-collar groups with new pension legislation for civil servants. But the inequities created by this legislation prompted public demonstrations and protests from APRA-led unions and generated strong pressure to provide an adequate pension system for urban workers (Mesa-Lago 1978, 118). In 1961, with the support of APRA congressmen, the government established a new Retirement Fund for Blue-Collar Workers, which substantially eased the conditions for access established in the 1936 legislation and quadrupled the old-age benefits provided to its participants (Mesa-Lago 1978, 158).

Another brief military intervention vetoed a likely victory for the Apristas in the 1962 presidential election, but electoral politics were restored the following year. The new president, Fernando Belaúnde Terry (1963-1968) identified with the moderate reformist goals of the Alliance for Progress, but faced both economic constraints and the structural inequalities of Peruvian society. The government continued to build schools, but education in the rural areas remained badly underfunded. The Belaúnde government also established hospitals in areas not already covered by blue-collar (SSO) or white-collar (SSE) social security funds; but the emphasis remained primarily on curative healthcare for the urban population (Mesa-Lago 1978, 134). Competitive pressure from opposition Aprista and communist politicians did encourage an

expansion of social security and health insurance coverage, from about 25 percent of the active population in 1961 to over one-third by 1969 (Mesa-Lago 1978,134). However, for most of this period, the government failed to meet its legal funding contributions and by the end of the decade the funds were in an increasingly precarious financial position (Mesa-Lago 1978, 145). By 1968, with Belaúnde's program stalled, this period of democratic politics was brought to an end by another military coup and the establishment of a military dictatorship.

Colombia

In Colombia, the basic social security fund was established during the two presidential terms of the Liberal party reformer Alfonso López Pumarejo (1934-1938, 1942-1945) which marked Colombia's critical realignment. However, expansion halted during subsequent decades of inter-party civil war and the military dictatorship of Gustavo Rojas-Panilla (1948-1957).

Civilian government returned to Colombia in 1958 with the initiation of the National Front. Yet we characterize the National Front period (1958-1974), but the form of rule is best considered semi-democratic. Until 1974, an elite power-sharing agreement divided all government offices between the dominant Liberal and Conservative parties, precluding electoral challenges from new political forces.

Throughout this period, expansion of social security and health coverage to the rural and urban remained modest. With respect to social security, a new initiative in 1962 provided family benefits for groups already incorporated into the social security system, and new groups were gradually added during subsequent decades (Bushnell 1993, 226).

The National Front did expanded public education, although with somewhat mixed results. Rojas, the military dictator ousted in 1957, had provided some lip service to public education but most expansion occurred in the private educational sector (Arvone 1978, 3).

During the 1960s and 1970s, by contrast, a series of legislative initiatives expanded public primary education. A new constitution mandated a minimum expenditure on education of at least 10 percent of the total central budget (Bushnell 1993, 226), and between the early 1950s and 1980, illiteracy declined from 38 percent of the 15-24 age cohort to only 7.5 percent (UNESCO 2002). Education reform initiatives, however, encountered powerful headwinds from opponents in the Church, the private educational establishment, and politicians focused on the delivery of patronage. Consequently, the quality of the system remained extremely low, especially in the rural areas (Arvone 1978, 10). The high degree of centralization of education policy, moreover, contributed to the consolidation of a powerful teachers' union that became a serious impediment to reform initiatives designed to improve quality in the 1990s (Lowden 2004, 357-359).

Brazil.

During the critical realignment of the 1930s and 1940s, the dictatorship of Getúlio Vargas implemented Brazil's first comprehensive effort to co-opt blue-collar workers into the political system.^{iv} As in Chile, corporatist institutions and accompanying social security systems were implemented 'from above' with the deliberate intention of segmenting workers along occupational lines. Unlike Chile, however, party competition was entirely banned until the mid-1940s, eliminating both electoral challenges from below or incentives to compete for the votes of low income groups. Consequently, the social welfare system that evolved under Vargas was not only internally stratified but very limited in overall coverage.

The reestablishment of constitutional government in 1946 might have been expected to lead to changes in this situation, but the new political order was also characterized by significant limitations on political contestation.^v For most of the 1945-1964 period, presidents governed with the support of broad coalitions that included two outgrowths of the Vargas era: the PSD, a

party dominated by the rural oligarchy and the PTB, which appealed more to the urban popular sector. However, literacy requirements limited the size of the electorate, and unions remained shackled by corporatist controls established under the first Vargas regime. Moreover, competitively-elected governments were subject to continuing threats of military coup or vetoes and only two of the five presidents during the period succeeded in serving out their terms.

