

PROTECTING THE POOR: WELFARE POLITICS IN LATIN AMERICA'S FREE
MARKET ERA

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A dissertation submitted to the faculty of the University of North Carolina at Chapel Hill
in partial fulfillment of the requirements for the degree of Doctor of Philosophy in the
Department of Political Science

Chapel Hill
2008

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ABSTRACT

JENNIFER PRIBBLE: Protecting the Poor: Welfare Politics in Latin America's Free Market Era
(Under Direction of Dr. Evelyn Huber)

Poverty levels in Latin America vary significantly across countries. By the late 1990s, the share of individuals living in poverty ranged from a low of 9.4 percent in Uruguay to a high of 79.7 percent in Honduras. This discrepancy points to an important puzzle: why do states in the region exhibit such divergent levels of social protection? My dissertation contributes to resolving this question by combining an in-depth study of Chile and Uruguay with a broader statistical analysis of Latin America. The project presents a new typology of social protection systems in the region and tests a theory of social policy reform during the current free-market era. Analyzing data gathered in more than 135 original interviews with Presidents, Senators, Deputies, Ministers, Under-secretaries, and local-level politicians, I find that the organizational structure of political parties and the design of previous policies are the primary determinants of differences in education, health, and social assistance reform since the adoption of free-market economic policies and the re-installation of democracy in the mid 1980s.

ACKNOWLEDGEMENTS

To some, writing a dissertation may appear to be the most solitary of endeavors, involving interaction between the author, data, and a computer. In reality, however, a finished dissertation reflects the energy of countless individuals. Indeed, writing a dissertation requires academic, financial, and emotional support and I have been fortunate to have received abundant assistance from professors, colleagues, friends, family, and foundations. First and foremost, I am deeply grateful to Evelyne Huber and John Stephens, whose research and teaching provided an important source of intellectual inspiration for this project. Their enthusiasm and knowledge about the politics of welfare policy is extraordinary and their rigorous and dedicated approach to research has profoundly shaped my professional and intellectual development. I have benefited enormously from the support, guidance, and insight offered by my doctoral committee: Jonathan Hartlyn, Marco Steenbergen, John Stephens, Lars Schoultz, and especially from my advisor Evelyne Huber, who read and commented on several drafts of the manuscript. I am also fortunate to have had phenomenal colleagues and friends at UNC who taught me a great deal about Latin American politics and Political Science more broadly. In particular, I am grateful to Mireya Dávila for her camaraderie and enthusiasm in discussing Chilean politics. I am also deeply indebted to Juan Pablo Luna and Juan Bogliaccini for their friendship and willingness to field my unending questions about details of the Chilean and Uruguayan cases. I have learned a great deal from Agustina Giraudy, whose sharp mind and companionship provided me with important support while writing the dissertation away from campus. Merike Blofield, Ryan Carlin, Peter

Enns, and Tom Mustillo have also offered much-needed friendship and intellectual inspiration along the way.

I was extremely fortunate to have received a warm and helpful welcome from academics, practitioners, and friends during my field research in Chile and Uruguay. In particular, I would like to thank Claudio Fuentes and Flasco Chile for providing me with institutional and academic support in Santiago; and Fernando Filgueira and Ruben Katzman for hosting me at IPES and CIESU in Montevideo. Claudio, Fernando, and Ruben, as well as other academics affiliated with their research institutes, provided crucial guidance and feedback during the field research process. Several individuals in Chile and Uruguay helped ensure that my field research was successful. In particular, I would like to thank David Alvarez, Claudia Fuentes, Eugenio Lahera, Maria Pía Martin, Andrés Palma, Andrés Villar, and the librarians in the Chilean Congressional Press Archive Office for offering insight into Chilean politics and for helping to obtain interviews and archival data. Similarly in Uruguay, I would like to thank Gustavo De Armas, Jose Fernandez, Adolfo Garcé, Diego Hernandez, Juan Andrés Moraes, Luis Senatore, Cristina Zurbriggen, and Senator Couriel's aides – Alejandra and Alicia – for helping to organize interviews and for teaching me a great deal about Uruguay. I am eternally grateful to the Chilean and Uruguayan politicians and social organizers, particularly former Presidents Patricio Aylwin, Ricardo Lagos, Luis Alberto Lacalle, and Jorge Batlle, who took time out of their busy schedules to meet with me and explain the political processes surrounding policy reform incidents. On more than one occasion these individuals spent an hour or more explaining the politics of policy-making, providing me with insight that would have otherwise been impossible to obtain. I learned tremendously from these interviews and I admire the participants for their frankness and transparency.

The field research for this project was financed by the UNC-Duke Consortium for Latin American Studies Ford Foundation dissertation research grant; the Organization of American

States; and the University of North Carolina at Chapel Hill's off campus research and dissertation completion grants.

Finally, I would like to thank my family for their patience and understanding during this writing process. My mother and father, Jaimie and Don Pribble, have supported me in all of my life adventures and taught me that there is nothing more noble than to teach and to learn. I am grateful for the example they set and for their ability to see the world with an open mind. My brother Dan was born asking questions and his natural curiosity provided continual intellectual inspiration during the course of this project. My sister-in-law Titti and my friend Michiel graciously accepted me into their home in Montevideo and helped to make my field research a particularly special experience. Last, but certainly not least, I am thankful for the love and support of my husband Paolo, who has moved across hemispheres and put up with long commutes so that I could pursue a Ph.D. His commitment to this project was, on occasion, much stronger than my own and he helped keep me focused and strong during the tiring and trying moments of this research. He has known when to pry me away from my desk and when to overlook my negligence, but most of all he has always valued my goals and ambitions as though they were his own. For all of these reasons, and like most everything in my life, this dissertation is as much his as it is mine.

TABLE OF CONTENTS

LIST OF TABLES	ix
LIST OF FIGURES	xi
Chapter	
1. INTRODUCTION	1
2. PATTERNS OF SOCIAL PROTECTION IN LATIN AMERICA	7
Measuring Poverty Policy Regimes	10
Methods and Analysis	17
Results	19
Explaining the Structure of Poverty Protection in Latin America	27
A Statistical Test of Association	53
Conclusion and Implications for this Study	59
3. CASE SELECTION AND METHODS	67
Why a Qualitative Small-N Case Study of Chile and Uruguay?	70
Why this Specific Time Period?	81
The Data	83
Conclusion	84
4. THEORETICAL FRAMEWORK	86
The Internal Organization of Political Parties in Chile and Uruguay ...	92

	Policy Legacies and the Structure of Civil Society and Organized Interests	119
	Alternative Hypotheses	125
	Conclusion	131
5.	EDUCATION REFORM IN CHILE AND URUGUAY	134
	A Historical Overview of the Chilean Education System	135
	A Historical Overview of Uruguay's Education System	142
	Measuring Pro-Poor Education Reform	149
	Education Reform in Chile	153
	Education Reform in Uruguay	160
	Explaining Education Reform Outcomes in Chile and Uruguay	167
	Conclusion	205
6.	HEALTHCARE REFORM IN CHILE AND URUGUAY	207
	A Historical Overview of Healthcare in Chile	207
	A Historical Overview of Healthcare in Uruguay	216
	Measuring Pro-Poor Healthcare Reform	220
	Healthcare Reform in Chile	226
	Healthcare Reform in Uruguay	235
	Explaining Healthcare Reform Outcomes in Chile and Uruguay	245
	Conclusion	284
7.	NON-CONTRIBUTORY SOCIAL ASSISTANCE REFORM IN CHILE AND URUGUAY	286
	A History of Non-Contributory Social Assistance Policies in Chile and Uruguay	287

Measuring the Effectiveness of Non-Contributory Social Assistance .	294
New Social Assistance Policies in Chile and Uruguay	298
Explaining Social Assistance Policy Outcomes in Chile and Uruguay	308
Conclusion	323
8. CONCLUSION	325
Significance of Findings	331
Areas of Future Research and Relevance for Other Cases	337
APPENDICES	341
REFERENCES	346

LIST OF TABLES

Table

2.1	Spending on Social Insurance and Social Assistance (2001)	13
2.2	Indicators of Poverty Policy Regime Measure	16
2.3	Duda Hart Stopping Rule: Risk Prevention Cluster	21
2.4	Duda Hart Stopping Rule: Risk Coping Cluster	22
2.5	Country and Cluster Performance in Risk Prevention	24
2.6	Country and Cluster Performance in Risk Coping	25
2.7	Risk Prevention and Risk Coping Combinations	26
3.1	Comparison of Veto Points	75
3.2	Institutionalization of the Party System	76
3.3	State Capacity	77
4.1	Predicted Effect of Party Type and Policy Legacies	124
5.1	Enrolment by School Category (Chile): 1990-2004	141
5.2	Primary and Secondary School Enrolment by Income Quintile (Uruguay)	146
5.3	Summary of Dimensions of Education Reform	152
5.4	A Summary of the Chilean Education Reform	159
5.5	A Summary of the Uruguayan Education Reforms	166

6.1 Dimensions of Pro-Poor Healthcare Policy	226
6.2 Healthcare Policy Reform in Chile	234
6.3 Healthcare Policy Reform in Uruguay	244
7.1 Non-Contributory Social Assistance Policy Creation and Reform	298
7.2 Pro-Poor Character of Chile Solidario	301
7.3 Pro-Poor Character of the Uruguayan Family Allowance Reforms	303
7.4 Pro-Poor Character of PANES and the Equity Plan	307
9.1 Duda Hart Stopping Rule: Risk Prevention Cluster (Average Linkage)...	341
9.2 Duda Hart Stopping Rule: Risk Prevention Cluster (Complete Linkage)	342
9.3 Duda Hart Stopping Rule: Risk Coping Cluster (Average Linkage)	343
9.4 Duda Hart Stopping Rule: Risk Coping Cluster (Complete Linkage)	344

LIST OF FIGURES

Figure

2.1 Dendogram for Risk Prevention (Ward's Cluster Technique)	21
2.2 Dendogram for Risk Coping (Ward's Cluster Technique)	23
3.1 GDP Per Capita in Argentina, Chile, Costa Rica, and Uruguay	73
4.1 Electoral Performance in Uruguay's Presidential Elections: 1971-2004 ...	97
5.1 Education Expenditure in Chile (% of GDP)	137
5.2 Education Expenditure in Uruguay (% of GDP)	145
5.3 Uruguayan Public Opinion about the Role of the State in Education (1998)	193
6.1 Chilean Health Spending (% of GDP) 1970-2000	210
6.2 Health Expenditure in Uruguay (% of GDP) 1972-1999	219
9.1 Dendogram for Risk Prevention (Average Linkage Technique)	342
9.2 Dendogram for Risk Prevention (Complete Linkage Technique)	343
9.3 Dendogram for Risk Coping (Average Linkage Technique)	344
9.4 Dendogram for Risk coping (Complete Linkage Technique)	345

CHAPTER 1: INTRODUCTION

Poverty is one of the greatest challenges that Latin American states face. Indeed, despite experiments with different development models and impressive improvement during the past four years,¹ most countries in the region continue to exhibit extremely high levels of poverty.

According to the United Nations' Economic Commission on Latin America and the Caribbean (ECLAC), in 2007 about 35 percent of Latin Americans lived below the poverty line (ECLAC 2007: excel sheet #4). Although recent research about the incidence of poverty has shed light on the importance of political regime type (Pribble, Huber, and Stephens Forthcoming), economic growth (World Bank 1990; Psacharopoulos et al. 1997), and public policy (Pribble, Huber, and Stephens Forthcoming) for determining poverty levels, very little is understood about the political coalitions needed to sustain such policies. Moreover, political scientists have thus far devoted relatively little attention to explaining what factors account for variation across countries in the design of social policies. Specifically, there is little consensus about why some states are more effective than others at reforming policies in such a way so as to respond to the needs of the poorest (and often least vocal) sectors of society. This dissertation seeks to fill these holes in the literature, analyzing the question of why Latin American states have responded differently to the challenges and pressures of the neoliberal era when reforming their social welfare policies. The research focuses specifically on the political dimension of this question, underscoring how political regime type, party organization, and the design of previous policies influence the timing and content of contemporary social policy reform.

¹ Average poverty levels in Latin America decreased from 44 percent in 2003 to 35.1 percent in 2007 (ECLAC 2007: excel sheet #4). Previous to that, between the late 1990s and 2003, poverty levels actually increased (from 43.5 in 1997 to 44.2 in 2003).

This project, therefore, seeks to fill a gap in the research on Latin America's political economy. In contrast to studies of advanced industrial democracies, very little is known about what political-economic configurations benefit Latin America's poor and how these constellations have changed across time. Such studies are needed in light of significant cross-national variation in poverty levels in the region. In 2006, Latin America's average poverty level – defined as the share of individuals living below the ECLAC-established poverty line – varied from a low of 13.7 percent in Chile to a high of 71.5 percent in Honduras (ECLAC 2007: excel sheet #4). Similarly, social spending levels differ dramatically across countries and in the early 2000s ranged from a low of about 3 percent of GDP in El Salvador to a high of just over 25 percent of GDP in Uruguay (Huber et al. 2008).² These discrepancies point to an important puzzle: why do Latin American states exhibit such divergent levels of social welfare? While the answer to this question likely involves both economic and state-controlled (policy) elements, the focus of this project is on state protection. Specifically, I seek to understand why Latin American states offer such disparate levels of social protection, and how and why this protection has changed across time. To do this, I combine an in-depth comparative study of Chile and Uruguay with a broader statistical analysis of Latin America.

The issue of why Latin American states exhibit divergent outcomes with regard to poverty is pressing in light of recent evidence that such problems may undermine citizens' support for democracy (UNDP 2004) and foster the emergence of clientelistic parties (Calvo and Murillo 2004; Brusco, Nazareno, and Stokes 2004; Diaz-Cayeros, Estevez, and Magaloni). It is, therefore, of central importance for Latin American citizens, politicians, and researchers to identify and understand the political-economic configurations that foster high levels of poverty.

Extant research on the economic determinants of poverty suggest that economic growth, inflation, unemployment, the size of the informal sector, and minimum wage all contribute to cross-national variation in poverty levels (Londoño and Székely 1997; World Bank 1990; Lustig

² This is the sum of all types of social spending as a share of GDP.

and McCleod 1997; Psacharopoulos et al. 1997; Wodon et al. 2001; Morley 1995). In the political sphere, research has revealed that the balance of power between left and right political parties, regime type, the strength of institutions, and policy design also shape country performance with regard to poverty and income inequality in Latin America (Weyland 1996; Castiglioni 2005; Huber et al. 2006; Pribble, Huber, and Stephens Forthcoming).

This project examines these findings, making two significant improvements on previous research. First, the study uses process tracing to move past a correlational analysis of the determinants of poverty to discern exactly how political variables influence social welfare policy. More specifically, the dissertation tests a theory of how political parties and policy legacies influence social policy-making in contemporary Latin America. The theory of party behavior is innovative in that it considers *both* ideology *and* a party's organizational structure. This approach is new and bridges two bodies of political science research that have, until now, remained divorced from one another. A second contribution of this project is the elaboration of a new measure of poverty protection. Rather than analyzing policies separately, I propose a measure that combines all policies offered by a state to protect against poverty; a concept that I have named the 'poverty policy regime.' The poverty policy regime measure focuses on the ability of policies to respond to the needs of the poorest sectors of the population, and therefore, moves past a simplistic understanding of social protection to incorporate the challenge of program coverage.

In chapter two, I use cluster analysis to empirically test whether Latin American states group into distinct country clusters with regard to their performance on the poverty policy regime indicator. I find that Latin America is comprised of four configurations of social protection and I use the comparative historical method and a statistical test of association to determine why countries fall into their respective categories. The analysis reveals that political regime type and industrialization are of crucial importance in shaping the development of Latin American social protection systems. In this way, the project presents a new classification of welfare systems in

the region and provides an explanation for why countries fall into each of their respective categories.

In the remainder of the dissertation, I analyze the determinants of social policy reform within one of the four country clusters uncovered in chapter two – Latin America’s most advanced social protection states: Argentina, Chile, Costa Rica, and Uruguay. Using a most-similar systems research design, I analyze education, healthcare, and non-contributory social assistance reform in Chile and Uruguay to test my theoretical expectations about the determinants of the timing and content of social policy reform. Chapter three explains the logic of this research design and describes the matching process employed in selecting Chile and Uruguay as the primary cases of analysis. The decision to focus this research on a subset of countries and limit the generalizability of my findings (or in other words, to “split” rather than “lump”),³ reflects a commitment to upholding the assumption of causal homogeneity required for drawing meaningful causal inferences. Indeed, after careful consideration of the cluster analysis results, I am certain that each of Latin America’s four configurations of social protection is rooted in a unique historical trajectory. That trajectory, in turn, conditions current patterns of reform and shapes the political dynamics associated with the reform process. I contend, therefore, that it is important to conceptualize welfare provision in differentiated or typological terms and that an important first step toward this goal is developing an understanding of the politics of policy creation and reform *within* each of the four configurations of poverty protection. Once these dynamics are understood, it will be possible to theorize more effectively about the region as a whole.

This study focuses on two key variables to explain differences in the timing and content of education, healthcare and non-contributory social assistance policy reform in Latin America’s advance social protection states. I argue that the organization of political parties, namely the link

³ Chapters two and three provide a detailed discussion of the trade-offs involved in “lumping” or “splitting.”

through which parties relate to their voting base, has a profound effect on the timing and content of social policy reform. Specifically, I consider whether parties employ an organic-mobilizing, elite-electoral, patronage, or business-coordinating organizational structure.⁴ Because each of these systems of organization distributes power differently among distinct sectors of the party, it influences policy reform by empowering some groups and weakening others. For example, while an organic-mobilizing party will empower organized interest groups such as unions, an elite-electoral party will grant special voice to highly skilled technocrats. The empowerment of distinct sectors is, in turn, reflected in the timing and content of policy reform.

In addition to party organization, I contend that policy legacies influence reform outputs. This is because policy legacies, or the design of previous policies, shape the distribution of power and interests inside distinct policy sectors. This distribution determines the costs and benefits that politicians face when attempting to reform existing programs, and therefore, mediates the relationship between party organization and policy outputs. In other words, policy legacies can serve to intensify or to weaken the relationship between party organization and policy outputs.

The theoretical framework that guides my explanation of social policy reform is described in detail in chapter four and is followed by three separate tests of the explanation in chapters five, six, and seven. These tests analyze reform to education, healthcare, and non-contributory social assistance policy in Chile and Uruguay. To assess the explanatory capacity of the framework, I code social policy reforms in both countries using an evaluation scheme that considers how effectively the new policies extend the coverage and increase the quality of services and transfers for the poorest sectors of society. Then, drawing on original data gathered in more than 135 interviews with political elites and social organizers as well as archival data, I illustrate how the organization of political parties and policy legacies shapes reform outcomes in Chile and Uruguay.

⁴ These distinctions are discussed at great length in chapter four.

To sum up, this study is divided into two parts. In the first portion of the analysis (chapter two), I focus on the region as a whole, uncovering the existence of four configurations of social protection in Latin America and explaining why states fall into their respective category. In the remainder of the project, I analyze social policy reform within one of the four country clusters: the advanced social protection states. The analysis focuses on social policy reform during the current neoliberal era and seeks to answer the question: why have high-performing countries varied with regard to their ability to reform social services and non-contributory transfers in a way that expands coverage and improves quality for the poorest sectors of society? In chapter three I justify the selection of Chile and Uruguay as the primary cases of study and explain why I use qualitative methods to answer this question. This is followed in chapter four with a detailed explanation of my theoretical framework, which outlines my hypotheses about the determinants of social policy reform among the advanced countries in Latin America. In chapters five, six, and seven I analyze education, healthcare, and non-contributory social assistance reform in Chile and Uruguay, conducting three separate tests of my explanation. Finally, in chapter eight I conclude, noting the primary contributions of the project and highlighting potential areas of future research. I also speculate about the broader relevance of the findings for the other two high-performing social protection states: Argentina and Costa Rica.

CHAPTER 2: PATTERNS OF SOCIAL PROTECTION IN LATIN AMERICA

In the previous chapter I introduced the political puzzle analyzed in this dissertation. In doing so, I highlighted the variation that exists across the region of Latin America with respect to social welfare outcomes and poverty protection policies. This diversity also exists for a number of input variables. Indeed, the strength and capacity of the region's states, the institutionalization of party systems, levels of civil and political freedom, national economic development, and ethnic makeup, all vary widely across Latin American countries. In light of this variation, scholars face two options when approaching research questions related to the region: whether to analyze subgroups of similar countries (to "split") or the region as a whole (to "lump"). The dilemma of "splitting" and "lumping" has been extensively analyzed and involves well-known trade-offs (King, Keohane, and Verba 1994). While splitting can permit a rich and precise theory, it does so at the cost of generalizability (a strength of lumping). Lumping, on the other hand, produces results that are broader in scope, but the findings are only valid if one can be certain that the cases being compared meet the assumption of causal heterogeneity.

