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Welfare and Democracy in Latin America: The Development, Crises and Aftermath of Universal, Dual and Exclusionary Social States

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Introduction

Citizenship in Latin America, be it civil, political or social has been elusive and fragile throughout its 20th century history. Coerced and semi coerced labor along racial lines in the late 19th and early 20th century, extreme levels of inequality, a centralist and patrimonialistic institutional and cultural tradition and elites that regarded themselves as subjects of privilege rather than citizens with equal rights and duties, conspired to create states that rarely considered the fate of the people. Only when the oligarchic states broke down and gave way to the need for a modern bureaucracy and a modern state and then to a new development model and to something approximating mass politics (not necessarily neither usually mass democracies) did a social dimension of the state emerge. Among the three processes mentioned –the development of modern states and bureaucracies, the emergence of a new development model and mass politics with democratic interludes- the first two processes were, in this early stage, definitely more important in defining and shaping the social states of Latin America than the latter, especially if we require of the latter the connotation not merely of mass politics but also a resemblance to democratic mass politics.

Indeed, the history of the Latin American developmental social state is the history of Statecraft and of the Import Substitution Model and its political manifestations, mostly authoritarian and corporatist, but rarely democratic. It is more the history of elite accommodation, elite's state building and elite's attempts to co-opt and control non-elite sectors than a history of popular achievements and shaping from below. This does not mean that social and labor organizations, parties, and popular struggles played no role in the building and especially in the expansion of the region social states, but rarely were popular based political and social actors seated at the driver's seat. They were, yes, in some cases central coalitional partners of the populist regimes of the 30s, 40s and 50s, but under diverse forms of cooptation, clientelism and patrimonialism, and they entered the system rarely as a unified grass roots movement, but rather as fragmented narrow lobbying forces.

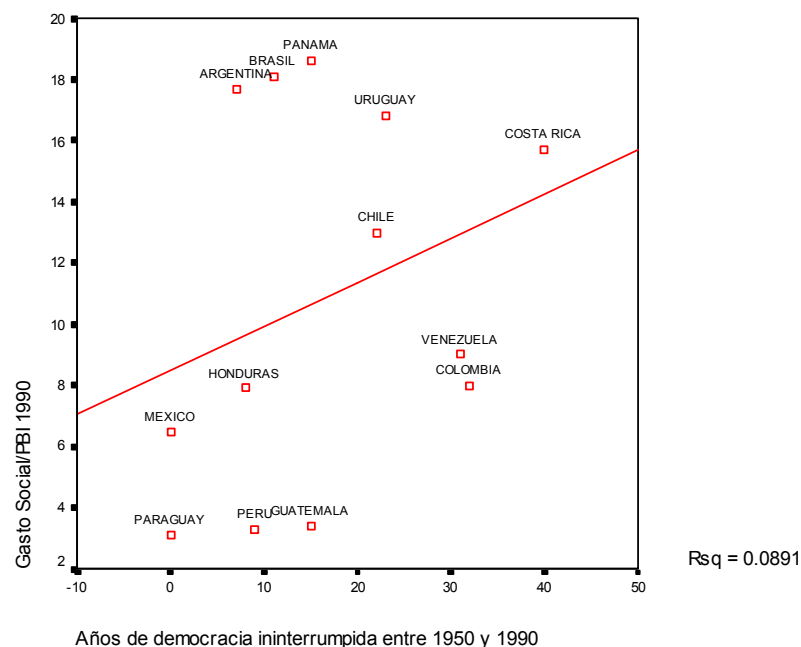
In this paper I will first go over some basic quantitative data with the single purpose of suggesting the relevance of the democracy-welfare hypothesis regarding social policy effort. Secondly I delve in depth into the development of the Social States, linking such development to the characteristics of their Import Substitution models and the politics of specific countries. I propose a typology that defines three different groups of social states in Latin America and try to unveil de political and developmental determinants of their emergence and expansion until the 1970s, when the ISI model broke down and the political regimes of the most advanced social state changed drastically. Finally I undertake the analyses of the social state transformation in the last two decades and a half, looking at the era of neglect in the eighties and the

liberal turn of the nineties with an emphasis o social security reform. In that section I attempt to show how democratic policies had both a positive effect (moderating the liberal character of reform) and a negative effect (allowing for the persistence of privileged groups within the system).