In these circumstances, the impulse to expand the social security system remained weak,. To sustain their heterogeneous coalitions, governments relied primarily on broad developmentalist and nationalist appeals rather than on social policy. Getúlio Vargas (1951-1954), who returned to power as an elected president in 1951, focused primarily on a push toward import-substitution industrialization. There were also efforts to raise the minimum wage – a step which caused considerable controversy – but there were no major initiatives to expand or redesign the social security or health systems. Juscelino Kubitschek de Oliveira (1956-1961) succeeded Vargas after a brief military interregnum and also pursued a developmentalist agenda that included the “deepening” of ISI and the construction of a new capital in Brasilia. However, the only significant social policy initiative during this period, passed in 1960, was an increase in benefits for groups already covered by eliminating minimum age requirements for pension eligibility and relying solely on years of service (Weyland 1996, 90).

Education policies also reflected the influence of a heterogeneous and elitist coalition of interests. Expansion of primary education provided an important means to sustain the support of the urban base of the ruling coalitions, but incentives to expand education into the rural areas were decisively weakened by suffrage restrictions and reliance on the rural bosses of the PSD. In urban areas, primary school enrollments approached 90 percent by 1964, but remained below 50 percent in rural areas (Heimer 1975, 58-59). The quality of the rural schools also remained far

below urban standards. Many were restricted to only one teacher and one classroom for all students enrolled, and drop out and repetition rates were about three times higher than in the cities (Heimer 1975, 59).

Beginning in the late 1950s, militant unions and newly-mobilized peasant movements began to protest against the basic inequalities of Brazilian society, and politics became increasingly polarized. As would later be the case in Allende's Chile, however, social policy issues were overshadowed by severe macroeconomic instability and by deepening conflicts over land reform, foreign investment and nationalization. As the incumbent government of João Goulart (1961-1964) moved increasingly to the left, the shock waves of the Cuban Revolution hardened military and business opposition. In 1964, the Goulart government was ousted by an American-backed military coup. Ironically, as we shall see below, it was only after the military seized power that attempts were made to quell popular radicalism by extending the corporatist-based welfare system into the rural sectors.

Authoritarian Regimes in Brazil and Mexico: Welfare Initiatives in Competitive

Autocracies

In general, authoritarian regimes in Latin America were less inclined than more democratic ones to expand welfare protections and services, preferring instead to augment benefits for core constituencies within the government or powerful groups that already enjoyed coverage. Two competitive authoritarian regimes were, however, notable exceptions: the twenty-year military dictatorship in Brazil (1964-1985) and Mexico's long-standing system of dominant-party government. Unlike the hard authoritarian regimes discussed in the following section, governments in Brazil and Mexico relied on managed electoral competition and other formalities of democratic government to legitimate their rule. During the 1970s, these semi-

competitive institutional arrangements encouraged the expansion of coverage of the social welfare system, particularly into rural areas.

Brazil

Brazil's military dictatorship from 1964 to 1985 shared many features in common with the bureaucratic-authoritarian regimes that later came to power in the southern cone, including ambitious development programs and restrictive policies toward unions and the political left. The military's preservation of the outward formalities of constitutional government, however, constituted an important difference. Military elites never relinquished control of major policy decisions, and hard-line factions pressed continuously for crackdowns on any sign of dissent. But after a period of hard-line military rule during the late 1960s and early 1970s, the regime began to attach increasing importance to semi-competitive legislative elections and gradual political liberalization as a means of deflecting opposition. In the place of the political parties of the pre-1964 era, authorities established a "pro-government" party (ARENA) led by conservative supporters of the coup and encouraged "safe" political leaders to form an official opposition party, the Democratic Movement of Brazil, or MDB.

However, managing the opposition proved more difficult than expected, as the MDB made a surprising show of strength in the 1974 congressional elections. The government responded to these electoral gains with changes in the electoral laws aimed at splintering the opposition into competing parties. But the MDB's successor, now called the PMDB (or Party of the Brazilian Democratic Movement), continued to build support, particularly in more developed parts of the country. The pro-military ARENA was dominated by political bosses based primarily in the less developed northeast regions. As electoral challenges grew, the military relied increasingly on these politicians to organize the support necessary to maintain control of

the congress, and the state legislatures, the electoral college which was nominally responsible for the selection of the president.

The effects of the electoral connection on the military's social policy were significant, but not entirely straightforward. One of the most important social initiatives of the military period, the extension of non-contributory old-age pensions to peasants and rural indigents (FUNRURAL), was launched in 1971 at a time when hard-line military factions were still ascendant. Though the initiative originated in the welfare bureaucracy (Schwarzer and Querino 2002, 8), it served the political purpose of preempting a resurgence of rural unrest and was guided by the corporatist principles of the Vargas era rather than electoral considerations. Unlike its semi-democratic predecessor, the military was also in a better position to override objections from urban-based unions that expressed concerns that resources would be diverted from their funds.