King, Keohane, and Verba (1994) defend the "lumping" technique, arguing that studies which seek to draw causal inferences, must maximize the number of cases. A different point of view is offered by Brady, Collier, and Seawright (2004), who note that increasing the number of observations is not advisable if it leads scholars to "compare cases that are not analytically equivalent" (11). This advice is echoed by other scholars, who stress that adding cases could violate the assumption of causal (or unit) heterogeneity (Gerring 2007; George and Bennett 2005). Causal heterogeneity exists when all cases with a set value on the independent variable exhibit

the expected value on the dependent variable. As Collier, Seawright, and Munck (2004) note, “discussions of causal homogeneity are motivated by the concern that a given form of a causal model may only be appropriate to a particular domain of cases. If the model is extended to further cases, the researcher may have to make it more complex to accommodate distinctive causal features of those cases” (Collier, Seawright, and Munck 2004: 29). Somewhat related to the issue of unit heterogeneity, Sartori (1970) argues that expanding the number of cases could lead to poor concept formation (concept-stretching). To avoid this problem, Sartori (1970) contends that care must be taken to ensure that concepts mean the same thing in the contexts in which they are being studied.

All of this suggests that the decision about whether to “split” or “lump” is a serious one, especially in Latin America, where a stark diversity of context raises legitimate concerns about causal homogeneity and conceptual stretching. Ultimately, however, the issue of where to draw the line when designing a research project is related to the particular question at hand. In other words, to decide which cases comprise the relevant universe of study, one must first consider what concepts will be analyzed and determine whether they mean the same thing across all of the cases. In the remainder of this chapter I present the results of a cluster analysis of Latin American social protection. The analysis seeks to establish whether the economic, political, and social contexts of Latin American states permit a cross-regional analysis of social policy reform in the contemporary era, or whether the region should first be studied as smaller subgroups of states.

Protecting citizens from poverty is one of the primary activities undertaken by states around the world. The content and emphasis of such anti-poverty activities have varied across time and space, but they have often involved public investment in education, healthcare, and income maintenance. While recent studies on Latin America’s political economy have begun to explore the issue of which policies are most effective at reducing poverty (World Bank & Perry 2006; Morán et al. 2003; Economic Commission for Latin America and the Caribbean 2006),

much less has been written about why countries in the region design social policy regimes in the manner that they do and why they react to changing risks in divergent ways. There is, for example, great variation across the region with respect to the relative emphasis on risk prevention policies, such as healthcare and education, as compared to risk coping policies, such as pensions and unemployment insurance. Countries also vary in the degree of targeting used to issue welfare benefits as well as how much funding is allocated to social programs. This chapter seeks to classify these and other dimensions of poverty protection as well as trace the historical trajectories and political configurations that support the distinct system types. Through a comparison of 18 countries, I identify four configurations of poverty protection in the region and provide a preliminary explanation of why states fall into each group.

In the next section, I present a new measure of social protection; a concept which I have named the “poverty policy regime.” I define a country’s poverty policy regime as the package of state-supported programs that seek to protect citizens from poverty. I argue that these regimes should be measured along two dimensions: the regime’s attention to (1.) risk prevention and (2.) risk coping.¹ Risk prevention refers to all policies that aim at improving living standards and the human capital endowments of individuals in order to keep them from falling into poverty. In particular, this category of policies includes investment in education and healthcare. The second dimension of my measure, risk coping, focuses on assistance to families and individuals who have already fallen victim to risk. This dimension of the regime includes contributory and non-contributory subsidies. In the third section of the chapter, I use cluster analysis to generate a typology of Latin American social protection. I analyze country performance on the poverty policy regime indicators and present a four-category classification of Latin American social protection systems. I then turn to a brief analysis of each configuration of poverty protection, explaining why countries fall into their respective categories. The identification of four separate

¹ For a more extensive discussion of the concepts of risk prevention and risk coping, see: (World Bank 2005; Lustig 2001).

configurations of poverty protection, each of which exhibits a distinct socio-political trajectory is highly significant, as it suggests that the causal context in the realm of social policy making differs systematically across each group. For this reason, the remainder of this dissertation analyzes policy reform in only one of the four configurations.

2.2 Measuring Poverty Policy Regimes

Poverty is a complex concept and one that has been defined in a variety of ways. While many studies focus on income-related characteristics of poverty (Pribble, Huber, and Stephens Forthcoming), others have underscored dimensions related to basic needs and human dignity (Sen 1999).² State responses to the issue of poverty suggest that governments too are aware of the complex nature of the problem. Indeed, state protection against poverty usually occurs on a variety of fronts, ranging from investment in human capital, to providing income assistance, to building infrastructure, and even to attempts at smoothing out the volatility of economic cycles.

Despite the awareness on the part of state actors about the multifaceted nature of poverty and the need for a diverse approach to its resolution, it is clear that countries vary significantly in how they address the problem. One dimension on which states diverge is at the most basic level of how much they spend on social programs. Such variation can be seen across the region of Latin America, where, for example, in 2001 Uruguay spent an average 23.21 percent of GDP on social programs, while El Salvador spent 3.06 percent that same year (Huber et al. 2008).

General expenditure figures, however, do not provide insight into the full degree of variation among countries with regard to welfare effort. Such data do not, for example, permit an analysis of how spending is distributed among different societal groups. Although overall spending does capture how much emphasis the government has placed on certain social programs, it does not permit an assessment of who is benefiting from the spending. Neglecting this aspect of public expenditure is particularly problematic in the Latin American context, where many

² For an excellent discussion of the implications and consequences of different definitions of poverty, see: (Reddy and Pogge 2005).

studies have found that some forms of social spending, namely contributory social insurance programs, tend to be skewed in favor of higher income earners (De Ferranti 2004; Uthoff 2006; Lindert, Skoufias, and Shapiro 2006). The regressive nature of Latin American social insurance spending is related to the structure of the region's labor markets, which are characterized by high levels of informality. Since informal sector workers do not pay payroll taxes, they are excluded from contributory social insurance programs, while middle and upper-income earners tend to be favored by the programs. Furthermore, because salaries in the informal sector are on average lower, and the employment more precarious, it is precisely the poorest sectors of society that are excluded from such programs, thus widening the divide between rich and poor.

In summary, ignoring the distribution of public spending among different income groups may lead to mistaken conclusions about the state's overall anti-poverty effort.³ A comparison of Argentina and Costa Rica illustrates this point rather concretely. An analysis of both countries' social security and welfare expenditure as a share of GDP in 2000 reveals that Argentina spends 8.21 percent of GDP, while Costa Rica spends only 5.5 percent of GDP (Huber et al. 2008). Based on these figures, one might conclude that Argentina makes a greater effort in the area of pensions and general social assistance. If, however, we combine absolute expenditure with the issue of coverage, our perception of the difference between the two countries is slightly different. Indeed, while an estimated 56 percent of Argentina's working-aged population will have access to a pension, the Costa Rican system covers 65.3 percent of that same group (ECLAC 2006). The difference is even more dramatic if we consider pension coverage in the informal (salaried) sector, where an estimated 43.3 percent of Costa Ricans are covered as compared to 22.7 percent of Argentines in the same group (ECLAC 2006: 45). It is clear, therefore, that the two countries' poverty reduction efforts differ significantly when we consider coverage as well as overall

³ Inequalities in the distribution of public spending are not limited to income groups. Other potential inequalities can occur between men and women; different ethnic groups, or between age cohorts. It is not within the scope of this chapter to incorporate all distributional issues into the analysis, but future research should consider this variation.

expenditure. For this reason, my measure of a country's poverty policy regime focuses on the delivery of spending to the poorest sectors of society.⁴

The distribution of welfare effort across income groups is not the only factor that is masked by aggregate spending measures. These measures also limit the ability of researchers to assess how funding is distributed within policy areas. The decision about how government spending is to be divided among different programs has profound effects on which societal groups are protected and which remain exposed to risk. It is, therefore, important to understand not only how much is spent on a given sector, but also how the funds are distributed among programs.

The most common categories of social expenditure used in political science research are education, health, and social security and welfare. While these categories are helpful in that they offer some degree of analytic distinction, the aggregation still masks important differences in how funds are distributed within the policy areas. One policy domain where the distribution of funds has clear implications for welfare is in the allocation of social assistance. Although pension spending generally constitutes the bulk of social assistance expenditure in Latin America, there is significant variation among countries with regard to how much is spent on non-contributory social assistance programs. As mentioned previously, non-contributory programs are the only form of assistance available to informal sector workers. Thus, these differences in the allocation of spending can have important implications for welfare. Unfortunately, however, social assistance expenditure in Latin America is typically reported in its aggregate form, combining contributory social insurance spending and non-contributory social assistance spending. This aggregation may mask differences between countries. Consideration of social insurance and non-contributory social assistance spending in Brazil and Chile illustrates this fact. If we consider only social insurance spending, the differences between Brazil and Chile appear large, with Brazil

⁴ Because it is impossible to access spending coverage by income quintile for all Latin American states, I use other measures as proxies for spending coverage. See below for a detailed discussion.

spending four percent of GDP more than Chile. By contrast, if we consider only social assistance spending, this variation shrinks.⁵ Indeed, Chile's efforts in the area of non-contributory social assistance, a spending category especially helpful for the poorest sectors of society, are similar to Brazil. These differences, while masked by aggregate spending measures, reveal important information about overall anti-poverty effort and therefore should be incorporated into analyses.

Table 2.1: Spending on Social Insurance and Social Assistance (2001)

	Spending on social insurance (% GDP)	Spending on non-contributory social assistance (% GDP)
Brazil	10.9%	1%
Chile	6.9%	0.8%

Data from: (Lindert Skoufias, and Shapiro 2006: 90 & 95).

Within-sector spending differences in education and health also have important implications for the poor. In particular, the lowest income sectors of the population tend to rely heavily on primary and secondary education spending as well as on primary healthcare (ECLAC 2005). Thus, systems that focus investment in these areas will tend to be more effective at protecting the poorest sectors of society than systems that concentrate investment in tertiary education and curative health procedures. Unfortunately, cross-nationally comparable measures of disaggregated education, health, and social assistance expenditure in Latin America are not available. It is for this reason that I omit expenditure data from this analysis. Since the focus of this study is on the ability of states to protect the poorest sectors of society, it is not useful (and may even be counter-productive) to analyze aggregate spending. In the absence of disaggregated data, proxy measures of the coverage of state expenditure among the bottom income sectors are more effective at assessing the character of poverty protection in a country. Having now

⁵ The difference between Brazil and Chile with respect to non-contributory social assistance spending would be even less if one controlled for the size of the informal sector. Chile's informal sector is notably smaller than Brazil's, with just around 40 percent of the Chilean workforce operating in the informal economy compared to just over 50 percent in Brazil (Perry et al. 2007: 5). Thus, the 0.8 percent of GDP spent on non-contributory social assistance programs in Chile is spread among a smaller group than the 1 percent of GDP spent in Brazil.

established some of the potential shortcomings of measures of poverty policy, I turn to a discussion of the measure employed in this dissertation.

To measure a state's welfare effort I contend that it is important to consider policies as bundles of programs rather than as separate categories. This is because policies do not work in isolation. Indeed, an evaluation of a state's provision of healthcare without considering performance in the other social policy sectors does not permit a *comprehensive* understanding of a country's ability to protect individuals from poverty. For this reason, I will measure protection against poverty in policy bundles, or what I have termed "poverty policy regimes."

I define poverty policy regimes as the package of policies that protect citizens from poverty. I argue that these regimes should be measured along two dimensions: the regime's attention to (1.) risk prevention and (2.) risk coping. Risk prevention refers to all policies that aim at improving living standards and the human capital endowments of individuals in order to keep them from falling into poverty. In particular, this category of policies includes investment in education and healthcare. To measure coverage of education services, I include indicators that assess primary and secondary attendance rates in the bottom income quintile for the year 2000 (or closest observation). This variable is taken from ECLAC's online database (ECLAC 2006: <http://www.eclac.cl/badeinso/Badeinso.asp>). The early drop-out rate is another measure of education coverage that captures how effectively states invest in the poorest sectors of society. A study of school abandonment in Latin America finds that drop-outs disproportionately belong to poor households, concluding that, "on average, the global drop-out rate in the first quartile in urban areas is 37%, whereas in the highest income quartile it is 14%," (ECLAC 2002: 113). Moreover, the study finds that in urban areas over half of the children who drop out without completing the primary cycle come from the 25 percent lowest income households (ECLAC 2002: 114). The reasons for school abandonment are manifold, but several studies demonstrate that public policy, namely *how* educational funds are spent, can make the difference in whether or not children complete their schooling (ECLAC 2002; Bogliaccini 2006). In particular, ECLAC finds

that increasing the provision of preschool education, the introduction and/or expansion of targeted subsidies to high-risk schools, creating conditional cash benefits, and improving the accessibility of schools are all policies that have contributed to a reduction in drop-out rates among poor students (ECLAC 2002: 109). For this reason, I include a measure of the share of youths aged 15-19 who dropped out of school before completing the primary cycle. The value is compiled by ECLAC (2002) and is calculated from household surveys in the late 1990s.⁶

Coverage in the area of healthcare is more difficult to measure. Indeed, very few household surveys contain questions that tap an individual's use of basic health services. Fortunately, however, there is good comparative data on the prevalence of illness and causes of death. These measures serve as reasonable proxies for the degree to which public healthcare services provide a basic level of protection for the poorest sectors of the population. One such measure is the neo-natal mortality rate. The World Health Organization contends that deaths among new-born infants (during the first twenty-seven days) is a good indicator of maternal and newborn care (World Health Organization 2007). In other words, this variable captures mothers' and newborns' access to healthcare services before, during, and immediately after birth. I, therefore, include the neo-natal mortality rate in this analysis.⁷ Another proxy measure of access to basic healthcare is the percentage of deaths among five-year-olds due to diarrhea-related disease. While these deaths are partly tied to issues of water sanitation, the World Health Organization (2007) notes that this variable is "fundamentally affected by the effectiveness of, and access to the health service" (2). Finally, I include a measure of deaths among five-year-olds due to pneumonia as my third measure of healthcare coverage among the poorest sectors. Public health experts note that if treated early, there is no reason for pneumonia to result in death. Thus,

⁶ The data for Argentina, Ecuador and Uruguay are for urban areas only. Since Argentina and Uruguay are highly urbanized countries: 89 and 91 percent respectively in 2001, this should not bias those measures. In the case of Ecuador, only 61 percent of the population lived in an urban center in 2001 (World Bank 2006). Since rural areas in Latin America tend to be characterized by higher levels of poverty and lower access to protection policies, the value for Ecuador may appear lower than the actual drop-out rate.

⁷ This is defined as the share of newborns under 27 days of life who die per 1000 births.

high levels of death due to this illness suggest poor coverage of basic healthcare. All three health coverage measures are compiled from the World Health Organization’s Core Health Indicators and represent values for the year 2000 (World Health Organization).

The second dimension of the poverty policy regime, risk coping, focuses on assistance to families and individuals who have already fallen victim to risk. This dimension of the regime includes contributory and non-contributory subsidies. To assess coverage of a state’s social protection policies, I include an indicator of overall pension coverage⁸ (the share of working-aged people [16-65 years] who will have access to some form of pension) and pension coverage in the salaried informal sector (ECLAC 2006: 45). The latter is a proxy for the coverage among “outsider groups,” while the prior is a measure of formal market coverage.⁹ Both measures are for the year 2001-2002.

Table 2.2: Indicators of Poverty Policy Regime Measure

Risk Prevention	Risk Coping
<ul style="list-style-type: none"> • Primary School Attendance in the bottom income quintile • Secondary School Attendance in the bottom income quintile • The share of 15-19 year-olds who dropped out before completing primary school • Neo-natal mortality rate • Deaths among children under five years of age due to diarrhea diseases • Deaths among children under five years of age due to Pneumonia 	<ul style="list-style-type: none"> • Share of all workers who will have access to a pension • Share of informal salaried workers who will have access to a pension.

All of the indicators included in the “poverty policy regime” measure are presented in table 2.2. The values for each country are from the late 1990s and early 2000s. Having discussed

⁸ A World Bank study by Rofman (2005) presents a measure of pension coverage among the active population. This measure correlates with the ECLAC measure at 0.93, but offers better country coverage.

⁹ Another potential measure of “outsider” pension coverage is women’s access to a pension. Women are often classified as “outsiders” because of the fact that they tend to exit the labor force several times over the course of a lifetime in order to care for children and/or the elderly and thus do not typically enjoy employment guarantees. An additional reason why women are might be classified as labor market outsiders is because of the fact that they make up a disproportionate share of part-time (or sub-contracted) workers. This “outsider” status, however, is not seemingly captured by ECLAC’s (2006) measure, which correlates with total pension coverage at (0.98). I, therefore, do not include the variable in this analysis.

this measure of poverty protection, I now turn to the empirical study, which uses cluster analysis to formulate a typology of social protection systems in the region.

2.3 Methods and Analysis

I analyze data from 18 Latin American countries, namely Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. To identify patterns of social protection, I employ cluster analysis; a technique that is commonly used to develop typologies or classifications (Aldenderfer and Blashfield 1984). Cluster analysis is a statistical method that classifies objects, or in this case countries, into homogenous groups (or clusters) that exhibit low levels of internal variation relative to between-cluster variance (Dillon and Goldstein 1984).

Two types of cluster techniques can be used to generate a typology. The first technique is called “hierarchical” and is typically used when the researcher does not know how many “natural” clusters exist in the data. The second technique is called “partitioning” and allows the analyst to impose a set number of clusters. Since I do not know with certainty whether Latin American states group into meaningful clusters with regard to their social protection (and if they do form clusters, how many groups exist), I employ a “hierarchical agglomerative” technique.¹⁰ Hierarchical-agglomerative cluster analysis begins by considering each country as a separate entity; it then joins the two most similar states, followed by the next closest case and the next closest, continuing until it has fused all countries into one cluster comprised of all 18 cases. This process of grouping similar countries is achieved by calculating a distance matrix. Several measures of distance can be employed for this process, but I use the most common measure:

¹⁰ Hierarchical agglomerative techniques differ from hierarchical divisive approaches in the presentation of the cluster. While the agglomerative approach begins with n objects and forms fusions until all objects are linked by one cluster, the divisive approach partitions the data into finer divisions until each case forms its own cluster (Dillon and Goldstein 1984).

squared Euclidian distance.¹¹ While this distance measure is widely used in cluster analysis, it does require that the variables included in the analysis be standardized because the Euclidean assessment of similarity is heavily influenced by elevation differences (Aldenderfer and Blashfield 1984). For this reason, I standardize all variables included in the analysis.

Once the cluster technique and distance measure have been selected, the researcher must decide which linkage method is most appropriate for the study. The choice of linkage technique is important, as each mechanism uses different criteria for forming pairs and may, therefore, produce distinct clusters (Aldenderfer and Blashfield 1984; Dillon and Goldstein 1984; Romesburg 1984). The most commonly used linkage methods are single linkage, complete linkage, average linkage, and Ward's method (Romesburg 1984). The single linkage technique joins cases when *at least one of the countries* included in the cluster exhibits the same level of similarity as the case that is being considered for inclusion (Aldenderfer and Blashfield 1984). For this reason, the technique tends to form long clusters. The complete linkage technique works in an opposite manner and joins cases when the object in question is within a certain level of similarity to *all other cases* in the cluster, which Aldenderfer and Blashfeld (1984) note is a more rigorous rule and thus tends to form more compact and homogenous clusters (40). The average linkage technique is a middle ground between the single and complete linkage mechanisms and pairs countries based on the average similarity of a country with all cases in the existing cluster (Aldenderfer and Blashfield 1984). Finally, the Ward's linkage method forms clusters that minimize the increase in the error sum of squares within each grouping (Aldenderfer and Blashfield 1984). Many studies in the social sciences employ the Ward's method and several authors argue that this technique is most effective at uncovering "true clusters" (Rudra 2006; Blashfield 1976; Aldenderfer and Blashfield 1984). I, therefore, use Ward's cluster technique as

¹¹ Squared Euclidian distance is the most-commonly used distance measure in cluster analyses (Aldenderfer and Blashfield 1984).

my primary tool of analysis, but check the robustness of the findings using the complete and average linkage mechanisms.¹²

As mentioned previously, the variables included in this analysis are standardized so that all indicators have a mean of zero and a standard deviation of one. This ensures that differences in scale will not affect the cluster results. Due to the fact that the indicators of coverage in each policy sector are highly correlated among themselves – health indicators among health indicators, etc. – I performed a diagnostic test before running the cluster analysis. To ensure that the results are not biased by multicollinearity, I regressed all variables in each policy sector on the remaining indicators for that sector and performed a variance inflation factor (VIF) test. In all three tests of the education variables, the VIF value was less than 1.6, suggesting that there is no problem of multicollinearity with these indicators. As regards the health policy indicators, the results were a bit higher, but only one of the tests was remarkable (5.61) and the value is well-below 10, which is the accepted threshold for diagnosing severe problems of multicollinearity (Chen; Fox 1991). For the measures of pension policy, the VIF value was 1, confirming that this cluster analysis does not present problems of multicollinearity.

2.4 Results

In this section I report the results of two separate analyses: whether countries form meaningful and distinct clusters in the areas of risk prevention and risk coping. I then present a categorization of states and discuss group performance on each indicator.