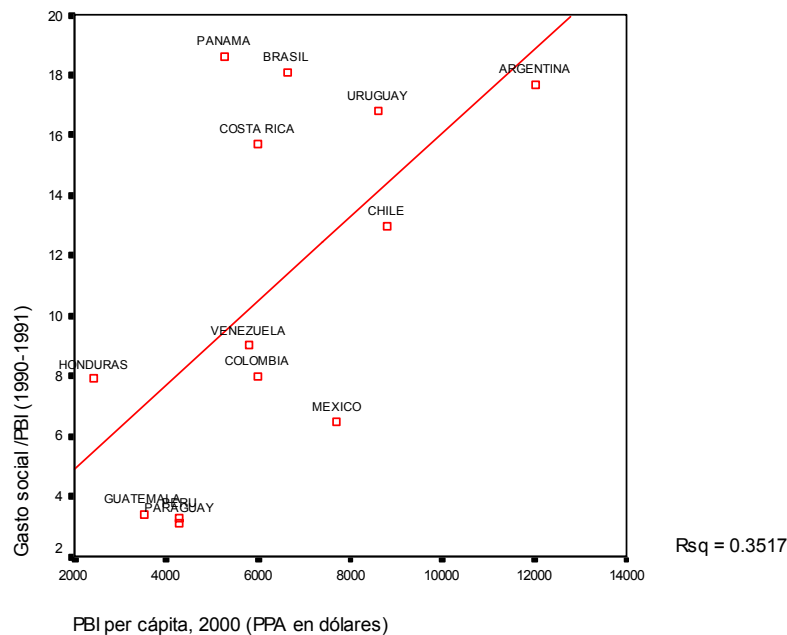
SOME SUGGESTIVE DATA ON SOCIAL POLICY EFFORTS AND DEMOCRACY

To claim that democracy and democratic struggles have been, empirically, a rare building block of the region's welfare regimes, does not mean in any way that democracy or the lack of it is irrelevant or has been irrelevant regarding social states. Both country specific analyses and cross-national evidence suggest that both the formal rules of democracy and the quality and level of political incorporation that the Latin-American political regimes achieved have played and may even more play in the future a most important role. I will consider the country specific models of developments and their politics further ahead, but before, it is worth to delve into some very basic evidence regarding democracy and social state effort at the cross-national level with the support of some simple quantitative data. When we consider the effect of stable democratic rules (that is years of uninterrupted democratic rule) between the 1950s and 1990s on social state size, considered as social expenditure over GDP, we can see that there is no relation whatsoever.