Electoral motivations, however, did become a major factor in the expansion of social security programs during the mid-1970s, as more moderate military factions regained control of the government and inaugurated a process of controlled political liberalization. A key feature of the liberalization strategy was to bolster the position of the civilian leaders of the ARENA party, particularly in the rural northeast. The FUNRURAL program quickly became a major source of patronage for both the ARENA politicians and the government-sponsored rural union (CONTAG) (Weyland 1996, 100), and was followed by a number of additional initiatives that broadened access and benefits to the urban and rural poor. In 1979, the government launched a program to expand rural clinics in the impoverished northeast (PIASS) and extended the right to emergency healthcare services to all citizens.

By the end of the decade of the 1970s, over 90 percent of the population had acquired at least some formal entitlements to social security and health care coverage. Although this change did have positive redistributive consequences, cash benefits to the rural and urban informal sectors – about one half the minimum wage (Schwarzer and Querino 2002, 9) – remained minimal compared to those going to the civil service, other formal sector workers, and (of course) the military itself. As of the mid-1980s, approximately 80 percent of agricultural workers and one-third of the informal sector were not officially registered in the social security and pension system (Weyland 1996, 134-135). Those who did gain access, moreover, were required to apply for benefits through ARENA intermediaries, who provided the necessary documentation in exchange for votes (Schwarzer and Querino 2002, 9).

The alliance between the military and the patronage politicians of ARENA also tended to undercut the progressive impact of health and education programs in a variety of ways. Political connections linking the social security bureaucracy to private hospitals drained resources away from efforts to expand the public health system. The rural health initiative aimed at the rural Northeast (PIASS) reached only 25 percent of its target population (McGuire 2001b, 16).

In the education sector, the military did make some attempt to strengthen financing for primary schooling; a constitutional amendment passed in 1983 mandated that states spend at least 15 percent of federal transfers on primary education. The regime placed a much higher priority, however, on support for the universities, which were far more important to its middle-class supporters. The effort to strengthen primary education, moreover, was blunted by conservative political control of the Ministry of Education. The ministry became an important source of patronage for construction contracts and employment, with predictable consequences. In 1980, the illiteracy rate among young adults stood at 12 percent. Although this was a decline

of seven percentage points since 1970, it was still by far the highest of any of the Latin American countries discussed in this volume; well above Peru and Mexico, as well as the more democratic countries of the region (see Table 2.2). Only after the advent of democracy in the mid-1980s did Brazil see a significant acceleration of efforts to address inequalities in the educational system and to improve access to basic healthcare.

Mexico.

Both the initial drive toward mass education and the origins of social security protections in Mexico were closely linked to fundamental realignments in the political system. The federal government began to expand its jurisdiction over the education system in the 1920s, as the post-revolutionary elites began to consolidate power. Under Plutarco Calles, the strong man of that period, the regime created the first federal Ministry of Education and provided substantial increases in the education budget. In the words of Engerman, Mariscal, and Sokoloff (2000, 27) it marked “the first of the national campaigns to implant literacy nationwide...” The first major social security legislation was not instituted until later, under Manuel Ávila Camacho (1940-1946). But the initiative followed the most radical phase of labor incorporation and the restructuring of the dominant party along corporatist lines; it was intended to isolate the more radical union leaders and to consolidate the links between the ruling elite and their allies within the union movement.

The subsequent evolution of social policy during the early post-war era can be divided into two distinct periods. The first, roughly the decades of the 1950s and 1960s, has been called the period of “stabilizing development.” Politically, these decades were marked by the consolidation of the ruling party’s control over the labor movement and the electoral arena, and by sustained cooperation between the ruling elite and the import-substituting private sector.

Welfare initiatives during this period were relatively limited. The second phase spanned the next two presidential terms of Luis Echeverría Álvarez (1970-1976) and José López Portillo (1977-1982). These administrations were buffeted by much greater economic turbulence—at least some of it of their own making – and by the emergence of serious political challenges to the stability of the regime itself. In response to these challenges, the government began to pay much more attention to social policy.