A significant challenge for research that employs cluster analysis is to determine meaningful cut-off points between country groups. One way of establishing the boundaries of a cluster is to analyze the dendrogram (cluster tree) and draw subjective cut-off points. A more objective way of establishing the boundaries of each cluster is to examine the fusion coefficients and identify a steep increase in value. Such a spike denotes the merging of two dissimilar groups

¹² I do not test for the robustness of the findings using the single linkage mechanism because of the tendency of this technique to form long clusters and groups relatively dissimilar cases.

and thus a cut-off can be assumed (Aldenderfer and Blashfield 1984). Another more formal way of determining how many groups exist in a cluster analysis is to use a statistical “stopping rule.” There are several options for stopping rules, but one study comparing more than 30 of these rules found that the Duda and Hart procedure was one of the most effective tools for determining a cut-off (Milligan and Cooper 1985). In light of these findings, I use the Duda and Hart stopping rule. The Duda and Hart rule reports a table of values for $Je(2)/Je(1)$ and a pseudo T-squared statistic.¹³ To determine the number of meaningful groups in an analysis, one must find the point with the largest $Je(2)/Je(1)$ value that corresponds to a low pseudo T-squared value, which has a higher value above and below it. This point is highlighted in tables 2.3 and 2.4.

The stopping-rule statistics for the cluster analysis of risk prevention policy coverage are reported in table 2.3 and reveal that for the risk prevention dimension of social protection, five groups of countries exist. I tested the robustness of these findings using both the complete and average linkage techniques and both tests revealed the same number and composition of clusters, suggesting that the results are quite reliable.¹⁴ Careful consideration of the dendrogram for this analysis (Figure 2.1) reveals that three of the clusters are multi-country units, while two are comprised of only one country. Although the existence of two single-case clusters is not ideal, it does make sense in a region marked with extreme diversity.¹⁵ Moreover, the composition of the three multi-country clusters has high face validity. I, therefore, focus on the three broad categories of risk prevention systems that exist in Latin America.

¹³ $Je(2)$ is the sum of squared errors in resulting subgroups, while $Je(1)$ is the sum of squared errors in the group that is to be divided. A division into subgroups makes sense if $Je(2) < Je(1)$ because the two resulting groups are more homogeneous than the original group (as indicated by the sums of squares).

¹⁴ These results can be found in appendix A to Chapter 2.

¹⁵ A careful look at each country’s performance (see Table 5) suggests that Bolivia and Venezuela may have misreported the enrolment ratios and drop-out rate. Although other sources list a similarly high value for Bolivia’s primary and secondary enrolment ratio, it is unlikely that the country outperforms Argentina, Chile, Costa Rica, and Uruguay. Similarly, Venezuela’s early drop-out rate is extremely high relative to other countries.

**Table 2.3: Duda Hart Stopping Rule:
Risk Prevention Cluster**

Number of Clusters	Je(2) / Je(1)	Pseudo T-squared
1	0.5797	11.6
2	0.588	8.41
3	0.5046	6.87
4	0.5732	4.47
5	0.549	2.46
6	0.5783	3.65
7	0.4608	2.34
8	0.4823	3.22
9	0.3903	3.12
10	0.3244	2.08
11	0	-
12	0.4861	2.11
13	0	-
14	0	-
15	0	-

Figure 2.1: Dendrogram for Risk Prevention (Ward's Cluster Technique)



The results of the analysis of risk coping policies on their own are presented in table 2.4 and Figure 2.2. In the case of risk coping, the region is divided in two groups. I tested the robustness of these findings by conducting the same analysis with different linkage mechanisms (complete and average) and both tests produced the same number and composition of clusters.¹⁶

The fact that there are clear differences in the clusters found in risk prevention and risk coping is interesting, as it suggests that risk prevention and risk coping policies do not necessarily go hand-in-hand. Indeed, while countries such as Mexico, Venezuela, Brazil, and Panama are among the “high performers” in the risk coping dimension, their risk prevention policies are less effective at protecting the lowest sectors of society. In the explanation of policy formation, therefore, I shall pay careful attention to variation in the processes of policy formation in distinct sectors.

Table 2.4: Duda Hart Stopping Rule: Risk Coping Cluster

Number of Clusters	Je(2) / Je(1)	Pseudo T-squared
1	0.2414	47.12
2	0.2956	14.29
3	0.1426	42.09
4	0.1592	15.85
5	0.0559	33.8
6	0.0241	40.46
7	0.2358	9.73
8	0.1383	6.23
9	0	-
10	0.0195	50.32
11	0	-
12	0	-
13	0.3734	1.68
14	0	-
15	0	-

¹⁶ The results of these tests can be found in the appendix.

Figure 2.2: Dendrogram for Risk Coping (Ward's Cluster Technique)



Country and cluster performance on the six indicators of risk prevention policies are presented in table 2.5. The relative performance of each of the three clusters is uniform across all six indicators: the countries offering the best level of prevention to the poor are Argentina, Chile, Costa Rica, and Uruguay (Cluster one). The second group of countries (Brazil, Colombia, Ecuador, Mexico, Paraguay, Panama, and Peru [Cluster two]) offer the next best level of protection and the third group (the Dominican Republic, El Salvador Guatemala, Honduras, and Nicaragua [Cluster three]) offer the lowest level of protection.

Differences between cluster one and two are stark, but this is particularly true for the variables related to health coverage and the early drop-out rate. The average value in cluster two for the share of 15-19 year-olds who dropped out of primary school is 9 percent, which nearly doubles the 4.75 average rate of early school abandonment in Argentina, Chile, Costa Rica, and Uruguay. The health indicators reveal even larger differences, with an average value for the share of deaths of children under five years of age due to pneumonia of 11.5 percent in cluster

two, while the average value in the high-performing cluster is 4.75 percent. Similar variation exists with regard to the neo-natal death rate and the share of deaths among children under five that are attributed to diarrhea-related illnesses.

Table 2.5: Country and Cluster Performance in Risk Prevention

COUNTRY	Primary School Attendance Quintile 1	Secondary School Attendance Quintile 1	Early Drop- out Rate	Death due to Pneumonia (5-year-olds)	Death due to Diarrhea (5-year- olds)	Neo- natal Death Rate
Argentina	99.3	73.4	2	3.4	1.3	1
Chile	98.7	76.9	5	6.2	0.5	0.6
Costa Rica	98.6	65.2	10	4	3	0.7
Uruguay	98.2	60.1	2	5.4	2.3	0.7
Cluster 1 Average	98.7	68.9	4.75	4.75	1.78	0.75
Brazil	95.4	71.9	20	13.2	12	1.5
Colombia	91.8	66.1	9	10.4	10.3	1.4
Ecuador	94.5	64.6	3	12	11	1.6
Mexico	95.5	61.1	7	8.5	5.1	1.5
Paraguay	95.8	63.6	12	11.9	10.7	1.6
Panama	96.8	67.8	4	10.8	10.7	1.1
Peru	98.4	76.3	8	13.6	12.2	1.6
Cluster 2 Average	95.46	67.34	9.00	11.49	10.29	1.47
Dominican Republic	77.2	64.8	17	13	11.7	1.9
El Salvador	87.8	64.1	33	13.4	12.4	1.6
Guatemala	83.2	43.6	32	15	13.1	1.9
Honduras	86.5	47.8	21	13.8	12.2	1.8
Nicaragua	84.9	57.9	25	13.7	12.2	1.8
Cluster 3 Average	83.92	55.64	25.6	13.78	12.32	1.8
Bolivia	99	87.2	21	17.1	14.3	2.7
Venezuela	95.5	62	30	5.9	9.9	1.2

The third group of countries (the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) are the poorest performers in the region when it comes to risk prevention. In comparison with cluster two, these countries exhibit an even lower capacity to deliver risk prevention to the poorest sectors of society, but are particularly ineffective with their educational investments. Indeed, while 95.46 percent of the poorest children attend primary school in cluster two, only 83.92 percent attend in cluster three. Similarly, there is a 12 percentage point difference between the two groups with regard to secondary school attendance

in the bottom quintile and a 16 percentage point difference in early drop-outs. In summary, while the primary difference between the high performers and middle group can be found in the area of healthcare, the middle and bottom group are differentiated by educational coverage.

Table 2.6: Country and Cluster Performance in Risk Coping

COUNTRY	Total Pension Coverage	Informal (salaried sector) Pension Coverage
Argentina	56	22.7
Brazil	47.8	34.4
Chile	64.9	50.8
Costa Rica	65.3	43.3
Mexico	55.1	25.5
Panama	53.8	36.5
Uruguay	63.8	43.9
Venezuela	61.5	19.9
Cluster Average	58.53	34.63
Bolivia	14.5	6.8
Colombia	34.79	11.75
Dominican Republic	44.7	14.8
Ecuador	32.30	12.80
El Salvador	32.9	10.9
Guatemala	17.8	10
Nicaragua	18.3	7.4
Paraguay	13.5	4.1
Peru	13	3.8
Cluster Average	24.64	9.15

The country and cluster performance for the risk coping indicators is presented in table 2.6. The differences between the two groups of countries is remarkable, with an average of 59.53 percent of workers having access to a pension in the advanced world of protection (cluster one) compared to only 24.64 percent in the low-performance group (cluster two). Similarly, about 34.63 percent of informal (salaried) workers have access to a pension on average in cluster one, while a mere 9.15 of similar workers have access to a pension in the low-protection world of Latin American risk coping.

In summary, Latin American countries appear to group into three general categories of risk prevention and into two groups in the area of risk coping. In table 2.7, I present a three-by-two matrix that combines country classification on both dimensions of poverty protection.¹⁷ This table, therefore, represents the different configurations of poverty policy regimes that exist in the region. The descriptive table reveals that four general patterns of social protection exist in the region. Group one is comprised of Argentina, Chile, Costa Rica, and Uruguay and is characterized by high performance in both risk coping and risk prevention. The fact that these four countries are leaders in delivering prevention and coping policies to the bottom-most sectors of society is interesting, as it suggests that there is not necessarily a trade-off in the design of poverty protection for which a country must choose between *either* investing in human capital *or* providing basic income supplements to impoverished families. Rather, quite the opposite appears to be the case since those countries that have developed the most-advanced risk coping devices tend to be the same states that actively engage in risk prevention, while the low-quality risk coping countries also struggle to implement effective mechanisms to prevent risk.

Table 2.7: Risk Prevention and Risk Coping Combinations

	RISK PREVENTION		
	Low	Medium	High
RISK COPING	Dominican Republic El Salvador Guatemala Nicaragua 4	Peru Colombia Ecuador Paraguay 3	
		Brazil Mexico Panama 2	Argentina Chile Costa Rica Uruguay 1

A second configuration of poverty protection policies exists in Brazil, Mexico, and Panama. These countries deliver high quality risk-coping policy, but lag behind in the area of

¹⁷ Bolivia, Honduras, and Venezuela are not included in this table. I exclude Bolivia and Venezuela because the two countries formed unique “clusters” on risk prevention and thus do not fit into the general categorization. Honduras is excluded because no data is available for the country’s risk coping programs and therefore it cannot be classified on that dimension. That said, based on case knowledge, it is likely that Honduras would fall into group four.

risk prevention. The performance of this group suggests that the variables contributing to the development of risk prevention policy may differ from those required for the creation of a successful risk coping system. The third configuration of poverty protection is exemplified by Colombia, Ecuador, Paraguay, and Peru and consists of medium levels of risk prevention and low levels of risk coping. Finally, a fourth group of states (the Dominican Republic, El Salvador, Guatemala, and Nicaragua) is ineffective at delivering both risk prevention and risk coping policies to the poorest sectors of society, thus ranking in the lowest category on both dimensions. The existence of four configurations of poverty policy in Latin America is interesting and points to a pressing question: what factors explain country placement in each of these categories? In the remainder of this chapter I attempt to provide a preliminary answer to this question.

2.5 Explaining the Structure of Poverty Protection in Latin America

Welfare policies are the slow and cumulative product of years of political mobilization, debate, and negotiation. Indeed, spending on social programs tends to move gradually from one year to the next, with tax revenue and previous commitments tying states to similar levels of spending for any given year. For this reason, social welfare policies are one arena of political action where a long-term analytic lens is useful for discerning causal processes. This fact has been well established by scholars of advanced industrial welfare states, where studies have shown that path dependent processes have locked countries into bounded trajectories, where both expansion and retrenchment are influenced by long-term developments (Huber and Stephens 2001; Esping-Andersen 1990; Pierson 1994). Even in Latin America, where populist leaders and economic volatility have been commonplace, year-to-year shifts in social spending (both in quantity and design) are relatively smooth.¹⁸ Indeed, it is safe to say that social safety nets are neither constructed nor disassembled over night. For this reason, the historical explanation of country performance in poverty protection presented in this chapter pays careful attention to

¹⁸ It should be noted, though, that spending in the region is significantly more volatile than in advanced industrial democracies.

historical developments and long-term processes. To focus the analysis, I center the discussion on the three questions that I believe lay the basis for the construction of a general explanation: (1) what were the political, economic, and social factors that allowed Argentina, Chile, Costa Rica, and Uruguay to develop advanced prevention *and* coping devices? (2) what are the economic, social, and political factors that facilitated the development of advanced risk coping, but middle-range risk prevention in Brazil, Mexico, and Panama?, and (3) why have some Latin American states lagged behind in the development of risk coping *and* prevention devices?

Research on the emergence and reform of welfare policy in several regions of the world has found political regime type to be an important variable. Many authors have found that in general, and in for particular case of Latin America, democracy is “good for the poor,” providing a setting that facilitates the expansion of social protection (Sen 1999; Przeworski 2000; Pribble, Huber, and Stephens Forthcoming; Filgueira 2005). Democracy has the potential of influencing the lives of the poor because it provides a system within which marginalized groups can attempt to organize and obtain a voice in the decision-making process, thus placing greater pressure on the state to respond to their needs. The simple presence of democracy does not, however, ensure that the rights of the poor will be protected. Rather, these groups must organize, mobilize, and find representation in order for the political regime to produce the kinds of policies that help underprivileged citizens. In other words, the political game must evolve into a competitive process. It is, therefore, not enough to consider democracy as a dichotomous variable, but rather the regime type should be conceptualized in terms of its depth and strength. Further, it is clear that the process of mobilization and representation does not occur quickly. Rather, groups must forge alliances, find representation, and be elected into power. For this reason, it is also important to consider the length of a democratic regime when assessing its potential impact. In summary, when analyzing regime type, it is important to consider whether the democratic history in question is one of limited formal democracy or if the democratic regime evolved toward a more inclusive system. It is also essential to consider how long the regime existed. All of these

shades of political liberalization have important effects on the likelihood that democracy will result in positive change for poverty protection in the long term. In particular, I expect that the onset of democracy will provide incentives for the creation of risk prevention programs, but the extension of these programs to the poorest sectors of the population will only occur in the wake of a more inclusive democratic experience or as the result of a long and uninterrupted record of democracy.

In contrast to democracy, authoritarian regimes have generally been found to be negative for the poor.¹⁹ Because such regimes do not require mass support to maintain their grip on power, but rather rely on coercion and the support of often times small yet key sectors of society, these regimes are unlikely to invest in programs aimed at protecting marginalized groups in the population. This relationship, however, is also more nuanced than the simplified version described here. Like democracy, authoritarianism comes in several shapes and sizes. The region of Latin America has been witness to at least three different versions of authoritarianism. Perhaps the best known form of Latin American authoritarianism is that of the 1960s-‘80s, which O’Donnell (1973) termed bureaucratic authoritarianism. These regimes emerged in response to the populist governments of the 1950s and ‘60s and were conservative in nature, uniting portions of the internationalized technocratic elite and the military (O’Donnell 1973). They involved high levels of repression and sought to stabilize the economy. Bureaucratic Authoritarian Regimes in Latin America include Argentina (1966-1973 and 1976-1983), Chile (1973-1989), Brazil (1964-1985), and Uruguay (1973-1984) (Rueschemeyer, Stephens, and Stephens 1992).

Bureaucratic Authoritarianism was not the only form of dictatorship that Latin America witnessed in the 20th century. Another variant of authoritarianism, which is perhaps best illustrated by the government of Gétulio Vargas in Brazil (1930-1945), has been described by some as populist authoritarian (Dix 1985). Dix (1985) notes that such regimes, while

¹⁹ It should be noted that this finding is disputed. Ross (2006), for example, contends that democracies do not exhibit less poverty than authoritarian regimes if one considers non-income poverty and corrects for the sampling bias generated by missing data from authoritarian governments.

authoritarian in nature, were cross-class movements that enjoyed the support of large sectors of the working class or the peasantry. Although working in a setting of limited political liberties, these regimes carried out policies that sought to offer some protection to previously marginalized groups. In this vein, Rueschemeyer, Stephens, and Stephens (1992) contend that:

“populist authoritarian regimes sought changes in the social and economic structure as well as in the political system. They promoted domestic industrialization, attempted to restrict the role of foreign capital, pursued redistributive policies, and mobilized popular forces, particularly the urban working class,” (Rueschemeyer, Stephens, and Stephens 1992: 211).

Peru’s experience under Juan Velasco, Nicaragua’s Sandinista government, and some Mexican presidencies, namely that of Lázaro Cárdenas, are additional examples of populist authoritarian rule.

Finally, the most common form of authoritarianism in Latin America’s history is that of the traditional authoritarian regime, which was sometimes directed by military leaders and other times in the hands of civilians. One part of the region that was witness to several such regimes was Central America, where conservative forces aligned with large landowners as well as with external powers (particularly the United States) to limit the extension of political rights. These regimes differed from both Bureaucratic Authoritarian regimes and Populist Authoritarianism in both their origin and aims. Rueschemeyer, Stephens, and Stephens (1992) explain these differences, noting that while Populist Authoritarian and Bureaucratic Authoritarian regimes looked to alter both the economic and political structure of the state, traditional authoritarian governments limited their change to the political decision-making realm and often had the goal of maintaining the status quo distribution of power (213).

In Latin America, then, political regimes have ranged on a broad spectrum from traditional authoritarian to fully-inclusive democracies. I contend that each country’s regime trajectory (and the sequencing and length of experience in each regime type), influenced the development and consolidation of its poverty policy regime. In particular, I argue that political regime type was of fundamental importance for the creation of risk prevention programs and the

eventual extension of these services to the bottom-most sectors of society. The nature of risk prevention programs, namely that they have a long time horizon (there is no direct exchange of benefits, but involve a timely process of building up the human capital of a society) and that users of these services tend to be disparate and offer little advantage in constructing a power base, means that their creation will only emerge in the presence of a larger commitment to the extension of rights and the creation of citizenship. The concept of citizen rights and empowerment is typically part and parcel of liberal democracy. Still, in order for such prevention programs to be extended to the bottom-most sectors of society, democratic regimes must either pass through a period of mobilization and incorporation, or sustain an uninterrupted course that permits the slow but steady extension of education and health services to the poorest sectors of society. For this reason, I argue that regime type is of fundamental importance in the formation and consolidation of risk prevention policy.

In a similar fashion, however, different types of authoritarian regimes also have divergent effects on risk prevention policy formation. Indeed, as mentioned previously, one form of authoritarian regime – populist authoritarian – enjoyed cross-class support and sought to provoke economic transformations in society. For this reason, it is likely that these regimes directed some efforts at creating the risk prevention programs and making limited efforts to extend the services to broader portions of society. Conservative authoritarian regimes that sought to maintain the status quo, by contrast, were unlikely to make efforts at expanding education and health services. Thus, I expect the middle category of “risk prevention” states to be comprised of countries that experienced long periods of limited democracy or significant periods of populist authoritarianism. Further, I hypothesize that countries exhibiting the lowest level of risk prevention will be characterized by prolonged periods of conservative authoritarian rule or regular alternation between an oligarchic (limited) democracy and conservative authoritarianism.

The fact that countries cluster differently for risk coping and risk prevention suggests that the causal processes resulting in their creation differs. For this reason, I contend that a decisive

factor in the creation of risk coping programs is the country's industrial development trajectory. The way in which industrialization influenced policy was not, however, the manner described by Wilensky and Lebeaux (1965). These authors seek to explain the emergence and consolidation of advanced welfare states, arguing that certain consequences of industrialization, namely the expansion of the life span and the erosion of the agrarian system of familial protection, resulted in the need for state-sponsored protection. In other words, the theory they outline is one of a functional fit between industrialization and social protection. Wilensky and Lebeaux' (1965) theory has been contested in the literature on advanced industrial welfare states and criticized for lacking specificity about the agents of change (Myles and Quadagno 2002). I agree with these criticisms and contend that the impact of industrialization on the development and expansion of risk coping programs was not functional, but occurred because of changes to social structure that were provoked by the industrial experience. Specifically, the creation of urban centers and the expansion (and concentration) of a new working class acted as an impetus for change. As the working class grew and organized itself, the actor took on a political relevance. While the combined effect of democracy and industrialization helped speed the development of broad risk coping programs, (thus explaining the extremely early emergence of such policies in Uruguay for instance), the creation of risk coping policy also occurred in settings of limited democracy and authoritarianism. This is because regardless of the scope of voting rights, the emergence of a sizable urban working class was a fact that could not be ignored in Latin America's early-industrializing countries. Thus, even in authoritarian settings, elites often sought to ease pressure on the political system and offer some form of increased rights and protection to workers. In Brazil and Mexico, for example, risk coping policies were used as a tool to achieve this goal. In other words, industrialization provoked a change in the social structure that created both demands from below *and* political incentives from above to create basic risk coping devices. For this reason, the trajectory of a country's industrial development is a key variable in explaining the formation of risk coping policy.