GRAPH 1



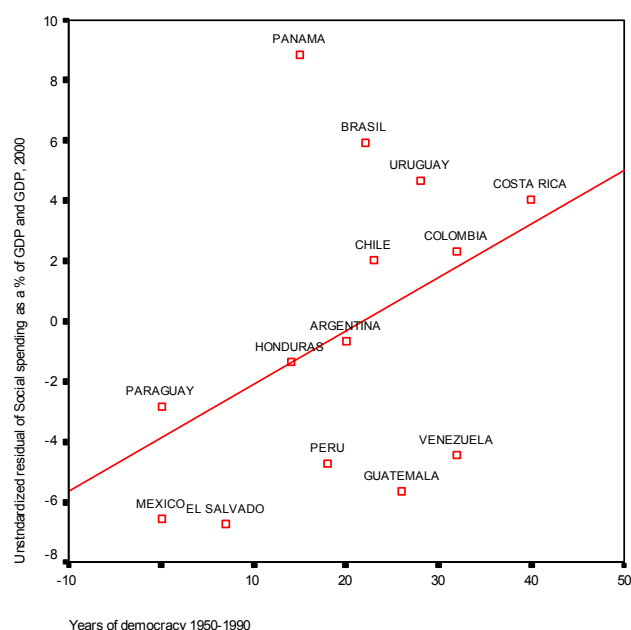
GRAPH 2



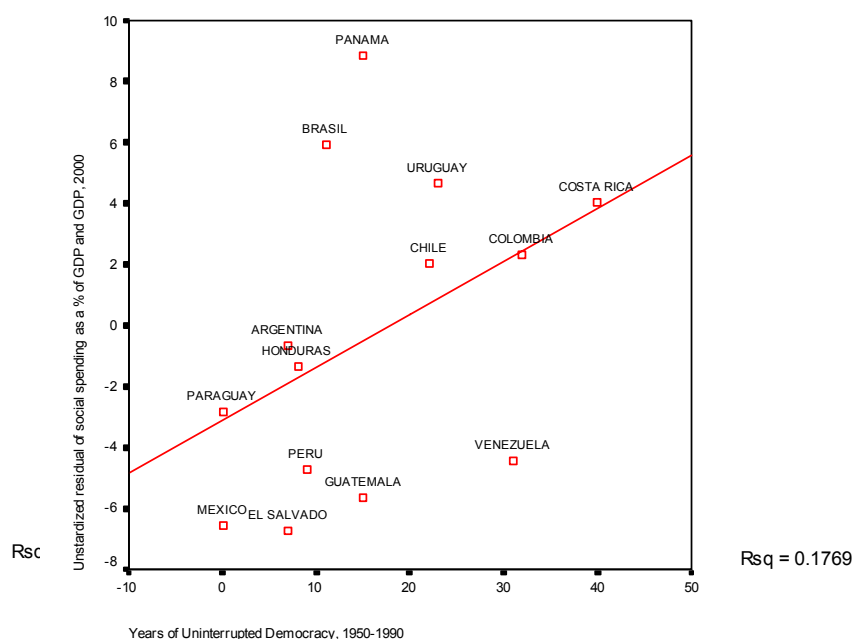
Source: Author on the basis of data from Przeworski et al, 2000, UNDP Human Development Reports, and CEPAL, Panorama Social de América Latina, 2000, 2001, 2002.

This evidence would strengthen the argument that claims that social state's basic engine is not politics but economics. Indeed the relationship between GDP and percentage of GDP destined to social spending, presents a far more robust relationship than that of democracy and social spending as a percentage GDP. Of course, GDP per capita alone leaves much unexplained. Costa Rica and Mexico are two cases where it is evident how little GDP helps us explain social spending. Yet when we consider, not social expenditure as a percentage of GDP, but the unstandardized residual of such social spending as a percentage of GDP on GDP per capita, the hypothesis of the effect of democracy in general and of stable democracy in particular seems, at least to barely hold its ground.

GRAPH 3



GRAPH 4



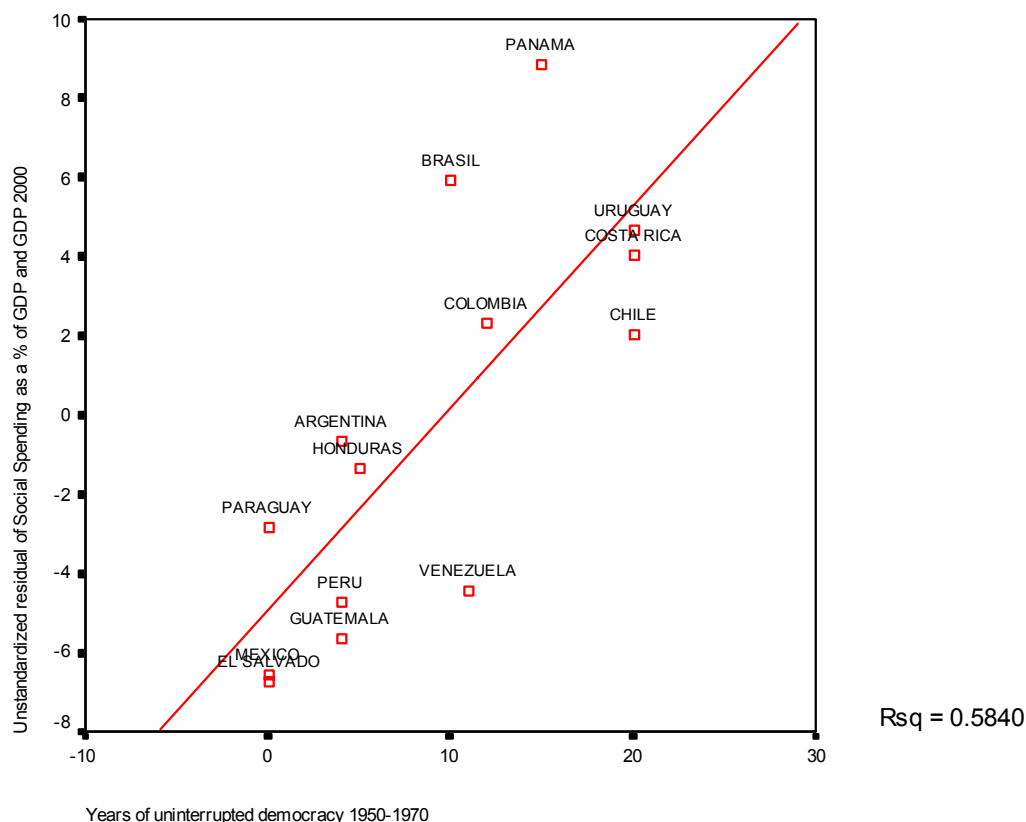
Source: Author on the basis of data from Przeworski et al, 2000, UNDP Human Development Reports, and CEPAL, Panorama Social de América Latina, 2000, 2001, 2002.