As noted, the social security system and other social services expanded quite slowly during the “stabilizing development” period. As late as 1960, social security coverage reached only 12 percent of the workforce (Mesa-Lago 1989, 150) and even by 1975 estimates of coverage ranged from 27 percent (Spalding 1980, 427) to about 35 percent (Mesa-Lago 1989, 151). This level of coverage fell well below the long-term democracies, including Venezuela. Demographic changes and industrialization were apparently the driving forces behind the expansion that did occur. Spalding (1980) shows that differences in urbanization and industrial production explain almost all of the variance of coverage among Mexico’s thirty-one states and the Federal District, while differences in unionization and electoral opposition had no significant effects.

This relatively passive approach to social policy reflected the political security of the regime, which rested on both its electoral dominance and the absence of meaningful organized social challenges. In the absence of such challenges, the regime’s focus on the urban centers carried few significant political costs and offered a number of benefits. As Spalding (1980, 431) argues, concentration of beneficiaries in high-productivity urban-industrial centers simplified the administrative burden on the system and allowed the IMSS to shift costs onto employers and workers. At the same time, the urban-based social security system served the “long term purpose

of forestalling the eruption of open political dissent,” while avoiding risks to economic stability that might have come from an attempt to rapidly extend social security to “disorganized and powerless sectors” that “rarely constituted a political threat...” (Spalding 1980, 431-32)

Serious political challenges did emerge by the end of this period, however, and the calculus of the political elite changed accordingly. Electoral opposition carried less significance for social policy in Mexico than in Brazil because it came primarily from a party that stood to the right of the PRI, the PAN. However, the eruption of student protests in the late 1960s and rural land invasions in the early 1970s prompted greater attention to the demands of the left and the rural sector. Rural unrest was especially worrisome because it threatened to undermine a key pillar of the PRI’s electoral success: tight control of the peasant vote.

Under Luis Echeverría Álvarez (1970-1976), the response of the government went well beyond welfare measures as we have defined them, and included a highly controversial land reform initiative contributed to political polarization and economic instability. New benefits did expand from about 35 to 44 percent of the economically active population, but the administration failed to achieve its stated goal of pushing coverage beyond the formal sector (Mesa-Lago 1989, 146-147). In 1973, new social security legislation established the principle of covering rural and urban informal workers, but economic deterioration and political instability limited effective implementation.

More substantial advances were achieved under Jose López Portillo (1976-1982), as the Mexican economy began to recover. The government undertook a series of electoral reforms aimed at encouraging leftist forces to shift from direct action to the electoral arena, where the PRI continued to enjoy overwhelming advantages. At the same time, the PRI moved to shore up its own electoral strength in the countryside with a variety of new social programs. In education,

these included a rapid expansion of primary-school construction, pressed by the teachers' union allied with the PRI. Enrollments increased dramatically during this period and illiteracy rates declined from about 13 to 8 percent among young adults (see Table 1.3).

In healthcare, the government established COPLEMAR (The Coordinated National Plan for Deprived Zones and Marginal Groups). This program was the first major effort to expand healthcare to lower-income sectors and made significant progress in extending services into rural areas, adding approximately 10 percent of the total population to the 44 percent covered by the main social security fund (Mesa-Lago 1989, 151). Though highly significant in terms of Mexico's previous record, however, these expansion initiatives fell short of the standards set by the long-standing democracies. Approximately half the total population lacked effective coverage in either social security or healthcare, and these were concentrated among the poorest sectors of the population and in the least developed regions of the country.

Hard Authoritarian Regimes

Hard authoritarian regimes varied widely in their formal political structure and ideological objectives, but in the absence of electoral incentives or meaningful interest group organization they only rarely undertook efforts to expand social insurance and services. Many of these regimes were personalist dictatorships that simply sought to establish "order" and gain access to wealth and power. The most durable of these were established during the 1940s under Rojas-Panilla, Perez-Jimenez, and Manuel Odría in Colombia, Venezuela and Peru respectively. These governments did distribute substantial fiscal largess to cronies and white-collar groups, and in some instances, they deployed public works to build clientelist ties to sectors of the urban poor (Collier 1976). But none of these rulers had an interest in expanding coverage of existing social security systems or in instituting new social programs.

In the populist military regime of Velasco regime in Peru (1968-1975), and in the exclusionary regimes established during the 1960s and 1970s in the southern cone, rulers did pursue more coherent modernizing projects that included important social policy components. But despite differences these typically entailed either a halt to the expansion of entitlements and services or active efforts to consolidate or retrench them.

Inclusionary Authoritarian Rule: Peru 1968-1980

The economic nationalism and populism that characterized the Peruvian military regime under Juan Velasco Alvarado (1968-1975) differed markedly from exclusionary governments established around the same period in Argentina, Uruguay, and Chile. While these other regimes were undertaking macroeconomic stabilization and market-oriented reforms, Velasco veered left and initiated a crash program of import-substitution nationalized the American-owned ITT, and launched an ambitious land reform. The government engaged in an intensive drive to mobilize workers and peasants into state-controlled corporatist institutions, and pushed wage increases as a means of sustaining domestic demand. It also placed a high priority on redistributive wage policies and land reform.