A careful examination of the composition of poverty policy configurations in table 2.7 reveals, at the very least, some correlation between regime type and country performance on the risk prevention dimension of poverty protection. Similarly, the country groupings suggest that a state's industrial trajectory does differentiate cluster one from cluster two. More specifically, it would appear that those states that engaged in state-led development were more likely to build expansive risk coping systems than countries that did not pass through a similar process. To fully explore these relationships, I now turn to a comparative historical analysis of the countries in group one (those that rank "high" in both risk prevention and risk coping). I seek to illustrate how two variables: regime type and industrial trajectory influenced the development of their poverty policy regimes.

The two countries with the earliest introduction to participatory democracy, Argentina and Uruguay, are found in the high social protection group. These two states, while experiencing subsequent authoritarian set-backs, made early progress in incorporating mass sectors of the public into the political process. Argentina was the first to extend political representation to a large share of the population with the 1912 electoral reform. This early opening of the political arena had important implications for the country and resulted in a first step toward a competitive party system (Rueschemeyer, Stephens, and Stephens 1992). The extension of political rights coincided with the emergence of a working class, but because of the continuing dominance of oligarchic sectors, there were no significant moves to incorporate workers into the political arena until the late 1920s (Collier and Collier 1991). Still, the 1912 extension of voting rights did support the formation and growth of the Radical and Socialist parties (Rock 1972). The Socialist party was a minor actor that controlled almost no power, but the demands of the party in its early years reveal the emerging political interests of Argentina's subordinate sectors. The party lobbied for universal suffrage, a progressive income tax, and compulsory education (Rock 1972).

The true beneficiary of the 1912 electoral law, however, was the Radical Party, which largely represented the interests of Argentina's middle sectors, while leaving the power of the

country's strong oligarchy unchallenged. Despite this moderate stance, the policies of Radical President Yrigoyen (1916-1922) marked the first steps toward the development of a labor protection system. The government enacted legislation that limited on the length of the work day, mandated a rest period, regulated female and child labor, and created work injury and health and safety standards (Lavrin 1995; United States Social Security Administration 2003). In addition to these labor protections, Filgueira (2005) notes that the Yrigoyenista years involved an expansion in the public education system. The government also initiated Argentina's first attempts at establishing a public health service (Filgueira 2005). In other words, historical evidence suggests that despite the limited efforts to incorporate the working class, the introduction of competitive political pressures did provoke moderate developments in risk prevention policies. While some of this competition occurred in the form of clientelistic and particularistic exchange, and all of it occurred under the watchful eye of the oligarchy, the Radicals enacted moderate public policies aimed at extending education, healthcare, and labor protection to Argentina's middle sectors.

The period of Radical rule, therefore, confirms the positive effects that democracy has for the introduction of risk prevention policies. However, the limited scope of education and healthcare programs also reveals the fact that protection of the poorest sectors does not result from the simple introduction of democracy, but also requires increased inclusion or an extended period of uninterrupted democratic development. In the case of Argentina, democracy has experienced many interruptions, but the country also witnessed an intense period of mobilized democratic inclusion, which occurred during the first populist government of Juan Perón (1946-1952) and illustrates the effect that mass democracy can have on the extension of risk prevention policies.

The 1946-1952 Perón Presidency involved extremely high levels of popular sector participation and mobilization. The government moved quickly to expand existing risk prevention programs. In this way, Perón's education and healthcare policy innovations are illustrative of the potential impact of extensive (mass) democracy on the expansion of risk

prevention programs. Perón's first six year government was characterized by a significant increase in education expenditure and witnessed a dramatic expansion in the number of schools and in student enrolment (Rein 1998). Indeed, education spending as a share of total government expenditure rose from 5.6 percent in 1943 to 7.2 percent in 1950 (Rein 1998: 36). Additional evidence of the extension of risk prevention can be seen in the growth of elementary schools, which increased by 1101 schools between 1939 and 1945, and by 3116 schools between 1946 and 1952 (Rein 1998: 38). Put differently, school coverage during Perón's first government grew at a rate that nearly tripled previous periods. The network of secondary schools was also expanded, growing from 95 schools in 1946 to 139 in 1951. Unsurprisingly, the extension of schools to new areas also resulted in a significant increase in enrolment. Between 1946 and 1952, 476,464 children were enrolled in primary school and 8,074 children joined secondary establishments (Rein 1998: 38). To ensure that these measures benefited the lowest sectors, the government created feeding programs and transportation assistance to provide special assistance to low-income children.

In the area of healthcare, the story was similar. While the Radical governments of the early 20th century made moves toward building a public healthcare system, the reach of the services were limited. Much like in the education sector, it was Argentina's experience with a more inclusionary form of democracy that saw the extension of this risk prevention device to the poorest sectors of society. The 1946 creation of the Ministry of Health and programs such as "tren sanitario," sought to deliver healthcare services to underprivileged sectors that had previously not had access to the network of clinics and hospitals (Cámara de Diputados de la Nación, <http://www1.hcdn.gov.ar/dependencias/dip/documentos/DG.109.05.00-1.pdf>).

It is clear, then, that Argentine democracy did not result in the immediate expansion of education and health systems to the poorest sectors of society. While the incorporation of large portions of the population into the electoral arena in 1912 resulted in the creation of some protective devices, the significant extension of these programs occurred only after the democratic

regime experienced a period of mobilization and previously marginalized groups were incorporated into the policy-making arena. This period of Argentina's democracy is interesting in that it underscores how the expansion of risk prevention programs is not simply a bottom-up phenomenon in which underprivileged sectors issue demands for access to services and politicians respond in-kind. Indeed, while democracy did open the way for the issuance of such demands, it also provided incentives to politicians, independent of the existence of popular sector mobilization, to extend the reach of public services to broader sectors of the population in the hopes of winning their political allegiance. In other words, democracy created a setting that permitted the formulation and mobilization of citizen demands, but it also presented elites with new incentives to extend services to a broader portion of the population.²⁰ Democracy, therefore, appears to have prompted the creation and expansion of risk prevention devices through two distinct mechanisms.

Interestingly, democracy on its own served more as an impetus for risk prevention than risk coping. Indeed, unlike education and healthcare programs, which emerged in conjunction with democracy and then expanded with the incorporation of previously marginalized groups during Perón's first government, the bulk of Argentina's risk coping programs emerged after 1943. Moreover, the expansion of the programs occurred in both the authoritarian and democratic settings. Indeed, consideration of the Argentine case reveals that the country's risk coping devices came about as socio-structural changes provoked by industrialization resulted in the emergence of a sizable (and mobilized) working class. While some limited risk coping programs were created during the early decades of the 20th century, the majority of these programs were initiated under the leadership of Juan Perón (in both the authoritarian and democratic setting). During his time as Minister of Labor in the 1943-1946 military regime,

²⁰ This interpretation of the influence of democracy on policy formation squares nicely with Brown (1999), who finds that democratic regimes exhibit higher levels of primary school enrolment than their authoritarian counterparts. He contends that this is the case because the education appeals to politicians' desire to distribute public funds as broadly as possible so as to widen their support base.

Perón oversaw the creation of a pension system to cover commercial and industrial workers (United States Social Security Administration 2003). These programs tripled the number of individuals covered by social security between 1943-1946 (Collier and Collier 1991). In the democratic setting, Perón further expanded social security coverage, incorporating rural workers and various special categories into the system (United States Social Security Administration 2003), thereby boosting total coverage to 70 percent of the working-aged population (Collier and Collier 1991). This pattern of expansion reveals that political regime type on its own was less important for the expansion of social security programs. Indeed, even during Argentina's 1943-1946 authoritarian government, significant moves were made to expand social security programs so as to appease and appeal to the growing working class. Thus, the country's industrial trajectory was more important than the political regime in determining the development and expansion of risk coping programs.

Perón's leadership helped magnify the effects of industrialization because of his active role in promoting labor mobilization and state-led industrial development. Perón's economic project is known as import substitution industrialization (ISI) and was characterized by protections for domestic industry and a massive expansion of state participation in industry. Perón strengthened the power of labor by promoting policies that encouraged unionization and siding with workers in labor disputes. He then capitalized on this power to build a base for his movement. His time as President was, therefore, characterized by extremely high levels of labor mobilization. In addition to strengthening his own political following, Perón's extension of risk coping policies was also beneficial for his industrialization strategy since subsidiary (transfer) policies helped increase the consumption power of the working class. This coupling of ISI policies and the expansion of risk coping devices occurred in other countries as well, suggesting that in addition to the timing of industrialization, the degree to which the state engaged in an explicit developmental strategy influenced the likelihood that risk coping policies would be pursued. Additionally, ISI supported the creation and extension of risk coping policy because the

expansion of industrial work further strengthened the political power of popular sectors, which in turn increased their political demands, creating a cycle of risk coping expansion.

The Argentine case, therefore, suggests that while regime type was important for the initial creation and expansion of risk prevention services, the onset of industrialization and the growing strength of the urban working class generated a setting that favored the creation and expansion of risk coping policies. While this impetus was stronger in the democratic setting, it nonetheless existed under authoritarianism as well. The impact of industrialization on the emergence and growth of risk coping programs was further intensified by the fact that Argentina engaged in a state-led project of industrialization; a strategy well-served by increases in domestic demand, which was lifted by more expansive risk coping policies. Thus, for the creation and expansion of Argentina's risk coping mechanisms, regime type did not have a direct effect, although it likely influenced policy outcomes by providing a setting early in the country's history in which the emerging working class could mobilize and parties faced incentives to compete for their votes. Moreover, it is clear that the democratic setting during Perón's first Presidency worked to intensify the process of risk coping expansion.

Another Latin American state that democratized early in its history is Uruguay. Like Argentina, the early onset of democracy in Uruguay generated a setting in which leaders were forced to compete for voter support and organize their actions through political parties. At the onset of restricted democracy in 1903, Uruguay's party system was comprised of two catchall parties with factions that spanned the full ideological spectrum and thus divided elite sectors of the country between the two organizations. The existence of a divided and electorally-oriented elite that monopolized access to state-resources to furnish incentives to their constituencies, induced parties to seek the incorporation of subordinated groups, such as the urban poor, as a way to broaden their electoral bases (Luna 2005). In this vein, Filgueira (1995) estimates that the number of citizens who participated in elections grew from 50,000 in 1905 to 126,000 in 1917. The broader extension of voting rights, however, came in 1919 with a new constitution that

provided for universal male suffrage. In other words, Uruguay, like Argentina, witnessed a significant increase in the inclusion of previously marginalized sectors. The fact that the country's elite was divided meant that this process occurred earlier than in Argentina and did not entail a similar level of intense mobilization.

One of the first politicians to recognize the potential of winning the support of marginalized groups through the adoption of protectionist social policies was Colorado President José Batlle y Ordóñez (1903-1907 1911-1915), who oversaw the creation of several labor protection bills, the expansion of public education, and attempts at constructing some public health facilities (Filgueira 2005). The Batllista project was strongly rooted in liberal conceptions of development with the President seeking to construct a “model country” that was educated, industrialized, and economically independent (Collier and Collier 1991; Vanger 1980). In particular, several studies underscore how Batlle's education policies were closely tied to a larger liberal project, which saw education as a fundamental tool for creating an industrial workforce and promoting social integration (Vanger 1980; Filgueira 1995). To this end, Batlle y Ordóñez enacted legislation that made education compulsory through the intermediate level and expanded the number of primary and secondary schools in the country's interior regions, thereby extending coverage to children living outside of Montevideo (Filgueira 1995). While these laws did not respond to explicit societal demands, it is clear that the competitive and expanding character of Uruguay's democracy at that time presented incentives for the creation of more inclusive systems. In other words, democracy provided an impetus for the creation of risk prevention in Uruguay, not through the action of pressure groups and the issuance of demands, but rather by generating incentives for politicians to extend rights and build citizenship (Filgueira 1995). Unlike in Argentina, Uruguay's experience with democracy was more “mass-oriented” at an earlier stage. However, the process of inclusion in Uruguay occurred in a completely different manner from that of Argentina. This is because the nature of the country's party system, which divided the

elite and provided incentives for politicians to appeal to lower sectors, generated a setting that promoted democratic inclusion without large-scale mobilization.

The creation of risk coping devices in Uruguay was similar to that which occurred in Argentina. Uruguay's first risk coping programs emerged early in the country's history with the creation of a retirement system for teachers in 1896. The pension system grew in 1904, when the first government of Batlle y Ordóñez introduced a pension fund for public sector workers. In 1919 the public workers' fund was universalized to cover all categories of laborers. During that same year, a pension was created for industry, commerce, and service-sector workers and pensions were approved for individuals over the age of 70 who were deemed needy (Filgueira 1995). The timing of these reforms is interesting, as the period of great expansion (1919) coincided with the approval of a new constitution that introduced universal male suffrage. Additionally, these programs were introduced as industrialization was taking root and low levels of worker mobilization had begun to appear (Collier and Collier 1991).²¹ This is not to say that the creation of risk coping programs in Uruguay responded to mobilized demands from workers, but rather that increased urbanization and the presence of a new working class that had voting rights presented politicians with clear incentives to respond to the social question. One scholar of Uruguayan social policy development notes, "these activities [social policy developments] cannot be considered as responses to the challenges of industrial society but should be seen as contributions to shaping such a society. Rather than reacting to demands for social justice, the state attempted to mold the groups that could formulate such demands" (Filgueira 1995: 9).

This fact reinforces a point made in the analysis of the Argentine case: that countries where states were actively engaged in an industrialization project were more likely to witness the

²¹ Although the extent of industrialization in Uruguay prior to the ISI policies of the 1930s is debated, there is evidence of growing urbanization and some domestic industry prior to that point (Filgueira 1995: 4). Additionally, Furtado (1970) argues that Argentina and Uruguay, because of their focus on temperate agricultural commodities, constituted "an expanding frontier of the industrializing European economy" (47) and therefore "were from the start integrated into a productive sector of the world economy characterized by continuing technological advance" (48).

emergence of risk coping policies than states where such efforts did not exist. Still, Batlle's desire to "shape" the country's industrial society emerged precisely because industrialization was on the horizon. In other words, in the absence of industrial impulses and a competitive political system, the incentives to build a project like that of Batlle would not have been present. Moreover, while the initial creation of risk coping policies was the result of a top-down project, the extension of basic rights took on a life of its own with the passage of time. Such policies served to empower the popular sectors and build a constituency group that would then defend its rights and mobilize in support of new and better protection.

Another member of the "high" risk prevention and risk coping group is Chile, which also has a long democratic record, although mostly as a limited democracy because of laws that restricted suffrage to the literate population until the 1970 election. Still, the sheer length of the country's experience with democracy provided a positive setting for gradual progress in the area of risk prevention policies and ultimately for advanced risk coping policies. The case, however, provides additional evidence about the differential impact of limited and inclusive (mass-oriented) democracy. As noted by Lavrin (1995), during the first two decades of the 20th century, Chile lagged behind Argentina and Uruguay in the area of protective legislation (77). With the slow incorporation of middle and then lower sectors, however, Chile too began to see an active and mobilized popular sector (DeShazo 1983; Barria Seron 1960), which placed pressure on the previously elite political system to extend protection and benefits to marginalized groups. Interestingly, though, the real push toward universalizing Chile's risk prevention policies was made in the mid-late 1960s and early 1970s; this was also the period in which voting rights were finally extended to the full population and during which Chile underwent an intense process of

mobilization and democratic inclusion.²² This process reveals how mobilization influences the degree to which risk prevention policies are expanded to low-income sectors of the population.

Chile also ranks in the high-performing group in the area of risk coping. The Chilean social security system is often considered the pioneer in Latin America as it was the first country in the region to introduce social insurance, creating programs for the armed forces, civil servants, and railroad workers by the beginning of the 20th Century (Mesa-Lago 1989). Chile's social insurance system expanded slowly and likely responded to several factors, but key to this process was the fact that the country, while lagging behind Argentina and other countries, did experience modest industrialization (Rueschemeyer, Stephens, and Stephens 1992; Furtado 1970). As industry took root, and Chile's urban centers expanded, the country witnessed a growing level of worker mobilization (Collier and Collier 1991; DeShazo 1983). Evidence of the power of this movement and the perceived threat on the part of elite sectors can be seen in the political stalemate that resulted from President Arturo Alessandri's attempt to pass a reformist labor project between 1920 and 1924. Alessandri's proposal was rejected by conservative forces within the parliament and some sectors of the president's own Liberal Alliance because of growing concern about the increased strength and political clout of the working class. The stand-off over this legislation lasted four years, ultimately culminating in a 1924 military coup (Collier and Collier 1991).

In the aftermath of the 1924 coup, with a military-directed cabinet, Alessandri was able to move bills through the Congress that expanded social security and regulated labor practices (Collier and Collier 1991; Mesa-Lago 1989). It was during this period that the Chilean state extended pension programs to a broader sector of society, creating the Social Insurance Service, which covered blue collar workers, and the Social Insurance Fund for Private Employees (Mesa-Lago 1989). These policies, generated under the direction of General Carlos Ibañez, were part of

²² Examples of concentrated efforts to universalize risk prevention and coping include (among others): President Eduardo Frei Montalva's expansion of education services and President Salvador Allende's universalization of nutrition programs (Schkolnik and Salamanca 1997).

a larger modernizing project that would last until 1932 and sought to create a corporatist state (Collier and Collier 1991). Interestingly, then, the first significant push toward extending risk coping programs to broader sectors of Chile's population was carried out by an authoritarian government, thus suggesting that industrialization and the growth of the working class prompted the creation of social insurance programs even in the absence of democracy. The end of Ibañez' rule was accompanied by the re-emergence of labor as a mobilized actor and further increases in the coverage of Chile's risk coping devices. The post-depression era was also a moment of concerted effort by the Chilean state to promote its own industrialization through import substitution. Again, as was the case in both Argentina and Uruguay, the expansion of risk coping policies complemented this effort nicely, resulting in a further extension of such programs.

The last country that is among the high performers for both risk prevention and risk coping is Costa Rica. Costa Rica is perhaps the best case to illustrate the effects of political regime type on the formation of a social protection system. The country has a sustained record of democracy throughout the 20th century with only two brief authoritarian experiences (1917-1918 and 1948) (Polity 2003). Similar to Argentina, Chile, and Uruguay, the democratic setting in Costa Rica laid the groundwork for a liberal project that extended basic citizenship rights to broad sectors of society. This process happened at a much slower pace in Costa Rica, however, because of the elite-conservative character of democracy until the late 1940s and because of the country's low level of industrialization and urbanization (Rosenberg 1979). In this vein, the first four decades of the 20th century saw only one legal modification aimed at building a state-directed system of social protection (Rosenberg 1979). As time passed, however, popular participation expanded and political organizations such as the Communist Party began to emerge, forcing the National Republican Party (PRN) to re-evaluate its status-quo stance (Mesa-Lago 2000; Seligson and Muller 1987). Evidence of the shifting character of the PRN became clear in 1940 with the election of President Rafael Calderón, who broke with the conservative line of the party and created a national social insurance system in 1941. The system, while only covering a small

share of workers, represented the first step toward the construction of mechanism of state-provided social protection. The emergence of this protective policy, therefore, was made possible by the spread of democracy in Costa Rica, which resulted in increased competition, and subsequently, in new levels of attention being directed to the “social question.” In other words, this case illustrates how the spread of democracy can promote the introduction of basic risk prevention policy. The expansion of these policies, however, would require either an intense period of democratic inclusion or a long and uninterrupted record of democracy. In the case of Costa Rica, risk prevention programs were extended to broad sectors of the population in a gradual manner as the country’s democracy experienced slow, but sustained development.

Calderón’s 1941 reform served to alienate oligarchic sectors of his party and by 1945, several new actors had emerged to channel the diverging currents in society. That same year, two progressive groups who were critical of aspects of the Calderón project united to form the Social Democratic Party (PSD), which would later become the National Liberation Party (PLN). One of the main organizers of this movement was José Figueres, a landowner who was critical of Calderón, but who nonetheless favored social policies to protect individuals from falling into poverty (Mesa-Lago 2000). In the 1948 election, opposition candidate Otilio Ulate, who was backed by the PSD and some smaller conservative parties, defeated Calderón by a narrow margin. The incumbent responded to this outcome by annulling the results, citing fraud in the electoral process. In response to this move, Figueres and his supporters staged a revolt, placing a junta in power to administer the political system until 1949.