Yet this is indeed not a very strong relationship, but only one that suggests that democracy and social policy effort are not altogether unrelated. The finding that really contributes to take the democracy-welfare hypothesis seriously in Latin America, is a peculiar one, and one that surprisingly would reclaim a major role for democracy between the 1950s and 1970s, a period when, while corporatist and authoritarian rule were extended in the region, democracy of some sort had taken hold in a number of countries. Where democracy took hold and even more where it survived for relatively large periods,

social spending 30 years later clearly goes beyond what would be expected given its GDP. In contrast were democracy was weak or non-existent between the 50s and 70s, social spending under performs, again 30 years later, what should be expected given its GDP.

GRAPH 5

Relation between years of uninterrupted democracy between 1950 and 1970 and the unstandardized residual of social spending over GDP and GDP per capita, 2000



Source: Author on the basis of data from Przeworski et al, 2000, UNDP Human Development Reports, and CEPAL, Panorama Social de América Latina, 2000, 2001, 2002.

Such finding is no proof of a relationship between democracy and social state development. Both the data and the number cases, not to mention the number of fallacies that any conclusion implies given the chronological miss-match between the data, render any strong assertion unwarranted. Yet this is indeed a curious pattern, and no easy alternative explanation seems obvious. The hypothesis that best fits the data pattern here, is that the relationship between democracy and welfare expansion is strongly path dependent. When major developmental surges under a given developmental model (the ISI model) were combined with stable or relatively stable democratic rule, a social policy effort above and beyond the

mean expected social effort given a country GDP should be expected to emerge and to be sustained despite regime changes in the future. If this hypothesis is plausible, then the present day democratic hegemony in the region, might well be the basis for a new push regarding social policy efforts. As I will also discuss later it might also help, not merely to increase social spending, but also provide a new architecture to the Latin-American Social State. One that is less stratified and more universalistic.

The future of the social state in Latin America will, hopefully be, the history of its future democratic struggles. Never as before, has the region known such an hegemony of democracy and such an expansion of basic political incorporation measured in terms of clean, regular and free elections were all or most of the adult population can and does vote. In this single fact rests, maybe, the biggest hope for social citizenship in Latin America. But as the last 20 to 30 years of social policy crises and reforms have shown (1970s-1990s), such future might well be impaired, by the constraints posed by global capitalism, the beliefs and interests of its financial gatekeepers, the perception of threat felt by domestic elites, the defense of patrimonial privileges of the middle classes, and by the frailty of Latin America's tax systems and their political basis of support.

Still as I will try to show there is room for moderate optimism. Latin American social states stand at the eve of a major transformation. I will claim that after almost two decades of the wrong medicine for the old social states, political realities and technical possibilities are coming together and might shape a renewed and better road for the creation of true welfare regimes. There is, of course a distinct more pessimistic outcome: the increasing disappearance of the state not just as provider of social protections, but its disappearance as a basic provider of public goods in general (security, basic services, justice systems, public infrastructure, etc), thus undermining the very notion of nation-state. Structural conditions and political actors both national and transnational will be key in defining the future routes of the Latin American States. For the first optimistic road to triumph, it is necessary that elite based and popular based political parties reach a historical compromise. Yet as I will try to show, such compromise can only be reached if previously both elite parties and popular based parties are capable of redefining their leadership regarding their old and new constituencies. Indeed one of the major problems facing the political systems

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