For our purposes, however, the most significant aspect of this radical phase of the Peruvian military government was its continuing hostility to the APRA party and to its base in organized labor, and its suspension of the electoral process. The top-down approach precluded opportunities for politicians or interest groups to press for social security benefits. Although the Velasco government did seek to consolidate existing programs, it did not expand them. Once economic crisis hit in the mid-1970s, moreover, Velasco's military successors imposed a significant retrenchment.

Planning for the consolidation of the social insurance system began after the regime seized power in the late 1960s, but legislative steps in this direction were not undertaken until the early 1970s. In 1974, the Velasco government created a single health and social security fund, the Instituto Peruano de Seguridad Social (IPSS), and began a gradual unification of hospitals previously administered by the separate social security funds and the Ministry of Health (Mesa-Lago 1989: 177-179; Cruz-Saco 1998, 167). Untangling the complex webs of patronage and political influence, however, proved difficult. As was the case in the southern cone countries, the impact of the consolidation was limited by the exemption of the armed forces and other privileged sector groups whose pensions remained fully indexed to active salaries (Cruz-Saco Oyague 1998, 171). Nor did the reforms succeed in increasing efficiency or in achieving greater transparency in accounting and personnel. As of the late 1970s, the new Institute had still not managed to establish a unified registry of beneficiaries, or to prepare actuarial studies and statistical series. Administrative costs, moreover, were estimated at about 11.5 percent of total social security expenditures, almost seven percentage points higher than in Argentina and about four percentage points higher than in Uruguay and Chile (Mesa-Lago 1981, 181; 195-96).

The unification of the system was intended to prepare the way for the incorporation of peasants and informal-sector workers, but plans to expand coverage failed to materialize. By 1975, the regime's expansionist economic policies had led to a major macroeconomic crisis and control of the government was assumed by a more moderate military faction led by Francisco Morales Bermúdez. Faced with severe fiscal strains, Morales moved to contain public expenditures but the government was reluctant to reduce military spending or to risk a debt default. Social spending, however, underwent a sharp decline. During Morales' time in power, public expenditures on social security, health, and education dropped from over 5 percent to less

than 3 percent of GDP (Segura-Ubierno 2002, 370). In 1977-1979, the government stopped meeting its financial obligations to the IPSS, saddling the institute with a massive debt that plagued democratic governments during the 1980s (Mesa-Lago 1979, 178).

The Bureaucratic-Authoritarian regimes: Chile, Argentina, and Uruguay

Unlike in Peru, the formation of bureaucratic-authoritarian regimes in Chile, Argentina, and Uruguay during the 1960s and 1970s was motivated by the anti-communist ideologies of the cold war era, concerns over severe macroeconomic instability, and fears that labor unions and populist political movements threatened national security^{vi}. Although the severity of repression varied, all of these regimes purged labor movements, outlawed strikes, arrested or exiled political opponents, and sought to destroy popularly-based and even centrist party organizations. The crackdowns imposed by the regimes of the 1970s were especially harsh; in addition to political leaders and activists, thousands of ordinary citizens were imprisoned and often tortured or killed. Predictably, although these regimes differed in their approach to social policy, most responded to very high inflation and fiscal crisis in ways that foreshadowed responses to the severe economic crises we will discuss in Part Two. Considerable macroeconomic authority was delegated to liberal technocrats, and efforts were made to cut back or restructure social programs established in preceding decades.

The most radical changes in social policy were undertaken by the Pinochet government in Chile, as one component of a much broader project of neoliberal reform and political transformation. In responding to the economic crisis inherited from the Allende period, Pinochet initially turned to moderate business leaders and economists, who advocated relatively gradual changes in the import-substitution model. But the macroeconomic situation remained highly unstable, and in 1975, the moderates were replaced in key ministries by more radical technocrats,

famously known as the “Chicago boys.” Inspired by the neoliberal doctrines of Milton Friedman and Arnold Harberger, these technocrats began to implement a radical project of market reforms and rollback of the scope and functions of the public sector. The project was intended not only to reinvigorate the economy, but to destroy the foundations of the existing party system and union movement by cutting them off from resources they had used to mobilize political support.