The ensuing 18 months of authoritarian rule, which is often referred to as the “Figueres Revolution,” saw the approval of a new constitution that sought to combine liberal and socialist principles.²³ Figueres and other members of the PSD took advantage of this moment to shift the focus of social protection toward the issue of education. The party used the new constitution to strengthen education services by requiring the provision of free and compulsory secondary

²³ The new constitution dissolved the national Army as well.

schooling in addition to the already-existing system of primary schools. In this way, Filgueira (2005) notes that “the Costa Rican state made as axis of its social policy the expansion of education and primary healthcare” (11). This focus was further developed by subsequent democratic governments and with time Costa Rica’s risk prevention policies, particularly its healthcare system, have come to be known as the best and most universal in the region (Clark 2004; Huber 1996). The case, therefore, illustrates how long periods of democracy generate a setting that lends itself to the formation of advanced risk prevention policies by increasing competition among actors and thereby placing the “social question” in the political arena.

The Costa Rican case also illustrates that the creation of poverty protection policies is by no means an immediate result of democracy. Indeed, in the absence of high levels of worker and/or peasant mobilization in Costa Rica (Rosenberg 1979; Filgueira 2005), the creation of welfare policies was extremely slow, coming about only once political competition had increased significantly. Unlike Argentina, Chile, and Uruguay, which saw the creation of risk prevention and risk coping devices in the early 20th century, Costa Rica’s system emerged and expanded in the 1960s and ‘70s (Rosenberg 1979). In fact, the country’s health and pension systems only reached a high level of coverage after a 1961 constitutional amendment required that social insurance be universalized within ten years (Rosenberg 1979). The case, therefore, illustrates a second causal path that links regime type to expansive risk prevention programs. The Costa Rican path involves a slow but steady spread of rights rather than a period of intense incorporation via mobilization.

The development of Costa Rica’s risk coping policies is also interesting because of its distinct causal path. Indeed, Costa Rica did not undergo early industrialization and never witnessed the growth of a strong labor movement (Huber 1996; Filgueira 2005; Rosenberg 1979). Clearly, then, the emergence of the country’s risk coping policies cannot be attributed to the urban industrial work-force. Rather, it appears that the country’s social insurance system also has its roots in Costa Rica’s long and sustained experience with democracy. Unlike the other “top

performing countries,” Costa Rica experienced uninterrupted full democracy from 1949 onwards.²⁴ This provided a unique setting in which processes that could not take root in the other top-performing countries – because of significant authoritarian interludes – were able to evolve.

In particular, the Costa Rican case illustrates how policy legacies are important in the expansion of the country’s risk coping system. In this vein, Rosenberg (1979) argues that the creation of a bureaucratic organ dedicated to the administration of social insurance had the long-term effect of consolidating a pro-social-insurance pressure group that was active in identifying challenges in the system, proposing policy, and expanding coverage of the service (Rosenberg 1979: 129). This “lobby group” within the Costa Rican state was able to exert its power and voice because of the country’s democratic setting. Additionally, the fact that Costa Rica’s system was established in a relatively unified manner, pooling citizens into a shared pension and health system, served to strengthen the power base for parties and politicians committed to expanding the state services, thus acting as an additional impetus for development. These legacies helped push forward slow but steady growth in the coverage of both risk coping and risk prevention programs in Costa Rica. In this way, the case reveals a second path for arriving in the “top performing” world of risk prevention and risk coping. While the first path described in this chapter involved early democracy, a period of intense mobilizing-inclusion, and industrialization (more specifically state-led-industrialization), the second (Costa Rican) path involved slow but steady evolution of risk prevention and risk coping programs based on an uninterrupted period of full democracy.

In summary, the analysis of the countries in group one (the top performers in *both* risk prevention and risk coping) suggests that regime type and industrial development (specifically state-led development) encouraged the creation and expansion of risk prevention and risk coping policies. Further evidence of the effect of these variables can be seen by considering the

²⁴ Argentina, Chile, and Uruguay all witnessed long and repressive bureaucratic authoritarian regimes in the 1960s – ‘80s.

historical trajectories of countries in group two. The second configuration of social protection policies is exemplified by the countries of Brazil, Mexico, and Panama and combines advanced risk coping mechanisms with mid-range levels of risk prevention. The countries in this group share several features. First, none of the three states experienced a period of intense democratic mobilization and inclusion nor a sustained period of democracy. Brazil, for example, was characterized by limited democracy and authoritarianism until the early 1990s, while Mexico was authoritarian until the latter part of that same decade. Mexico's hegemonic Institutional Revolutionary Party (PRI) only lost its Congressional majority in 1997 and the first presidential election that was recognized as "clean and clear" was held in 2000 (Huber et al. 2008). In a similar fashion, Panama functioned as a limited democracy until the mid-1990s. According to the expectations outlined previously, then, it is no surprise that none of the three states developed an advanced risk coping system, as their experience with inclusive democracy was limited.

Despite the slow development of political democracy, all three states introduced pension systems relatively early, with Brazil passing its first laws in the 1920s-'30s, Mexico in 1941, and Panama between 1941 and 1954 (Mesa-Lago and Bertranou 1998). A consideration of the timing of these systems' emergence suggests that the onset of industrialization and subsequent growth in the size and concentration of a working class generated both demands and opportunities, which paved the way for their creation. As workers grew more organized, they began to issue demands for better protection and regulations. While settings of limited democracy meant that such demands were not always freely mobilized in the political arena, the need to address the social question and the issues of the working class nonetheless worked its way onto the agenda (Collier and Collier 1991). The fact that such systems were established early and encompassed relatively broad sectors of the population laid the groundwork for the slow expansion to poorer groups.

In this way, industrialization was of fundamental importance in the emergence of risk coping policy. Brazil and Mexico both underwent significant experiences of industrialization

(Furtado 1970: 108).²⁵ The two countries also witnessed strong state-directed efforts to deepen this process through import substitution. The impact of early industrialization was the emergence of a sizable working class, which soon began to organize and issue demands. In the case of Mexico, scholars differ in their explanations of the origin of the country's social insurance system. Spalding (1980) contends that Mexico's Instituto del Seguro Social (IMSS) was the result of a state effort to co-opt labor. According to this author, the Presidency of Manuel Ávila Camacho was characterized by increasing levels of industrialization coupled with declines in wages. This created a situation in which "workers clearly did not share equally in the rewards of rapid industrial growth" (Spalding 1980: 424). For this reason, Spalding (1980) argues that President Ávila Camacho faced a situation in which he needed to simultaneously achieve labor control and deepen industrialization. This dual goal was achieved with the creation of social insurance, as the initiative granted new rights to workers thus pacifying the work environment and permitting the expansion of industrial development (Spalding 1980). In this way, Spalding (1980) maintains that the creation of Mexico's primary risk coping program was the result of the state's desire to co-opt labor. Similar to the story of Argentina, Uruguay, and Chile, Spalding's (1980) evidence suggests that the creation of risk coping policies was closely associated with the state's commitment to ISI.

In contrast to Spalding's (1980) account, Dion (2005) expands the time frame of analysis and argues that the creation of the IMSS resulted from growing pressure and demands on the part of organized labor. Dion (2005) notes that labor had been lobbying for the creation of a social security system since the approval of the 1917 revolutionary constitution; about 24 years prior to the formation of the IMSS. The author also highlights the important role that labor representatives played in the 1941 technical team that developed the policy proposal. In

²⁵ Furtado (1970) argues that Mexico and Argentina were the two Latin American states to attain "a significant degree" of industrialization before the First World War. Still, he notes that Brazil too made early progress with industrialization. In 1929, industrial output constituted 14.2 percent of GDP in Mexico and 11.7 percent of GDP in Brazil (Furtado 1970: 111).

summary, the difference between Dion and Spalding's explanations is rooted in whether Labor played an *active* role in the formation of the IMSS. Both authors concur that the growing power of the labor movement was influential in the creation of this policy, but while Dion highlights the direct role of labor in pressuring the state, Spalding contends that the state sought to pre-empt conflict and created the social security system to co-opt labor. What is clear in both of these explanations is that without the presence of a working class, there would have been no impetus for such a risk coping policy. Thus, the importance of industrialization and the emergence of a working class was fundamental in the creation of this policy.

Similarly in Brazil, the early onset of industrialization and subsequent changes to the social structure had profound effects in the political arena. While the oligarchic character of the country's early democracy and the authoritarianism of the 1930s and '40s meant that policy-making was not a bottom-up process involving the mobilization of "mass" demands, the growing presence of an urban working class nonetheless influenced policy decisions.

Brazil's "Revolution of 1930" is cited by many as the end of the oligarchic state and the beginning of Latin America's deepest experience with Corporatism (Collier and Collier 1991; Draibe 2005; Power 2002).²⁶ In the wake of the 1930 Revolution, authoritarian President Gétúlio Vargas established a system of labor regulation that sought to control the organization and mobilization of the working class through the supervision of unionization and union leadership (Collier and Collier 1991). Draibe (2005) argues that this process of corporatist control was supported by four core institutions: labor union regulations, the minimum wage, the labor code, and the social security system. In this way, social security became one of President Vargas' primary tools for achieving a system in which the state had a direct hand in labor organization (Huber 1996; Malloy 1979). As a result, the Brazilian social security system expanded rapidly to

²⁶ I use Schmitter's (1970) definition of a corporatism: "a system of interest representation in which the constituent elements are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the State and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports."

cover those categories of workers in unionized sectors that had been formally recognized by the state.

This push to provide risk coping policies for the emerging working class in Brazil reveals that the new actor had prompted the attention and concern of elites. The country's elite response to this perceived threat was the elaboration of a corporatist project which sought to pacify state-society relations. Part of this corporatist experiment involved the creation of an extensive risk coping device that while hardly universal, did signify a radical change in the lives of many. In summary, the creation of Brazil's advanced risk coping system has its roots in the country's corporatist experiment during Vargas' first 15 years as President. In the aftermath of Vargas' rule, the system was expanded to cover new categories of workers, such as the rural sector, domestic workers, and the self-employed.

In a sense, then, two countries in group two (Mexico and Brazil) share an interesting combination of factors including early to medium-timed industrialization (and extensive involvement of the state in this process) coupled with an authoritarian setting and elite efforts to bring labor under the control of the state. This combination of variables helps explain why policies rooted in an "industrial" model of social protection, namely risk coping policies such as pensions, unemployment insurance, and/or family allowances, could take root and begin to expand while more basic social policies, such as universal education and healthcare, lagged behind.

Panama is the third country that falls into the group of states characterized by advanced risk coping policies and middle-range risk prevention capacity. Although Panama shares outcomes with Brazil and Mexico, the country's political history varies dramatically from the previous two states. Indeed, the presence of the Canal Zone and the United States' extensive involvement in national politics makes the country an outlier of sorts. For this reason, I contend that Panama's path to a high risk coping/medium risk preventing configuration is likely quite unique.

The third configuration of social protection presented in table seven is exemplified by Colombia, Ecuador, Paraguay, and Peru and involves mid-level risk prevention and low levels of risk coping. This group of states, therefore, is differentiated from group four (the Dominican Republic, El Salvador, Guatemala, and Nicaragua) because of its higher levels of risk prevention. In line with the argument stipulated here, it is expected, therefore, that these two groups of countries should vary primarily with regard to their political regime histories. Indeed, if democracy is in fact a key variable for explaining the development of risk prevention policies, it should follow that the countries in group three should have a longer experience with full democracy than those of group four.

Consideration of a cumulative measure of democracy based on Rueschemeyer, Stephens, and Stephens (1992) and calculated by Huber et al. (2008), reveals that this is true. Rueschemeyer, Stephens, and Stephens (1992) classify Latin American states as colonies, authoritarian regimes, bureaucratic authoritarian regimes, restricted democracies, and full democracies. Huber et al. (2008) transform this classification into a trichotomous measure of non-democracies (coded as 0), restricted democracies (coded as .5), and full democracies (coded as 1) and cumulate each country's score for the years 1945-2001. To control for the possibility of a sudden change across time, I consider each country's score in both 1970 and 2000. Group performance for both time periods confirms my expectations about the effect of democracy on risk prevention policy evolution. While the average value for cumulative years of democracy in group three (middle-range risk prevention countries) was 5.87 in 1970, the average score in group four for that same year was 1.375. Although the difference between the two groups of states is smaller in 2001, it nonetheless exists and countries in group three have an average score of 16, while group four has an average score of 12.875. In summary, it is clear that a key difference between the countries in group three and those of group four is their experience with democracy.

Case evidence also supports the role of political regime in determining the distinct social protection configurations in group three and group four. In fact, all of the countries in group four

(the low/low configuration of poverty protection) experienced long periods of traditional (conservative) authoritarian rule. While the dictatorial leaders in these states were both military and civil, the commonality between them was that they sought to maintain an oligarchic system often based on labor-intensive agriculture (Rueschemeyer, Stephens, and Stephens 1992). Additionally, even when the political systems in these countries opened, most remained limited democracies and the democratic experiments were not sustained over long periods of time. This political setting made it nearly impossible for marginalized groups, namely the rural poor, to mobilize their demands in the political arena. As such, the countries in this group never adopted broad education and health services, but rather the coverage remained limited and underprivileged sectors enjoyed little to no access. In addition to the authoritarian character of these countries' political regimes, the economic structure of the "low/low" states was primarily agricultural, with no concentrated efforts at industrialization. As a result, these states never witnessed the growth of a sizable working class. The absence of this mobilized group meant that fewer demands were issued for risk coping devices and the elite faced no threat that warranted top-down projects aimed at pacifying labor as was seen in Brazil and Mexico. Thus, the risk-coping dimension of poverty protection remained limited in these countries.²⁷ The late and limited nature of industrialization also affected the countries in group three, placing them in the "low" risk coping group as well.

In summary, a review of case evidence reveals that the welfare configurations presented in table seven have deep historical roots related to each country's experience with democracy and authoritarianism as well as its industrialization trajectory. States that experienced a process of intense democratic inclusion or a prolonged and uninterrupted democratic record, witnessed the creation of risk prevention systems that evolved across time to cover larger portions of the population. The risk coping dimension of poverty protection, by contrast, is more closely tied to

²⁷ Rueschemeyer, Stephens, and Stephens (1992) classify all four countries in this group as "late" arrivals to industrialization (164),

the industrial development of a country and the state's involvement in this process. Having briefly examined the general trends in the region, I now turn to a final test of this explanation.

2.6 A Statistical Test of Association

In this section I present the results of a simple statistical test of association between political regime type and risk prevention and between levels of industrialization and risk coping categories. While the test is admittedly rudimentary and does not provide definitive conclusions about the significance of the relationship between variables, it is the best option available due to the limited number of cases and the nature of the data. Since the coding of risk prevention and risk coping systems is ordinal, I use the Kendall's Tau measure of association. Additionally, since the number of categories for each of my independent variables (regime type and level of industrialization) is greater than the number of categories in risk prevention and risk coping, I report Kendall's Tau-C measure. Kendall's Tau-C ranges from 0, indicating no association, to +/-1, which signifies perfect correlation.

To assess whether a relationship exists between regime type and the level of risk prevention, I first transformed the results of the cluster analysis into a coding of risk prevention systems. To do this, I coded all countries that fell into the lowest performing group of risk prevention (the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) as "1;" those states in the middle group (Brazil, Colombia, Ecuador, Mexico, Panama, Paraguay, and Peru) as "2;" and the highest performing group (Argentina, Chile, Costa Rica, and Uruguay) as "3."²⁸

I use the Huber et al. (2008) cumulative democracy variable to measure a country's political regime history.²⁹ As mentioned previously, these authors cumulate regime type from 1945 through 2001 and differentiate between authoritarian, limited, and full democracies.

²⁸ Since Bolivia and Venezuela fell into categories of their own, I have excluded them from this scoring system.

²⁹ For a full description of this variable, please see the previous section

Because of the historical nature of the argument presented in this chapter, I first consider the effect of cumulative years of democracy in the year 1970. I contend that 1970 is a good cut-off point because it provides a picture of regime dynamics in Latin America during the formative period of social policy expansion and change. Still, to be certain that this cut-off point does not bias the results, I also tested the strength of the association for the cumulative years of democracy in the year 2000.

The association between the cumulative years of democracy in 1970 and risk prevention is positive and correlates at the level of (0.67) suggesting a moderate relationship. The association between cumulative years of democracy in 2000 and risk prevention type is also positive, albeit a bit weaker (0.54). Nonetheless, using the guidelines established by Weisberg et al. (1996), both of these associations denote a moderately strong relationship.³⁰ The p-value in both of these tests is less than .05 and thus the null hypothesis that there is no relationship between regime type and risk prevention can be rejected.

To assess whether a relationship exists between industrialization and the level of risk coping I performed the same test. I began by quantifying the results of the risk coping cluster analysis, coding all countries in the “low performance” group (Bolivia, Colombia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Nicaragua, Paraguay, and Peru) as “1,” while the “high performance” group (Argentina, Brazil, Chile, Costa Rica, Mexico, Panama, Uruguay, and Venezuela) was coded “2.” I then tested for the relationship using three distinct measures of industrialization. The first measure is industry as a share of GDP and is taken from Huber et al. (2006). I use the 1970 observation for this variable because I contend that the level of industrialization in that year provides insight into relative country performance near the “peak” of

³⁰ Weisberg et al. (1996) contend: “As a rough guideline, we would call a Tau above 0.7 high, a Tau between 0.3 and 0.7 moderate, and a Tau between 0 and 0.3 small. In fact, values higher than 0.3 are rare in survey research, so correlations of even 0.1 are reported as important.” (Weisberg et al. 1996: 266).

industrialization in the region.³¹ I also tested for the existence of the relationship using an alternative measure of industrialization: employment in industry as a share of all employment for the year 1970. This variable is also taken from Huber et al. (2008) and is a more direct measure for the theory stipulated in this chapter. If it was indeed the growth in the size of the urban working class that acted as an impetus for the creation of risk coping policies, then this variable should capture that fact and a relationship should exist. Again, I use the value for 1970 because this provides a picture of country performance during a peak moment of industrial growth.

The results of these two tests of association were both positive. While industry as a share of GDP in 1970 and risk coping was associated at (0.52), the relationship between risk coping and employment in industry as a share of total employment was (0.55). In other words, both measures of industrialization suggest a moderate relationship between a country's industrial development and its level of risk coping protection. Moreover, these tests also produce a p-value that is less than .05 and thus the null hypothesis that no relationship exists between industrialization and risk coping can be rejected.

Finally, I use a third measure to assess the relationship between state-led industrialization and risk coping policy. This measure is based on my own reading of historical evidence. I code those countries in the region that engaged in extensive efforts at state-led industrialization (Argentina, Brazil, Chile, Mexico, and Uruguay) with a "1" and the rest of the region as a "0." Since this coding of ISI is not ordinal, I use Goodman and Kruskal's Lambda to measure the level of correlation. The association between ISI and risk coping is also moderate (.54), suggesting that there is indeed a relationship between state-led attempts at industrialization and the development of advanced risk coping policies.

³¹ Following the debt crisis of the early 1980s, Latin America witnessed a dramatic process of de-industrialization, as countries in the region abandoned subsidies to domestic industry and liberalized trade relations. As a result, a comparison of industry as a share of GDP in the year 2000 (or of industrial employment as a share of all employment for that same year) does not provide an adequate assessment of the historical variation that existed across the region with regard to the level of industrial development.

The limited number of observations in my dataset preclude a test of my hypotheses against other variables, but to assess the relative explanatory capacity of regime type and industrialization, I carry out a statistical test of association with other potential predictors of poverty policy regime type. If rival hypotheses do not produce a significant relationship, this could be interpreted as additional support for the finding that regime type and industrial development are key predictors of risk prevention and risk coping policies. One alternative hypothesis about the determinants of anti-poverty policy is that country performance may simply be the result of economic development; that wealthier countries will exhibit higher levels of poverty protection than poorer countries. I, therefore, test for a statistical association between GDP per capita and a country's risk prevention and risk coping score. Specifically, I use a measure of GDP per capita for 1950 and 1970. I have selected these years because they capture each country's relative level of development during a key period of welfare policy expansion in Latin America. The measure is taken from Huber et al. (2008) and is compiled from the Penn World Tables and the World Bank World Development Indicators. The association between GDP per capita and risk prevention is significant and moderate (.49 for 1950 and .53 for 1970). The association between economic development and risk coping is not significant for 1950 (.38), but is significant for 1970 and is moderately strong (.59). I contend that the relationship between economic development and risk prevention and risk coping does not call into question the legitimacy of regime type and industrial development as predictors of anti-poverty policy. In fact, it stands to reason that those countries which move furthest toward industrialization will also have higher levels of economic development. Thus, the relationship between economic development and poverty policy regime type may, in part, reflect the way in which industrialization influences social policy: by increasing a country's wealth. I, therefore, conclude that this finding complements my argument about the importance of industrialization in the formation of anti-poverty policies.

A second rival hypothesis about the determinants of poverty policy regime type is related to veto points. Literature on Latin American and European social policy formation suggests that political systems with relatively few veto points tend to facilitate the expansion of anti-poverty policies by concentrating power (Huber and Stephens 2001; Castiglioni 2005). By contrast, in systems where power is dispersed due to an abundance of veto points, it may be more difficult to pass legislation and social protection, therefore, could remain limited (Huber and Stephens 2001; Castiglioni 2005). Two veto points considered in analyses of social policy formation are federalism and bicameralism. Using a coding from Huber et al. (2008), I test for the presence of a relationship between federalism and bicameralism and a country's poverty policy regime type. The relationship between the variables is not significant and appears to work in the opposite direction as expected, with federal and bi-cameral systems exhibiting higher levels of protection than unitary and unicameral systems.³²

A third rival explanation of poverty policy regime type is related to economic and external constraints. It is well-known that Latin America is a region that has suffered from balance of payments crises which have more often than not resulted in the intervention of the International Monetary Fund (IMF) and the imposition of strict economic stabilization policies. Such policies typically require states to scale back spending and reduce state involvement in the provision of social services and transfers. It is possible, therefore, that a country's risk prevention and risk coping category might be the result of these crises and the subsequent IMF involvement. To test this hypothesis I include a measure of IMF obligations as a share of GDP in 1980, 1990, and 2000 as well as a measure of the total number of years that each country has been under an IMF agreement for 1980, 1990, and 2000. The results show that the relationship between both variables and poverty policy regime type is insignificant.

³² The strength of the relationship between federalism and risk prevention is .25; between bi-cameralism and risk prevention is .41. The strength of the association between federalism and risk coping is .49 and between bi-cameralism and risk coping is .07.

A final rival hypothesis for the explanation of poverty policy regime type relates to the ethnic and racial composition of society. In Latin America, as elsewhere, there is a high correlation between one's status as a racial and/or ethnic minority and the incidence of poverty (ECLAC 2001; Pribble, Huber and Stephens forthcoming). Indeed, it appears that in many cases sources of social exclusion overlap with one another, generating a significant barrier to improving protection against poverty. It is possible, therefore, that because of racism and ethnic conflict, this dualistic form of exclusion served to further slow state efforts to expand social protection to the poorest sectors of society and that in countries with significant racial and ethnic diversity, risk prevention and risk coping will remain more limited. I, therefore, test for an association between the percentage of the population that is from African and/or Indigenous descent and risk prevention and risk coping.³³ The results reveal a negative and significant association (-.43) between ethnic/racial diversity and risk prevention policies, but an insignificant relationship between diversity and risk coping policies. The finding is interesting and suggests that one way in which democracies may help to improve coverage of risk prevention policies is by reducing ethnic and racial inequalities.

In summary, a simple test of variable associations suggests that a moderate relationship exists between regime type and risk prevention. Similarly, these tests reveal that a moderate relationship exists between a country's industrial trajectory and the creation of advanced risk coping devices. Moreover, tests of competing hypotheses do not contradict these findings, but rather produce additional evidence about the ways in which regime type and industrialization influence poverty policy regime formation. Having tested my hypotheses using historical and quantitative data, I now turn to a discussion of the implications of these findings for the remainder of the research project.

³³ The measure is taken from DeFerranti et al. (2004) and is the sum of the share of Afro-descendants and Indigenous during the late 1990s and early 2000s (De Ferranti et al. 2004: 78)

2.7 Conclusion and Implications for this Study

This chapter presents a cluster analysis of poverty policy regimes in Latin America, identifying the existence of three unique country groups on the dimension of risk prevention and two groups for risk coping. Combining these two dimensions reveals that there are four basic configurations of poverty protection in the region. The first configuration is exemplified by the countries of Argentina, Chile, Costa Rica and Uruguay and is characterized by high levels of coverage in both risk prevention and risk coping policies. This configuration emerged by means of two causal paths. One, which was traveled by Argentina, Chile, and Uruguay involved early democratization and an intense period of inclusion coupled with industrialization (with significant state efforts to shape the industrial process). The second path to this configuration is illustrated by the Costa Rican case and involves a sustained period of full democracy and the evolution of policy legacies in this setting. In light of the two causal paths that led to this welfare configuration, I have named this group the “*democratic-ISI*” system of poverty protection.

The second configuration of poverty policy uncovered in this analysis combines middle-range risk prevention policies with high levels of risk coping coverage. The countries that possess this combination of factors are Brazil, Mexico, and Panama. The path to this poverty policy configuration is characterized by limited democracy (in the case of Brazil and Panama) and significant moments of corporatist leadership and populist authoritarianism (in the case of both Brazil and Mexico³⁴). The slow and limited spread of democracy helps account for the fact that the countries never extended their risk prevention devices to the point of the advanced cases. Still, the fact that Brazil and Mexico witnessed significant experiences with populist

³⁴ Mexico’s authoritarian regime is difficult to classify, as its character changed with each of its leaders. At least one of the country’s Presidents, however, was overtly populist in his orientation and policies. The 1934-1940 leadership of Lázaro Cárdenas is well classified as a populist form of authoritarianism and resulted in important changes in the organization of the revolutionary party and in state behavior. Cárdenas not only made a major step forward in the ISI process with the nationalization of the petroleum industry, but he also reformed the revolutionary party so as to incorporate working class and peasant sectors into the organization. This process of cooptation, required the delivery of benefits to these sectors and while the majority of these benefits were administered in a particularistic manner, the state did begin to enforce elements of the Revolutionary constitution that had previously been neglected. Moreover, the shift in the party structure had long-term implications for policy-making (Dion 2007; Collier and Collier 1991).

authoritarianism (rather than conservative authoritarianism) meant that at least some progress was made in the area of risk prevention, placing the states in the middle category. Brazil and Mexico's experiences with industrialization explains the emergence of advanced risk coping systems. In both countries, the impact of industrialization on risk coping policy worked in a top-down manner with the state (in Brazil) and a party (in Mexico) seeking to co-opt and pacify labor through the extension of social security systems. For this reason, I have named this policy configuration the "*corporatist-ISI*" system of poverty protection.

A third configuration of poverty policies is exhibited by Colombia, Ecuador, Paraguay, and Peru. This configuration of social protection combines middle-range risk prevention coverage with low-level risk coping. The path to this configuration involved the installation of limited electoral democracies³⁵, which resulted in some advancement in education and healthcare, but never prompted the process of massification seen in the "democratic-ISI" group. Moreover, the limited character of industrialization in these states meant that the types of working class pressures that prompted the creation of advanced risk coping systems in the "democratic-ISI" and "corporatist-ISI" systems of protection did not develop. As a result, risk coping policies remained limited in scope. In light of the characteristics of this causal path, I name this welfare configuration the "*restricted democratic-agrarian*" system of poverty protection.

The fourth and final configuration of poverty protection that exists in Latin America is exemplified by the Dominican Republic, El Salvador, Guatemala, and Nicaragua and is characterized by low levels of coverage in both risk prevention and risk coping. The path to this system of poverty protection involved long periods of conservative authoritarian rule coupled with limited and weak democracies. For this reason, this group of states never witnessed the emergence and spread of adequate risk prevention policies. Similar to the situation of the

³⁵ It is important to note that Peru's 1968 military government headed by Juan Velasco is well-classified as populist authoritarian. The location of this country in the "middle" category of risk prevention, therefore, fits with the expectations about the impact of populist authoritarian regimes on this dimension of social policy.

“restricted democratic-agrarian” system of poverty protection, the limited scope of industrialization among this group of countries meant that there were few pressures or incentives for the creation of risk coping policies. In light of the causal path to this configuration, I call this system of poverty protection the “*autocratic-agrarian*” welfare system.

This is not the first attempt at creating a typology of Latin American social protection systems. Indeed, several authors (Huber and Stephens 2007; Martínez Franzoni 2006; Filgueira 2005) have identified patterns of protection across the region. Filgueira (2005) finds that three types of protection exist in Latin America: stratified universalism (Argentina, Chile, Costa Rica, and Uruguay), dual regimes (Brazil and Mexico with Colombia, Panama, and Peru as borderline cases), and exclusionary regimes (Guatemala, El Salvador, Honduras, Ecuador and Bolivia) (Filgueira 2005: 3). Huber and Stephens (2007) argue that the region includes five groups of social policy regimes: the first is identical to Filgueira’s; the second is comprised of Brazil and Mexico; the third of the Andean countries; the fourth of Central America (excluding Costa Rica); and the fifth of the English-speaking Caribbean. Both of these typologies are constructed using qualitative data and basic indicators of welfare outcomes. Neither, however, uses statistical techniques to test for the presence of unique country clusters. Despite the difference in methods, the results presented here confirm these typologies. In this way, this chapter builds upon and improves previous research on Latin American welfare systems by engaging in a more rigorous test of proposed typologies. The consistency between these findings and those uncovered by Filgueira (2005) and Huber and Stephens (2007) suggests that the results have high face validity.³⁶

³⁶ A study by Martínez Franzoni (2006) uses cluster analysis to identify welfare regimes in Latin America and finds four country groups exist in the region: the state productivist (Argentina and Chile), state protectionist (Brazil, Cost Rica, Mexico, Panama, and Uruguay), informal familial (Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Peru, and Venezuela), and highly informal familial (Bolivia, Honduras, Nicaragua, Paraguay) (32). While these results do differ from this study, it should be noted that Martinez-Franzoni’s analysis considers market *and* familial dimensions of welfare provision, which may explain some of the discrepancies.

In addition to uncovering the existence of distinct configurations of poverty protection in Latin America, this chapter tests an explanation of the causal paths that lead to each world of welfare and finds evidence (both historical and quantitative) to support the hypotheses that political regime type and a country's industrial trajectory are important predictors of poverty protection levels. What remains to be explained, however, is how this historical trajectory has been maintained across time and why it continues to be relevant for explaining contemporary poverty policy regimes. In other words, the framework presented here has a difficult time addressing the issue of why a country like Argentina, despite the passing of more than 50 years; the instatement of repressive military regimes; and a period of intense economic liberalization, continues to rank among the "high" performers with regard to its poverty policy regime. Before venturing to explain the long-term relevance of these variables, the continuity presented here should be qualified.

The classifications uncovered in this chapter are very general and capture poverty protection in its broadest strokes. This generalized picture does not reveal details of the progress and set-backs that countries have made during the past 50 years, but rather gives a sense of the most basic infrastructure of welfare provision. In this vein, it is likely that policy momentum and a certain degree of path dependence continues to mark the most general divisions between Latin American states, but that within-group performance has fluctuated significantly. Put differently, the explanation and categorization presented here does not suggest that poverty protection policies were developed in the early-mid 20th century and haven't changed since that point, but rather that the basic contours of protection were established early on in each state's history and that those contours have provided the "outer limits" of welfare provision and reform.

Several authors (Castiglioni 2005; Huber and Stephens 2001; Pierson 2001) have noted that social policies tend to enjoy inertia; that once established, most social programs are hard to disassemble because constituency groups will defend their interests and politicians will find it costly to remove rights. Evidence of this fact abounds in the region. Take, for example, the debt

crises of the 1980s or the Argentine and Uruguayan financial crises of 2001-2002; these incidents generated tremendous pressure for states to eliminate or radically alter existing social programs. While states did respond to these pressures, enacting significant reforms, a complete usurpation of the basic infrastructure of social protection proved to be politically impossible in most cases.³⁷ That said, the crises did provoke important changes, underscoring the fact that within the “outer limits” presented in this paper, there is a great deal of room for countries to move and change their within-group rankings.³⁸ Moreover, the evidence presented here suggests that movement between groups is also possible. Countries that develop and sustain inclusive democracies and witness the development of a strong and organized popular sector are likely to see the expansion of risk prevention and risk coping mechanisms.³⁹ For this reason, the classification presented in this paper should not be interpreted as a suggestion that poverty protection in Latin America has been constant during the past 50 years, but just that the most general differences between countries are rooted in long-term historical developments.

The explanation put forward in this chapter, therefore, underscores an important fact: that the historical roots of each of the four configurations of Latin American poverty protection heavily condition current patterns of reform and the political dynamics of such reform incidents. Indeed, each of the afore-mentioned paths: the democratic-ISI, the corporatist-ISI, the restrictive democratic-agrarian, and the autocratic-agrarian involved diverse groups of actors and therefore rest upon distinct power structures. While the democratic-ISI system of poverty protection involved the incorporation and mobilization of broad sectors of society (and often witnessed the

³⁷ The Uruguayan case is particularly instructive on this regard. Despite intense fiscal and IFI pressure, the country opted for a heterodox pension and education reform in the mid 1990s (Castiglioni 2005; Filgueira and Moraes 1999). Similarly, during the 2001 economic crisis, the country managed to negotiate budgetary protections for all social spending categories during their talks with the IMF (personal interview 2006)

³⁸ The remainder of this dissertation will consider such developments within the democratic-industrial world of poverty protection.

³⁹ Clearly the composition of “popular sectors” in contemporary Latin America differs dramatically from that of the early to mid 20th century. This fact must be taken into consideration when analyzing the politics of expanding and reforming anti-poverty policies.

emergence of a left-leaning party), the corporatist-ISI configuration rests on a more conservative power base and involved limited mobilization and the formation of parties that sought to co-opt rather than mobilize the popular sector. In a similar fashion, the countries belonging to the restricted democratic-agrarian group are characterized by weaker political institutions (including parties) and thus the policy-making arena tends to function differently from the democratic-ISI system. Finally, the countries in the autocratic-agrarian system of poverty protection are even more limited in the degree of popular sector mobilization tied to the issue of welfare because of the limited scope of protection programs and because of the countries' brief experiences with democracy.

In other words, the fact that countries in the region present diverse experiences with regard to their political regime trajectory and industrial experience suggests that the social bases in each of the four configurations of policy protection are quite different. Such variation in the socio-political base could have consequences for the politics of social policy reform in the contemporary era, since some countries will have well-organized pressure groups while others will have very weak pro-welfare organizations. Similarly, some states will be characterized by strong political and economic institutions while others will have weaker systems. This diversity is sometimes chalked up as useful "variation" for testing theories of welfare reform. An alternative interpretation of this divergence, however, is that the presence of vastly different social bases and distinct institutionality means that similar variables may have different effects depending on the setting, or put differently, that analyzing the region as a whole, or "lumping," violates the assumption of causal heterogeneity. The evidence presented here suggests that, at the very least, it is worth exploring whether social policy reform differs systematically across the four configurations of poverty protection.

In addition to differences in the types of actors involved and the nature of the policy-making process, the historical roots of each of the four previously-mentioned worlds of welfare also shape the social challenges that each state faces and the sorts of policy reforms that are

needed. More specifically, while the democratic-ISI system of poverty protection has achieved relatively high levels of primary and secondary school coverage, these states now face demands to increase the quality of education, to ensure equality in the provision of services, and to retain children in the schooling process. In countries that haven't achieved near universal coverage, by contrast, the challenge remains to expand enrolment and deliver services to excluded sectors. These two goals are quite diverse and require vastly different types of policies. Moreover, the political issues involved with the two types of policies (and thus the type of conflict that will ensue) is significantly distinct.

In a similar fashion, the advanced risk coping countries have managed to formulate a basic industrially-based system of protection. However, with the onset of de-industrialization and the growth of the informal labor market, such industrially-rooted systems will struggle to deliver services to the poorest sectors of society. The challenge facing these countries, therefore, is to adapt their systems to the new structure of social risk.⁴⁰ In the low-level risk coping countries, by contrast, the challenge is to construct a risk coping system. The literature on advanced industrialized welfare states has underscored the very different dynamics involved in social policy expansion and welfare reform (Pierson 2001; Huber and Stephens 2001). In a similar fashion, it is likely that the politics of constructing new risk coping policies and the politics of reforming (or recalibrating) already existing programs are extremely different in Latin America as well.

For this reason, I contend that it is important for scholars to conceptualize Latin American welfare provision in differentiated or typological terms. A first step toward such differentiated thinking is the construction of an understanding of the politics of policy formation and reform within each of the four worlds of poverty protection. Once these dynamics are understood, it will be possible to theorize more effectively about the region as a whole.⁴¹

⁴⁰ The process of policy adaptation is similar to what Pierson (2001) calls "recalibration." The author defines recalibration as "reforms which seek to make contemporary welfare states more consistent with contemporary goals and demands for social provision" (425).

In summary, the existence of distinct configurations of poverty policy in Latin America has important methodological implications. Specifically, the fact that each of the policy configurations reflect a different political path that involved different social actors, varying degrees of institutional stability, and provoked different social challenges, suggests that large-N linear analyses, a method often used in research about the region's political economy, may not be the best-suited technique for questions related to social policy and welfare expansion and change. Large-N research assumes that the set of countries under study belong to a similar "universe" and therefore that contextual differences are minimal, thus prohibiting the possibility that the variables included in the analysis could have contradictory effects across cases. It is possible, however, that in the region of Latin America and with regard to social welfare policy, the contexts are so different and the challenges faced so diverse that the appropriate "universe" may not be the region, but rather specific sub-sets of countries (each poverty policy regime). If this is the case, large-N studies will confound reality by reporting the average effect of a variable, which will be over-stated for some countries and under-stated for others.

It is for this reason and with this aim that I dedicate the remainder of this study to the analysis of social policy reform in the "democratic-ISI" system of poverty protection, focusing on Chile and Uruguay. In particular, I seek to understand the political dynamics within the democratic-ISI systems that permitted (or inhibited) education, health, and social assistance policy reform that expanded access to these programs for the poorest sectors of society. In the next chapter I explain my case selection and methodological approach.

⁴¹ Sartori (1970) notes that small-n comparative studies are essential for the development of meaningful concepts because they maximize intension and minimize extension. In this way, the small-n study allows authors to clearly define concepts in a way that will permit future studies to determine whether the ideas are empirical universals or simply philosophical universals. The author notes: "in this messy controversy about quantification and its bearing on standard logical rules we simply tend to forget that concept formation stands prior to quantification. The process of thinking inevitably begins with a qualitative (natural) language, no matter at which shore we shall subsequently land (1038). It is with this goal of "concept building" that I begin my analysis of subset of Latin American cases.

CHAPTER 3: CASE SELECTION AND METHODOLOGY

In the previous chapter I used cluster analysis to develop a typology of social protection systems in Latin America. The analysis uncovered four policy poverty regime types: the democratic-industrial; the corporatist-ISI, the restricted democratic-agrarian, and the autocratic-agrarian. I also presented and tested an explanation for why each state falls into its distinct category, highlighting the influence of political regime type and countries' experiences with industrialization. While these two variables explain broad distinctions between Latin American states, they are less effective at explaining the specifics of contemporary policy reform within each cluster. In other words, although regime type and industrialization explain categorical differences between Latin American states – i.e. why some groups of countries have consolidated higher coverage risk prevention and/or risk coping policies than others – these variables do not explain the more specific ordinal or interval variation among individual countries with regard to policy developments that increase or decrease the coverage of the poverty policy regime. Indeed, regime type and industrial trajectory shed very little light on the issue of why one state inside the democratic-industrial cluster might have made more progress in extending coverage and improving services to the poor than another country in that same cluster. This is not to say that regime type and a country's industrial trajectory are unimportant, but rather that they are best understood as contextual variables. Since the regime and industrialization contexts are similar within each cluster of countries, an analysis of policy reform within the country groups permits an examination of the more specific aspects of cross-national variation.

The remainder of this dissertation investigates this more-specific question, seeking to explain why countries within the “democratic-industrial” world of social protection have varied in

their ability to expand the coverage and value of services and transfers to the poorest sector in society. In other words, I aim to explain why countries within the democratic-industrial cluster vary in how they have reformed their social policies during this current neoliberal era. This period is unique because it is characterized by high levels of economic constraints and the emergence of new pressures to adapt existing systems of social protection to changes in the structure of social risk. In this way, the neoliberal era has been a period of social policy retrenchment and recapitulation, while the 1930-1970 period was a time of policy expansion. The central research question of this study – why have countries adapted differently to these new pressures – is, therefore, causal in its orientation; or as Gerring (2007) contends, it is an X_1/Y -centered study, which engages in a confirming/disconfirming hypothesis test (Gerring 2007: 71).

The research design for this project outlines a two-step analysis. In the first phase, I seek to understand whether changes in my hypothesized variables of interest – the organizational structure of political parties and policy legacies – correlate with reforms to Chile and Uruguay's poverty policy regimes. Although I explain these two variables (political party organization and policy legacies) in detail in the next chapter, a brief clarification is in order at this point. My focus on political party structure refers to the way in which parties link to their base and considers specifically whether the organizations employ a bottom-up mobilizing strategy; exhibit an elite-electoral strategy; rely on patronage; or coordinate with business groups. In addition to party structure, I analyze the impact of policy legacies, or the design of previous policies, on reform outputs. Policy legacies shape reforms by shaping the distribution of power and interests within a given policy sector. Once I have established whether political party structure and policy legacies correlate with a certain type of reform, the second step of the analysis will explore *how* that relationship works. In this portion of the study, I identify the causal mechanism(s) that produce the outcome of interest and employ process tracing to test whether this mechanism was, indeed, present in the Chilean and Uruguayan cases.

Successfully completing these two steps requires the use of different methods and the examination of distinct data sources. To determine whether or not my variables of interest correlate with reforms to the poverty policy regime, I carry out a comparative historical case study of reform incidents in Chile and Uruguay in each of the three policy sectors included in the regime: education, healthcare, and non-contributory social assistance programs. The study is comparative because it involves a cross-case analysis and historical because it also considers change across time. If, as I expect, political party organization and policy legacies are related to certain types of social policy reform, then I should expect that changes in the value of those variables (both between countries and across time) would be associated with a particular type of social policy reform. In other words, differences in the structure of Chile and Uruguay's political parties (and changes to the organization of parties across time) should correlate with changes in the coverage and quality of education, health, and non-contributory social assistance policies. The same should hold true for differences in policy legacies within each country. To test for this co-variation I will consider the evolution of the two independent variables of interest and policy reform outcomes. More specifically, I will categorize each policy reform incident in the two countries using two criteria: (1) the extent to which the new policy extended coverage to the bottom of the income distribution; and (2) the extent to which the value of the service or transfer was increased for the poorest sectors of society. This categorization (or qualitative coding) is based on the standards established in the new law.