Scaling back and restructuring the welfare state was regarded as an essential step in this direction, and proceeded in two phases. Throughout the second half of the 1970s, opposition from corporatist-oriented officials in the social bureaucracy and in the military junta itself blocked the restructuring plans of liberals in the macroeconomic ministries (Borzutzky 2002). The latter were able, however, to impose a drastic reduction of social spending, and a reallocation of funds toward the poorest sectors of the population (Segura-Ubiergo 2002, 312-313). Targeted antipoverty programs provided prenatal and infant care and succeeded in reducing infant mortality rates. But overall cuts in social spending meant substantial losses for families just above the poverty line—who depended on state-sponsored social protections to maintain their standard of living. As a consequence, inequality and poverty levels increased in Chile, despite high growth rates achieved in the late 1970s and again in the second half of the 1980s.

During the early 1980s, the Chicago boys consolidated their control of key social ministries, and the regime undertook a more radical reorganization of the institutional framework of the welfare state. Changes in the pension system began in 1979 with major cost-saving reforms that raised the retirement age and eliminated privileged pension funds for civil servants. In 1980, these preliminary steps were followed by the establishment of a defined contribution pension plan, compulsory for all workers entering the workforce after May 1981 (Castiglioni

2001, 40). Innovations in the pension system were followed in the early 1980s by similar measures in the education and health sectors. In the education sector, the government introduced a school voucher program that allowed private schools to compete with the public system for state funding. In healthcare, it instituted a sweeping reform that allowed compulsory payroll contributions to be diverted to private health-care providers that competed with the public health service for clients.

The “Chilean model” became an important point of reference for social policy debates in Latin America in the 1990s. The reforms were taken by supporters as evidence that market-oriented policies could effectively and efficiently provide social insurance and services. The redistributive and welfare effects of the reforms were highly problematic, however. For the most part, low-income and self-employed workers remained outside of the privatized pension system. Although initially popular among covered workers, the system lost support over time as a result of very high administrative costs and volatility in equity markets. The new health and education systems tended to reproduce or even exacerbate inequalities in the Chilean social structure. Middle-class families gravitated toward private schools and health plans, leaving the poorer ones in the public sector facilities.

Whatever its overall effects, the liberalized welfare system marked a sharp change from the more state-centered programs that had evolved during the decades of democratic rule. It was a transformation that undoubtedly could only have been engineered by a dictatorship such as Pinochet’s. By the 1990s, however, the risks of reactions from new, higher-income stakeholders made a full return to the principles of the previous system politically impossible for Pinochet’s democratic successors.

None of the other southern cone military regimes attempted such radical restructuring of their welfare systems. But liberal technocrats did gain considerable influence over social policy, and all attempted to cut back significantly on existing public commitments. Argentina's first period of bureaucratic authoritarian rule (1966-1973) was the most moderate, but welfare policies were far from generous. Although the government provided benefits to some favored unions, it cracked down hard on the labor movement as a whole. Notwithstanding robust growth from 1966 to 1970, social security coverage declined from about 55 to 48 percent of the economically active population (Mesa-Lago 1979, 180).

In 1970, the eruption of Perónist-led strikes and social protests in the interior of the country led to the ouster of Juan Carlos Onganía and the ascent of more moderate military factions that sought accommodation with the Perónistas. This political decompression led to the only significant welfare state expansion undertaken by this group of military regimes. Among the steps taken by the new government was the assumption of federal responsibility for provincial pension funds, and as a consequence, national coverage rose from under half to almost 70 percent of the workforce (Mesa-Lago 1979, 180). The government also expanded access to medical insurance provided by the *obras sociales*. This was a significant concession to the unions that controlled them, although it benefited private-sector contractors as well (Alonso 2000, 67).

The relative moderation of the "first round" of right-wing military rule in Argentina, however, was the exception in the southern cone. The successor regime in Argentina (1976-1983) and the military dictatorship that assumed power in Uruguay (1973-1985) pursued neoliberal projects that paralleled that of Chile and sought to crush rather than manipulate the union movement. Unlike in Chile, however, these projects were slowed by military factions with

financial links to the state enterprise sector and lobbying from import-substituting sectors of the business elite. Unions and popular parties were ruthlessly repressed, but the structural base of their support was not as thoroughly dismantled as was the case in Chile.

Military regimes in Argentina and Uruguay were also less inclined than in Chile to undertake privatization of the social insurance and service provision that had developed over previous decades. But they were far more willing than their democratic predecessors to restrict funding and reduce the generosity of benefits. The Argentine regime made no major changes in the pay-as-you go pension system, but squeezed the flow of funding by eliminating employer contributions to the payroll tax. In the education sector, the government sought to off-load its fiscal burdens by shifting responsibility for primary education to the provinces, a move that was widely viewed as a blow to the quality of the system (Corrales 2002).