The second step of the research question seeks to explain how the relationship between my independent variables of interest and reform to the poverty policy regime works. This portion of the analysis requires the consideration of what Collier, Brady, and Seawright (2004) call "causal process observations" (Collier, Brady, and Seawright 2004). In particular, I will analyze more than 135 interviews with political elites and social organizers to discern how the organizational structure of political parties and policy legacies influenced social policy reform in

each country. I also consider archival data from legislative debate and information gathered in an extensive review of media coverage of the policy reform incidents in both countries.

The analysis of Chile begins in 1990 and lasts through 2004, while in Uruguay it begins in 1990 and lasts through 2006.¹ In short, this project presents a qualitative small-n study that analyzes variation at three distinct levels: (1) across-countries; (2) across-time within each country; and (3) across policy sectors within each country, to test an explanation of why countries in the democratic-industrial world of social protection have proven to be more (or less) able to extend coverage and increase the value of education, healthcare, and non-contributory social assistance for the poorest sectors of society.

There are several aspects of this research design that require a more detailed explanation. In the remainder of this chapter, I justify my methodological approach and case selection. Specifically, I seek to explain why I employ qualitative tools to analyze the question at hand and why I selected the cases of Chile and Uruguay for this study. Additionally, I explain the rationale behind the time frame of the analysis. Finally, I close with a discussion of the nature of the data to be analyzed in this study, explaining why it is appropriate for the question at hand.

3.2 Why a Qualitative, Small-N Case Study of Chile and Uruguay?

Research in the field of political science is often divided into two general categories: qualitative and quantitative. A recent study by Collier, Brady, and Seawright (2004) outlines key differences between the two research traditions. The authors note that qualitative studies tend to be characterized by the use of nominal or ordinal measures, by a small number of cases, and by a heavy reliance on “thick” detailed case knowledge (Collier, Brady & Seawright 2004: 246). The quantitative approach, by contrast, tends to use variables with interval scales; to analyze a large number of cases; and employs statistical tests to identify causal patterns (Collier, Brady, & Seawright 2004: 246). The two research traditions also involve the use of different types of data.

¹ See section 3.3 of this chapter for a discussion of why I have selected these time periods.

In this vein, Munck (2004) notes that qualitative studies often use in-depth interviews, participant observation, or content analysis.

Within both the quantitative and qualitative research traditions there is a great deal of diversity with regard to how studies are conducted. The methods chosen for qualitative research vary depending on (1.) the aim of the research, namely whether it is interested in theory building or theory testing, and (2.) what sort of variation is being analyzed (whether it is strictly spatial or spatial and temporal). As mentioned previously, the purpose of this study is to test an explanation of social policy reform, and as such, methods that are exclusively appropriate for theory-building are not useful.

For the specific goal of hypothesis testing, a range of options exist within the qualitative-case study tradition. In a recent work on case study methodology, Gerring and Seawright (2007) identify nine different types of case studies, of which seven of the approaches are appropriate for hypothesis testing (Gerring and Seawright 2007). According to the authors, the first type of case study that is useful for hypothesis testing is the “typical” case study, which analyzes one or more typical examples (or cases) that exhibit a causal pattern of a general phenomenon. A second type, the diverse case study, is the opposite of the first approach and analyzes two or more cases that illuminate the full range of variation in the causal relationship between an independent and dependent variable. Gerring and Seawright (2007) name the third type of hypothesis-testing case study the “influential” type, as it analyzes one or more cases that have particularly influential configurations of the independent variable of interest. A fourth type, the crucial case study, considers a case (or more than one) that is most or least-likely to exhibit a certain outcome and thus provides a means for confirming or disconfirming the hypothesis. The fifth form of hypothesis-testing case study identified by Gerring and Seawright (2007), is the “pathway case,” which involves analyzing one or more cases where a given variable is likely to have caused a particular outcome on the dependent variable. Finally, the “most-similar” case study compares two or more cases that are similar on specified variables (but not on the independent variables of

interest), while the “most-different” type of case study compares two cases that are different on several variables, but share similar values on the variables of interest (Gerring and Seawright 2007: 89-90).

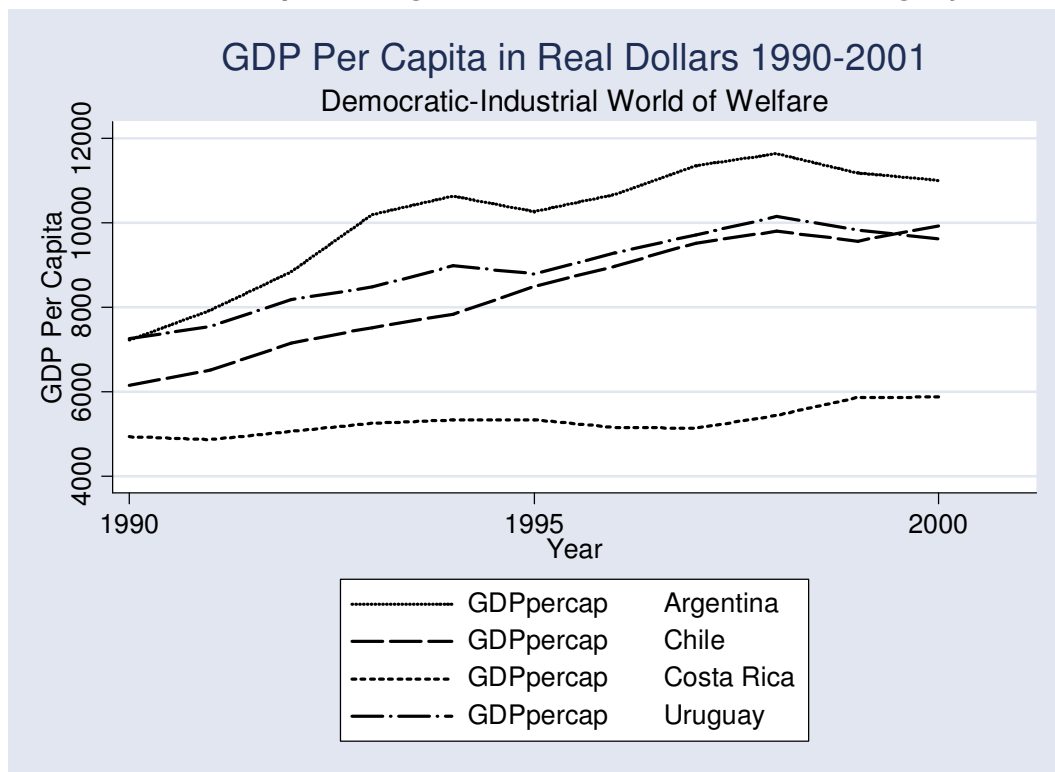
The nine case study types outlined by Gerring and Seawright (2007), overlap with the categorization put forward by (Eckstein 1975) and (George and Bennett 2005), but are slightly more specific and thus I shall use the distinctions identified by Gerring and Seawright.² The case study presented in this analysis conforms to the “most-similar” case study design. I use this approach because of its ability to closely mimic a quasi-experiment if the cases and the time period are selected carefully. To conduct this most-similar-systems study, I identified the two countries within the “democratic-industrial” world of welfare that have the most in common, but which exhibit significant variation with respect to the two independent variables of interest: (1.) the organizational structure of political parties and (2.) policy legacies. Gerring and Seawright (2007) propose the statistical tool of “matching” for selecting cases to be included in a most-similar-systems research design. The “matching” technique described by the authors is quite sophisticated and requires that the relationship being studied pertain to a reasonably large population of cases. Since the population of this study is small, statistical “matching” cannot be conducted, but a simpler version of the procedure can be substituted.

Matching essentially involves comparing a group of cases on a range of variables that are thought to contribute to the outcome of interest, but which are not among the independent variables under study. For the purpose of this discussion I will call those variables that may contribute to the outcome but are not central to the study, “control” variables. A researcher using the most-similar systems design must maximize the similarity between cases on the control variables, but ensure variation on the key independent variables of interest. For this study, several potential control variables should be considered.

² Eckstein (1975) identifies five types of case study: the configurative idiographic, the disciplined configurative, the heuristic, the theory-testing, and the plausibility probe. George and Bennett (2004) build on this categorization, noting one additional type: the building block study of a particular type or subtype.

A first factor that may contribute to the nature of social policy reform is economic development. Indeed, several authors note that wealthier countries have more funds available for social expenditure (Segura-Ubiergo 2007). To ensure that I control for this factor, a proper research design should “match” countries that have similar income levels. The most widely accepted measure of national wealth is Gross Domestic Product (GDP). To control for variation in the size of each country, I consider GDP per capita.

Figure 3.1: GDP Per Capita in Argentina, Chile, Costa Rica, and Uruguay



Data from: Huber et al. (2008), compiled from the Penn World Tables and the World Bank World Development Indicators

Figure 3.1 presents a graphical portrayal of GDP per capita in real dollars for the time period 1990-2001. What is clear from this image is that one country, Costa Rica, is very different from the other three states on this variable. Thus, an effective “matching” strategy for a “most similar systems” design would exclude Costa Rica based on this variable. Among the three remaining countries, the differences are slight, but it is clear that from 1995 onward (when the

majority of the policy reforms analyzed in this study occurred), that Chile and Uruguay are the most similar pair of countries.

A second factor that may contribute to the nature of social policy reform is the design of political institutions. Previous research on Latin American and European welfare states has found that the concentration of power in political institutions shapes the ability of actors, particularly political parties, to achieve legislative goals (and thus their ability to pass social policy reforms) (Castiglioni 2005; Huber and Stephens 2001; Pierson 2001). Interestingly, institutions may influence policies in different directions. In particular, the concentration of power may prove helpful for the initial expansion of welfare policies, as it facilitates the passage of legislation. During periods of policy roll-back, however, power concentration may help block reform efforts.

The characteristics of political-institutional design that concentrate power have been referred to as veto points because of their moderating effect on the legislative process. Tsebelis (2002) identifies federalism as a key veto point because it disperses power between different levels of government, granting actors access to additional political spheres in which they can block or alter legislation (Tsebelis 2002). A second type of veto point is bicameralism. In a bicameral system, laws must be approved by two legislative bodies. This two-step process presents potential veto players with an additional opportunity to block or alter legislative proposals. A final form of veto point exists in political systems that provide for referenda. The existence of a referendum mechanism alters the process of policy formation and reform because it grants veto players a tool for blocking legal developments and thus inhibits the political power of the legislative branch. To assess the similarities and differences between countries with regard to the number of veto points, I present a simple classification of the existence of each type of veto-point in Table 3.1. The data are taken from Huber et al. (2008) and suggest that with regard to veto points, the most similar pairs of countries are: Argentina-Uruguay and Chile-Costa Rica.

Table 3.1: Comparison of Veto Points

	Federal	Bi-Cameral	Referenda	Total
Argentina	1	1	0	2
Chile	0	1	0	1
Costa Rica	0	0	1	1
Uruguay	0	1	1	2

Data from: (Huber et al. 2008)

Another potential predictor of social policy reform relates to the level of institutionalization of a country's political arena, particularly that of the party system. For example, Weyland (1996) finds that fragmentation of the state and of the party system helps explain the regressive nature of Brazilian social policy in post-transition period (Weyland 1996). Party system fragmentation hinders policy formation by making it very difficult for parties to forge coalitions that permit the passage of legislation and by reducing the internal discipline of parties. To establish which countries in the "democratic-industrial" world of welfare have similar levels of party system fragmentation, I use Roberts and Wibbels (1999) measure of fragmentation, which reports the percentage of the vote obtained by the top two parties in the previous election (subtracted from 100 so that higher scores are associated with greater fragmentation) (Roberts and Wibbels 1999). Another factor that illustrates potential fragmentation in the party system is electoral volatility. Electoral volatility is the degree to which support for parties shifts from one election to the other. Roberts and Wibbels (1999) report the Pederson Index of electoral volatility for legislative elections in Latin America. The Pederson Index is calculated as the sum of individual party losses and gains divided by two. It ranges from 0 to 100, where 0 signifies a situation in which no votes were lost or gained, while 100 represents a situation in which all votes went to a new set of parties. Thus, high values represent a situation of greater volatility.

Table 3.2 reports Roberts and Wibbels (1999) data on legislative party system fragmentation and electoral volatility. The values presented are for the year closest to 1990. For

the measure of fragmentation, it is clear that Chile and Uruguay are the two states with the highest level of fragmentation. When it comes to electoral volatility, it is more difficult to “match” countries by simply eyeballing the data, but if one considers the difference between countries, it is clear that the smallest difference is between Chile and Uruguay (0.9). The difference between Argentina and Chile is 3.05; between Argentina and Uruguay 2.15; between Argentina and Costa Rica 4.95. Similarly, the difference between Chile and Costa Rica is 1.9 and the difference between Costa Rica and Uruguay is 2.8. In other words, Chile and Uruguay provide a most similar “match” with regard to the institutionalization of their party systems.

Table 3.2: Institutionalization of the Party System

	Fragmentation	Electoral Volatility
Argentina	15.4	13.75
Chile	44.1	10.7
Costa Rica	5.2	8.8
Uruguay	30.3	11.6

Data from: Roberts and Wibbels (1999)

A final variable that may influence the ability of actors to carry out difficult social policy reforms is related to the strength and capacity of the state. Huber (1995) defines state strength as “the capacity to achieve the goals set by incumbents in chief executive positions” (Huber 1995: 166). Measuring such a broad concept is challenging and there is no consensus about what constitutes a good proxy. Some scholars measure state capacity as total government revenue (Schmitter 2005). Although the measure is imperfect, it is much more direct and transparent than its alternatives. For this reason, I use the World Bank measure of tax revenue as a share of GDP to gauge one aspect of state capacity (World Bank 2006).³ The values for this variable are

³ To check the “matching” suggested by the tax revenue measure, I also considered one of the only direct measurements of state capacity that exists: the World Bank’s government effectiveness index (Kaufmann et al. 2005). In particular, I ranked the four countries with respect to their performance on this index, which assesses “the competence of the bureaucracy and the quality of public service delivery” (Kaufmann et al. 2005). In the rank order the most effective country is Chile followed by Uruguay, Argentina, and lastly Uruguay. In this way, the rank order supports the “matches” established using the variable tax revenue as a share of GDP.

presented in Table 3.3,⁴ which reveals that the most-similar pairs of states with regard to revenue extraction are Chile-Uruguay and Argentina-Costa Rica.

Table 3.3: State Capacity

	Tax Revenue (% GDP)
Argentina	12.18
Chile	16.73
Costa Rica	13.32
Uruguay	18.16

In summary, using a “matching strategy” to identify the most similar countries, I find that for three of the four control variables, Chile and Uruguay emerge as the best match. The only variable where Chile and Uruguay are not paired is with regard to the number of veto points built into the political system. Interestingly, however, the institutional device that keeps Chile and Uruguay from having an equal score for veto points is the presence of a referenda mechanism. While the use of referenda in Uruguay has posed an important obstacle to policy making in that country, it has primarily been used to block economic policies, namely efforts to privatize public companies and utilities (Altman 2005). Nonetheless, on two occasions the direct democracy mechanism was employed to defend and expand social policy. The first case involved a plebiscite/popular initiative that was carried out in 1989 and resulted in a guarantee that pensions would be increased at the same time and to the same magnitude as state workers’ wages (Filgueira 1995). The second case was an attempted referendum to overturn the 1995 pension reform. In that instance, the effort was blocked by the Electoral Court, which ruled that the Executive had a legal monopoly over social security initiatives. Still, in interviews with political elites, I was told time after time that the ability to effectively employ direct democracy in Uruguay is heavily conditioned by the nature of the political party in opposition. Specifically, interviewees from all three parties suggested that while the FA was effective at using the

⁴ Values for all four countries were only available for the years 2002, 2003, 2004. The values presented in table 3 are the average for the three years.

referenda while in opposition, because of its strong territorial presence and deep ties to organized social groups, other parties are less able to take advantage of the institutional device. In essence, then, while Uruguay does possess a veto point that is absent in Chile, a careful consideration of the tool's use suggests that the device has more often been used for economic policy and that its effectiveness is at least partially conditioned by the color of the party in opposition. I, therefore, contend that the paired comparison of Chile and Uruguay is legitimate despite this difference.

There are, of course, trade-offs involved with a small-N qualitative research design. Some scholars are critical of small-N studies because they violate many norms in statistical research and thus, according to these authors, limit a scholar's ability to draw causal inferences (King, Keohane, and Verba 1994). While King, Keohane and Verba (1994) are somewhat one-sided in their evaluation of qualitative research, they are right to note that small-N studies are limited with regard to the generalizability of findings. This study, however, does not seek to test a broad theory of policy reform and generalize the findings to a large universe of cases. Rather, I seek to explain a small population of countries. For this reason, a small-N design is a good first step toward understanding the political dynamics at play in the "democratic-industrial" world of welfare.

At this point, some readers may wonder why I do not consider all four countries that comprise the democratic-industrial world of poverty protection. The answer to this question is based on the trade-off involved in expanding the N as compared to engaging in a "thick" analysis of a smaller number of cases. The remainder of this dissertation presents an explanation of policy reform in three separate sectors of social protection during a time period of more than 15 years and seven separate governments. The research draws on data gathered from in-depth interviews with more than 135 politicians and social activists involved with each policy reform incident. Engaging in such an analysis for four cases would be impossible and thus I would be forced to sacrifice depth in the name of breadth. Because the aim of this study goes beyond hypothesis

testing to include goals of concept formation and hypothesis refinement, I have chosen to pursue depth at the cost of breadth.

The comparison of Chile and Uruguay has an additional advantage: it presents a research design with quasi-experimental characteristics. In a study of social science methodology, Collier, Brady, and Seawright (2004) note that the primary division in social science scholarship is not related to whether a study uses qualitative or quantitative methods, but rather to the issue of whether a research design is observational or experimental. The authors stress that experimental research allows an investigator to arrive at a more definitive conclusion about the impact of a variable because it involves the introduction of a “treatment” and the presence of a “control” group. Observational research in both the qualitative *and* quantitative tradition, by contrast, is unable to reach definitive conclusions because treatments are not controlled by the researcher and because there is no control group (Collier, Brady and Seawright 2004: 231). For research that falls into the observational camp, Collier, Brady, and Seawright (2004) note that there are distinct techniques available to address the uncertainty of the conclusions drawn from the studies. One partial solution to the challenge posed by observational research is to create a quasi-experimental research design. A quasi experiment is:

“an observational study that in some respects resembles an experiment. Specifically, the researcher observes one or more cases after (and often before) what may be thought of as a ‘treatment,’ involving a change in an explanatory variable at a given point in time... the treatment involves real-world events produced by the unfolding of political and social processes” (Seawright and Collier 2004: 302).

One form of the quasi-experiment is a cross-temporal (or time series) design in which a case is considered prior to and in the wake of a natural “treatment” (or a change in the value of key variable). In such a research design, the scholar is able to consider the “pre” and “post” treatment outcomes, thus allowing for a conclusion about whether the variable under study is an important determinant of the dependent variable. A research design that only considers cross-temporal variation is still not fully conclusive, as it does not provide a “control” group (or case) to

compare the outcomes and determine if a similar change did or did not occur in the absence of the treatment.

Gerring and McDermott (2007) investigate the idea of experimental and quasi-experimental research design in case studies. They contend that there are four basic types of case studies: (1) those that combine spatial and temporal variation (dynamic comparison); (2) those that consider only temporal variation (longitudinal comparison); (3) those that consider only spatial variation (spatial comparison); and (4) those that analyze a counterfactual as variation (the counterfactual comparison) (Gerring and McDermott 2007: 153). The authors argue that each case study type offers different degrees of “experimentalism,” with dynamic comparison coming the closest to a classic experiment (Gerring and McDermott 2007). While a dynamic case study is not completely experimental in nature since no two countries are identical and because the “treatment” introduced in the research is natural (not applied by researcher), it does come the closest to the quasi-experiment. In order for a dynamic case study to most closely fit a quasi-experimental design, case selection must be carried out using a “matching” strategy (as opposed to random selection). By identifying the most similar countries, the researcher creates a control group of sorts.

As explained earlier, this study considers two “most similar” countries (Chile and Uruguay), which I selected using a “matching” process. The two states share a similar political regime trajectory, industrialization experience, level of national wealth, political-institutional design, party system institutionalization, and state capacity. Where Chile and Uruguay differ is with regard to the structure of political parties, policy legacies, and the experience of the center-left parties. Interestingly for the purpose of creating a quasi-experiment, the two countries’ center-left parties differ with regard to their experience in government. While in Chile the center-left coalition of parties came to power immediately following the democratic transition and have remained in government since that time, Uruguay’s left party acted exclusively as an opposition party until 2005, when an election (or “natural treatment”) brought them to power. In this way,

the comparison of the two countries across this particular time period (1990-2006) creates a quasi-experimental setting for analyzing the effect of a left party in government and a left party in opposition on social policy outcomes in the neoliberal era.