The Uruguayan regime made the fewest structural changes in the welfare system (Castiglioni 2005, 61-93). Although there were efforts to unify separate pension funds, the government made no attempt to roll back legal entitlements or coverage. On the other hand, it also allowed inflation to eat deeply into the real value of pensions, especially during the economic crisis of the early 1980s. Similarly, although there was relative continuity in the structure of the health and education systems, expenditures in these areas were cut substantially (Castiglioni 2005, 93-120).

In sum, military welfare policies in Argentina and Uruguay were less radical than in Chile, but also represented a turn away from the competitive expansion of benefits and relative generosity of their democratic predecessors. As we will see in Part Two, this combination of funding cutbacks and structural continuity in organization and entitlements had implications for politics after the return to democracy in the mid 1980s. More than in Chile, democratization

opened the way for pensioners and other stakeholders of the old system to press legal and political claims for public-sector wage increases and improvements in the real value of benefits.

Conclusion: Regime Type and Welfare-State Expansion in Latin America

During the critical realignments discussed in Chapter One, authoritarian as well as democratic regimes in Latin America established social security funds in their effort to co-opt established urban constituencies. The pursuit of inward-oriented development models accompanied or reinforced these initial efforts, providing the economic underpinnings for social insurance systems and social services favoring the urban middle and working classes. In subsequent decades, however, the cross-class bases of these models proved compatible with a wide variety of political regimes: democratic, authoritarian, and a number of points in-between. In this chapter, we have considered the effect of this variation on the provision of social insurance and services.

We find that regime type did indeed appear to matter. The expansion of social insurance and services depended not only on the growth of occupational categories entitled to benefits, but on the electoral incentives and interest-group pressures to add new beneficiaries, increase benefits, and initiate new programs. These factors appeared strongest in the longer-standing democracies of Chile, Uruguay, and Costa Rica. Governments in these three cases were most likely to undertake reforms that went beyond the incremental expansion of occupationally-based social security programs to encompass altogether new groups, including in the countryside.

Similar incentives also appeared to operate in shorter-lived democracies, semi-democracies, and even competitive authoritarian regimes. But in the shorter-lived democratic openings, opportunities for governments to expand welfare systems were more limited and initiatives did not cumulate. Efforts to secure electoral support also influenced social policy

decisions in the competitive authoritarian regimes of Mexico and Brazil, but these effects were weakened by the limits on genuine electoral challenges. Finally, the “hard” authoritarian regimes that imposed the strictest limits on political contestation were also more likely to limit the expansion of social programs or to retrench and restructure them outright.

We found further evidence for the importance of electoral competition in the influence of the franchise on the politics of social policy. As we will see in the next chapter, independence brought a quite rapid expansion of the franchise in East Asia even when democratic experiments were subsequently shut down; these democratic moments had important implications for the expansion of education in particular. By contrast the expansion of the franchise in Latin America was much more gradual, and in a number of countries in our sample the rural vote in particular was constrained by lack of secrecy in balloting or wealth and literacy requirements. Table 2.3 provides information on the franchise at the outset of the period of interest to us, as well as data on the share of the population that actually voted.

Table 2.4
Laws Governing the Franchise and the Effective Electorate, c. 1940

Country	Secrecy in balloting	Wealth requirement	Literacy requirement	Share of population voting (date)
Argentina	Yes	No	No	15.0 (1937)
Brazil	No	Yes	Yes	4.1 (1930)
Chile	No	No	Yes	6.5 (1931)
Colombia	Yes	No	No	11.1 (1930)
Costa Rica	Yes	No	No	17.6 (1940)
Mexico	Yes	No	No	11.8 (1940)
Peru	Yes	No	Yes	-
Uruguay	Yes	No	No	19.7 (1940)

Venezuela	Yes	Yes	Yes	--
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Costa Rica and Uruguay, as well as Argentina, had fewer restrictions on the franchise and the highest share of the electorate voting at the outset of the period of interest to us. In Chile, the reform of rural voting procedures in the late 1950s was followed quite quickly by proposals from both the left and the Christian Democrats to extend primary healthcare and education into the countryside. Until that time, all of the major parties, including the Communists and Socialists, focused primarily on their urban and mining constituencies. In Peru, on the other hand, literacy requirements continued to disenfranchise the indigenous population in the early post-war decades. The “mass of Indian peasants were not important to political groups such as APRA and Accion Popular.”(Mesa-Lago 1978, 126). Neither party – despite reformist ideologies – engaged in strong efforts to appeal to or incorporate these sectors even during periods of democratic and semi-democratic rule. Suffrage limitations maintained in Brazil during the semi-democratic governments of the 1950s and 1960s also weakened incentives to change that country’s highly stratified and exclusionary welfare system.

Democratic and semi-democratic regimes were also more likely than “hard” authoritarian regimes to accede to union demands for an expansion of social insurance. However, yielding to (or anticipating) union demands was at best a mixed blessing in distributional terms. The incorporation of blue-collar workers did provide protection to groups which, while not among the very poor, were otherwise vulnerable to market risk. But the enlargement of the social security system often had perverse effects on the overall distribution of income. The protections claimed by unions were typically limited to the specific occupational categories they represented, whereas costs were born more generally through taxes and other channels, such as the higher prices charged by import-substituting industries. As we will argue in Part Two, the unions’

defense of these entitlements was often a major impediment to reforms aimed at reallocating resources toward the very poor

Democracy also expanded opportunities for the emergence of left-of-center parties. These parties had a more positive impact on the design of social policy than unions. This was again most evident in the long-standing democracies with the most limited barriers to participation. In Uruguay, the broad features of the welfare state were established during the 1940s and 1950s at a time when the dominant Colorado party maintained a progressive ideological orientation and had not yet evolved into the non-ideological patronage party that it was to become in the 1960s. In Costa Rica, the PLN – a party loosely identified with social democratic values – held legislative majorities continuously throughout the post-war period and supported the drive toward universalizing health services and other social protections during the 1960s and 1970s. In Chile from 1958 to 1973, competition between the Christian Democrats and a Socialist-Communist coalition contributed to an expansion of social services into the Chilean countryside.^{vii}

Significantly, only the Chilean left parties and, to a lesser extent, the Christian Democrats, had close organizational ties to the labor movement, and this may account in part for the especially extreme stratification that characterized that country's welfare system. In Costa Rica and Uruguay, unions were inclined to support rivals to the PLN and Colorados, and it is possible that the independence of these parties from the demands of organized labor mitigated the regressive effects of social security systems visible elsewhere in the region. Mesa-Lago (1978, 292) ranks Uruguay's system as less unequal than Chile's, despite internal stratification, and it is likely that the Costa Rican system—not included in Mesa-Lago's ranking—also had progressive effects on the distribution of income.

The pressure to expand social programs beyond the formal sector was far weaker where purely clientelistic parties dominated electoral competition. As we will see in Chapter Three, the

Philippines also fit this pattern. Arguably, the predominance of clientelistic parties can be accounted for in part by electoral laws and other institutional arrangements that encourage politicians to cultivate the personal vote through pork-barrel projects and political patronage; clientelism may be the result not of regime type but of particular features of democratic rule. However, the predominance of patronage parties was also a function of exclusionary practices that raised the barriers to entry for more progressive, popularly-based parties, or that excluded them entirely. In Peru, recurrent and prolonged repression of the APRA limited opportunities for low-income groups to press for more extensive social programs. The weakness of left parties in the semi-democracies of Colombia and Brazil also had much to do with elite power-sharing agreements, military vetoes, and suffrage restrictions that limited opportunities for political participation and popular organization. Parties that more explicitly espoused redistributive policies became much more important political actors only after such restrictions were removed with the democratization.

ⁱ In the area of social security and health insurance, we rely heavily on the comprehensive surveys provided by Carmelo Mesa-Lago (1978, 1989), whose pioneering studies highlight landmark legislative initiatives for many of the countries in our sample. We supplement his work with references to social policy development in the monographic literature on these and other countries, and draw as well on more detailed accounts of spending and implementation.

ⁱⁱ The vote was extended to all female adults as early as 1932.

ⁱⁱⁱ In the area of education, literacy rates increased substantially in the late 19th century from about a quarter of the population in 1869 to over fifty percent by 1900 (Engerman, Mariscal and Sokoloff 2000: Table 1); but this was attributable primarily to the massive influx of immigrants who had already received schooling in their home countries (Engerman, Mariscal, and Sokoloff 2000: 12).

^{iv} As Malloy (1979) describes, however, Vargas modeled his measures after more limited initiatives undertaken by conservative governments in the 1920s.

^v MBP-L code Brazil as democratic from 1946 to early 1964, they acknowledge that the regime could reasonably have been coded as a semi-democracy.

^{vi} See also: O'Donnell 1971, Collier 1979, Kaufman 1979, Remmer 1989

^{vii} The communist party was banned from 1946 to 1953, but socialist parties participated in electoral politics and governing coalitions continuously from the late 1930s to the 1950s, and restrictions on the Communists were lifted in the early 1950s