The organizational structure of Chile and Uruguay's political parties also differ significantly, with the center-left Concertación parties in Chile exhibiting an elite-electoral organization, while the center-left Frente Amplio is best described as an organic-mobilizing party.⁵ The center-right parties also diverge, with Uruguay's traditional parties relying on patronage to link to their base and Chile's right-wing Alianza parties adopting a business-coordinating structure. Finally, policy legacies vary significantly across the countries and policy sectors.⁶

In summary, there are many good reasons to select Chile and Uruguay as cases for this study. Thus far in this chapter I have used "matching" to show that the two countries permit a controlled comparison for analyzing the effect of party system characteristics, the policy making arena, and policy legacies on social policy reform. Additionally, the variation across time in Uruguay with respect to the left party arriving in government only in 2005 makes for a quasi-experimental setting to consider the divergent effects of left parties (in government and in opposition) on policy outcome. For all of these reasons, I am certain that the choice of Chile and Uruguay as cases makes good theoretical sense and will provide the optimal setting for drawing inferences. I now turn to an explanation of the temporal focus of this study. In particular, I seek to explain why I have chosen to analyze policy reform in the contemporary period and why I set the start and end points as 1990 and 2004/2006.

3.3 Why This Specific Time Period?

Falleti and Lynch (2006) argue that scholars must be precise when defining the context of their study because outcomes result from the interaction between a causal mechanism and its

⁵ This characterization is discussed in detail in chapter 4.

⁶ This variable is also discussed at great length in chapter 4.

context, noting that: “causal explanation requires the analyst both to specify the operative causal mechanism, and to delineate the causally relevant aspects of the surroundings -- i.e. those that allow the mechanism to produce the outcome” (Falleti and Lynch 2006: 14). In particular, the authors note that determining the beginning and end point of a study is an important theoretical decision that should not be taken lightly. Falleti and Lynch (2006) contend that the decision of when a study begins and ends must be guided by the theory at hand and they suggest identifying a context based on the object of study. For this research question, an appropriate time period (using Falleti and Lynch’s standards) would be one during which a policy reform incident occurred in each of the three social sectors: education, healthcare, and non-contributory social assistance. It is for this reason that I consider the first three governments of Chile’s new democracy (from 1990 to 2004) and the second through the fourth governments of Uruguay’s new democracy (1990 through 2006). In other words, the time period of this study excludes the first four years of Uruguay’s new democracy (1985-1989) and two years in the Chilean case (2005-2006). I contend that the lack of social policy reform initiatives during Uruguay’s first democratic government (1985-1989) makes the period irrelevant to the object of study and thus I exclude this period. Similarly, since a major policy reform had occurred in all three sectors of Chilean social policy by the end of the Lagos Presidency (in 2004), it makes sense to exclude 2005 and 2006 from the Chilean case study. In summary, the time period of this study has been selected based on the object of the study: policy reform in education, healthcare, and non-contributory social assistance.

Having established how I identified the start and end point of this study, I now turn to the question of why I have chosen to analyze the most current period of social policy reform. Indeed, research on social policy formation and change could focus on any historical period, so why do I consider the current era? The answer is essentially rooted in intellectual curiosity and certain characteristics of the most recent period that I find particularly interesting. Some authors have argued that the debt crisis of the 1980s and the ensuing period of neoliberal economic reforms

marked a critical juncture in the region because the break-down of the ISI model and the adoption of liberalizing economic reforms had profound repercussions for the state, political parties, and social organization (Collier and Collier 1991; Roberts Forthcoming). While it is not within the scope of this paper to determine whether the debt crisis and the ensuing period of liberalization marked a critical juncture in Latin America, it is undeniable that the contemporary era has been one of tremendous change. The stress and pressure put on Latin American states as a result of the fiscal crises in the early 1980s forced countries in the region to reformulate state-provided social services and transfers and although early analyses of reform painted a picture of uniform responses, the passage of time has revealed important differences in how countries responded to these pressures. For this reason, the contemporary period is a particularly interesting for the study of social policy reform. Moreover, studies of the current era have direct policy relevance, as they may provide insight into ongoing processes of reform. It is because of these factors that I choose to study the current era.

3.4 The Data

One important difference between qualitative and quantitative studies, according to Collier, Brady, and Seawright (2004) is that qualitative research often relies on a different type of observation – what they call a “causal process observation,” which is required for process-oriented inference (Collier, Brady, and Seawright 2004: 253). The authors note that a quantitative (data-set) observation is effective for establishing correlation and testing for the existence of relationships, but that only causal process observations can be used to identify the way in which a causal relationship occurs. For this reason, this study will combine the analysis of dataset observations with process tracing observations.

As mentioned previously, the first portion of the analysis will seek to establish whether or not the central variables of interest – political party organization and policy legacies – vary systematically with policy reform that is effective at expanding the coverage and value of social protection for the poorest sector of the population. To test for this covariation, I will use the

comparative historical method and dataset observations. Specifically, I will classify the character of Chile and Uruguay's political parties and track any changes in the organizational structure. Additionally, I will create a descriptive measure of the policy legacies in education, healthcare and non-contributory social assistance for both countries. I will then use the comparative historical method to establish whether changes in the values of these variables across time and countries correlates with policy reform incidents. I will code policy reforms on two dimensions: (1.) how effective the new policy is at expanding coverage to the bottom of the income distribution, and (2.) whether the value of the service/transfer is extended for the poorest sectors of the population. Each chapter provides a detailed explanation of the coding and ranks policy reform for their overall ability to increase social protection for the poor.

In the second phase of the analysis, I seek to establish the precise workings of the causal mechanism that links party structure and policy legacies to reform outcomes. This portion of the project analyzes a different type of data: causal process observations. Collier, Brady, and Seawright (2004) contend that causal process observations allow a researcher to test whether the hypothesized relationship between a variable X and an outcome Y works in the specified manner. In other words, these are the data that are used for process tracing. I have compiled a dataset of causal process observations based on more than 135 in-depth interviews with political elites in Chile and Uruguay. I also draw on information gathered from an extensive analysis of press archives and legislative reports. These data sources allow me to trace the way that political party structure and policy legacies influenced reform outcomes.

3.5 Conclusion

In summary, this dissertation seeks to explain why countries inside the “democratic-industrial” world of social protection have responded differently to the new pressures and constraints of the neoliberal era when reforming education, health, and non-contributory social assistance policies. To answer this question, I carry out an in-depth comparative historical case study of Chile and Uruguay, drawing on original interviews and archival data to trace the causal

mechanisms that link political party structure and policy legacies to reform outputs. The project employs a ‘most-similar-systems’ research design and using a simplistic form of ‘matching,’ I find that Chile and Uruguay exhibit similar values for a host of control variables, but are quite different with regard to the key variables of interest: the organizational structure of political parties and policy legacies. In this chapter I have justified both the case selection and the reasoning behind the temporal focus of the research. Moreover, I have provided an overview of the data that will be analyzed in the remainder of this study. In the next chapter I provide a detailed explanation of the theoretical framework before moving on to the analysis of Chile and Uruguay’s reforms to education, healthcare, and non-contributory social assistance programs.

CHAPTER 4: THEORETICAL FRAMEWORK

In Latin America's current neoliberal era, political elites, particularly those in center-left parties, have faced an economic and social policy-making environment characterized by significant constraints. The neoliberal doctrine, which stresses downsizing the role of the state, scaling back social spending, and de-regulating markets, has placed new political pressure on policy-makers. This pressure is exerted by means of international financial institutions (IFIs), domestic and international investors, and representatives of local big-business. Specifically, these actors have advanced demands for greater private sector participation in the delivery of social services and transfers, as well as for the liberalization of labor, trade, and investment policies.

Parties of the center-left, which historically defended a state-led development model and publicly-provided social protection, have been particularly hard-hit by these international and domestic constraints. In addition to the pressure to shift their traditional policy positions, parties of the center-left have suffered as labor market "flexibilization," trade liberalization, and the decline in public sector employment have resulted in a weakening of unions, both in terms of overall numbers and general political power (Weyland 2004; Roberts 2002; Portes and Hoffman 2003). This, in turn, has led to a deterioration of the center-left parties' traditional electoral base, further challenging the political organizations. In this vein, Levitsky (2003) argues that "these changes [those resulting from neoliberal reforms] created an incentive for labor-based parties to rethink their programs, redefine their relationship with unions, and target new electoral constituencies (Levitsky 2003: 1). Similarly, Roberts (forthcoming) contends that the breakdown of Latin America's state-led development model and the transition to neoliberalism marked a critical juncture, as political actors, particularly labor-mobilizing and populist parties, were forced

to adapt to new social and economic conditions and alter their organizational structure (Roberts Forthcoming). Both authors, therefore, stress how the neoliberal era has ushered in important changes to the internal organization of center-left political parties.

As a result of the new constraints presented by the neoliberal era, some scholars have argued that policy differences between parties of the left, center, and right have become increasingly small, as the room for maneuver has declined due to economic constraints (Weyland 2004). In fact, as noted by Madrid (2003) and Kaufman and Nelson (2004), in some instances, populist parties of the center-left engaged in regressive social policy reforms (Madrid 2003; Kaufman and Nelson 2004). Yet other studies find that in some cases, parties of the center-right engaged in policy reforms that were progressive in character (Lakin 2006), suggesting that in this current neoliberal era, partisan differences are difficult to predict. Still, a growing body of research suggests that the ideological color of political parties continues to play an important role in determining the character of regulatory, labor, and social policy (Huber et al. 2006; Pribble, Huber, and Stephens Forthcoming; Castiglioni 2005; Murillo 2005; Murillo 2002). Importantly, however, scholarly debate over the impact of partisanship on policy outcomes has remained separate from research on political party organization and studies of the changes in party structure adopted during the neoliberal era. I contend that this divorce represents an important shortcoming in the comparative political economy literature and that to fully understand the process of social policy reform in the contemporary period, it is crucial to take into consideration not only the ideological orientation of a party, but also its organizational structure. This is especially true for parties of the center-left, which as mentioned previously, have faced unique constraints and pressure to adjust their organization. Specifically, I argue that the way in which center-left parties link with their base – through a mobilizing tie, an electoral-professional focus, patronage, or personality – is crucial for understanding the content and timing of social policy reforms and whether or not these initiatives effectively extend the coverage and quality of social programs for the poorest sectors of society. In this way, it is important to think about parties in a

two-dimensional light; as both representatives of a political program and organizations with rules and regulations that influence how policy-making and other political processes are carried out.

The internal organization of political parties is important because, as argued by Panebianco (1988), political parties are not simply the reflection of societal divisions and preferences, but also respond to the needs and interests of political elites (Panebianco 1988). Panebianco (1988) warns against both the sociological and the teleological prejudices present in research on party organization, arguing that such biases obscure the understanding of how parties work (Panebianco 1988: 3-6). Instead, the author stresses the need to think about party organization as a means of resolving internal dilemmas posed by contradictory preferences within political organizations. In this way, the organizational structure of a political party has important implications for how power is distributed among different sectors; for the degree of autonomy elites enjoy when making decisions; and for the ability to enforce discipline among members. For all of these reasons, I contend that party organization has important consequences for the timing and content of social policy reform.

Political parties come in many forms, but ultimately the role that these organizations perform – that of linking voters to the state – is similar across time and space.¹ The way in which parties perform that “linkage” role does, though, differ across countries (and across parties within different states). Studies of political party organization have focused on several dimensions upon which parties can be characterized and classified. Early research on parties focused on system-level dynamics, considering the social divisions, or cleavages, that structure party emergence and competition (Lipset and Rokkan 1967). Such studies, which focused primarily on European cases, did not travel well to the Latin American context, where cleavages were less stable and party systems less rooted in such social divisions. In an attempt to respond to this shortcoming and to explain party system attributes unique to the Latin American context, Mainwaring and Scully

¹ Clearly parties serve purposes beyond serving as the mediator between state and society. Aldrich (1995) argues that parties exist to (1) regulate access to public offices, (2) help pass legislation (coordinate activity), and (3) help elect politicians (Aldrich 1995).

(1995) present a typology of parties based on the level of ‘institutionalization,’ or the strength of a system’s ties to society (Mainwaring and Scully 1995). Also responding to the unique challenges faced by Latin American parties, Levitsky (2003) moves past the idea of ‘institutionalized’ and ‘non-institutionalized’ parties, analyzing whether parties are strongly or weakly ‘routinized’ (Levitsky 2003). Levitsky argues that parties with weak routinization, but with high levels of informal organization, can exhibit much-needed flexibility for adapting to changes in the competitive environment, thus allowing them to overcome moments of intense partisan crisis. Synthesizing these distinct characteristics of party organization, Roberts (forthcoming) presents a typology of Latin American parties that classifies parties based on the party-society linkage, cleavage structure, and organizational form (Roberts forthcoming: 99).

Clearly, then, political parties in Latin America and beyond vary tremendously with regard to their internal organization and procedural practices. I argue that one particular aspect of this organization – the nature of the link that ties parties to voters – helps explain the different policy outcomes. Specifically, I argue that among center-left parties, an important organizational distinction is whether the party is structured in an organic (bottom-up) manner much like a social movement, or whether it is more elite-organized, relying on appeals to the voting base from a small and isolated group of party leaders. Center-left parties may also link to voters by means of a charismatic individual with personality based appeals, while others yet rely on clientelistic ties to potential supporters.

In the case of Chile and Uruguay, the center-left parties are programmatic in nature. None of the organizations relies exclusively on patronage to win votes,² nor do they rest on the notoriety of a key individual. Indeed, the center-left parties in both countries appeal to voters primarily on the basis of ideology and programmatic issue positions. Despite this similarity, the

² It is important to note that while they do not rely *primarily* on patronage to secure votes, Luna (2005) finds that the center-left parties in both Chile and Uruguay do engage in some form of personal services and favors at the local level. Still, I contend that this is not the most important linkage mechanism for the parties.

parties differ with regard to how they relate to their base and the role in which the base plays in steering party activity. While Chile's Concertación parties are elite-electoral in their orientation, the FA in Uruguay is best characterized as an organic-mobilizing party. This difference in the internal organization of the center-left parties influences policy outcomes because it affects the distribution of power within the political organization. Specifically, elite-electoral organizations concentrate power among a small group of political elites, while organic-mobilizing parties disperse power, thereby slowing the policy-making process, but generating a setting in which outputs are likely to be more universalistic in scope.

While the changes in political and economic constraints erected during the neoliberal era have been most notable for parties of the center-left because of the nature of their voting base and their historical role in promoting a state-led development model, the current period has also provoked changes within parties of the right. Most notably, parties of the right have found an important new power base among the domestic business sector. As Weyland (2004) notes, "leading business sectors have gained greater clout; they now have better access to international capital markets; they have stronger links to transnational corporations; they have bought up many public enterprises, often at rock-bottom prices; and therefore they own a greater share of the economy" (Weyland 2004: 142). For this reason, domestic business interests in Latin America are a crucial source of power in the political process, as their ability to shape economic performance means that ignoring their preferences could be costly. I, therefore, argue that in the neoliberal era, an important organizational characteristic that distinguishes parties of the center-right is whether formal rules and informal practices foment the participation and coordination of political activity with the world of big business.

Center-right parties vary with regard to how extensively business groups are integrated into the organizational apparatus. Some of this variation is determined by the character of the business sector, namely whether it is unified into meaningful organizations or segmented among competing interest groups, but another source of variation among parties relates to the historical

alliances that were established during the formation of the parties. Specifically, I argue that parties such as the right-wing UDI and National Renovation in Chile emerged in alliance with big business, and therefore, developed a “coordinating” structure.³ This organizational structure facilitates the entrance of business leaders into leadership positions within the party and promotes policy advising from the business sector. In contrast to ‘coordinating-business’ parties, some center-right organizations emerged independently of big business, and therefore, exhibit a more elite structure that places power in the hands of career politicians, thereby reducing the strength of ties to the business sector. These differences in the historical alliances that form the foundation of parties of the center-right, and their subsequent variation in organizational structure, influences the power of right-wing parties and the types of policy reform that they promote and oppose.

In light of this evidence, I hypothesize that the internal organization of parties of the left, center, and right will influence the content and timing of social policy reform in Chile and Uruguay. Naturally, though, the organizational structure of parties works in conjunction with other factors to determine the content and timing of policy reform. Specifically, I argue that policy legacies, or the design of existing social programs, have a mediating impact on the effect of party organization. This is because policy legacies determine what kinds of reform will be necessary as well as the distribution of power between different interest organizations within the policy sector.

In the remainder of this chapter, I classify the organization of political parties in Chile and Uruguay, explaining my expectations for how the organizational characteristics will influence policy output. Additionally, I explain how policy legacies mediate the strength of that relationship, paying particular attention to how the design of existing programs influences the distribution of power among different interest groups within the sector. After explaining the

³ This alliance between business and the right was fostered during Pinochet’s military regime. This point is discussed in greater detail later in this chapter.

theoretical framework, I briefly analyze several rival hypotheses and provide a brief overview of the remainder of the dissertation.

4.2 The Internal Organization of Political Parties in Chile and Uruguay

Uruguay's Frente Amplio

Uruguay's FA is organic in its structure, with semi-institutionalized systems for consultation and coordination between base organizations and the party elite. The party promotes participation and the relationship between elites and voters is not limited to electoral contests, but is maintained in non-election years as well. Martínez Barahona (2001) argues that "the FA developed from its very beginning a strong sense of a party beyond its individual representatives. In this way, the working of the party was organic up to the point of it being typical to have long unending meetings in the different party committees" (Martinez Barahona 2001, translation by author). The roots of the FA can be traced back to the 1960s, when disparate actors on the left side of the political spectrum began efforts to unify into one party (Luna 2005: 154). Ultimately, the party's unification occurred in 1971 with the help of the union and student movements. The new left party brought together the Communist, Socialist, and Christian Democratic parties as well as sectors of the traditional parties and left-leaning independents (Luna 2005: 157). Although the newly unified FA enjoyed only a short time in the political arena before a 1973 self-coup ushered in 11 years of military rule, the party successfully maintained its presence during the authoritarian period and emerged in 1984 as an important political actor.

With the passage of time and experience in government at the municipal level, the FA did begin to shift its structure to form a more professional organization during the 1990s (Luna 2005). Still, I contend that the party has retained aspects of its organic-mobilizing roots, and that these have important implications for the character of public policy. In this vein, Lanzaro (2004) argues that the center-left party has moderated its ideological position and shifted toward a more professionally-oriented structure, but notes that the party continues to hold-on to some characteristics from its origins, combining "the old and the new in the lineage of the left,

generating a sort of transformationism,” (Lanzaro 2004: 63, translation by author). Luna (2005) also contends that the party’s experience running the Montevideo municipal government provoked a shift toward the center of the political spectrum and the flexibilization of internal governance rules, but notes that the organization further strengthened its ties to society, developing a “close to the people administration” that was based on zonal administrative councils, which set in place “a decentralized and very powerful political machine; particularly in the poorest neighborhoods of the city” (Luna 2005: 369).

The FA’s high level of internal democracy and commitment to consultation between the base and the elite is carried out through several mechanisms. Specifically, the FA’s procedural code provides for groups within the party to call for an internal referendum or propose change through a system of popular initiatives (Frente Amplio 2007). Additionally, the party has created a developed system for popular consultation and debate. The party is made up of small territorial committees, a national ‘plenario’ (council), and a ‘mesa politica,’ (or political committee). The FA’s national council is comprised of the president and vice-president of the party, 72 representatives of the distinct fractions and groups that make up the party, 36 representatives from the Montevideo local committees, 36 representatives from the departmental committees, and six citizen-militants (Frente Amplio 2007: article 69, translation by author). The Council meets every two months to debate proposals and government plans, carry out decisions made during the party congress, set party objectives and strategy, supervise the political committee, and decide which issues will be addressed during meetings of the political committee (Frente Amplio 2007: Section V, chapter 1). The FA’s political committee is the executive branch of the national plenario and meets weekly to execute resolutions passed by the party congress and plenario, determine political action, make urgent policy decisions, ensure that political agreements about the party platform are upheld, and carry out other administrative tasks (Frente Amplio 2007: Section 5, chapter 4) The party’s political committee is comprised of fifteen members (drawn

from the national council), which represent the political fractions and organizations inside the party (Frente Amplio 2007: Section V, Chapter 4).

All of these institutional rules reveal a key attribute of the FA: its commitment to internal democracy and to engaging in regular consultation with representatives of base organizations about policy options, the party platform, and party strategy. Lanzaro (2004) and Luna (2004) both note that these rules are flexible and that key leaders, such as President Tabaré Vazquez and MPP fraction leader José Mujica have been successful in by-passing procedures in some instances. Still, it should be noted that during the party's first experience ruling the country at the national level, there have been several instances in which the FA base organization have opposed government policy and called for a different course of action. In the case of the government's desire to negotiate a free trade agreement with the United States, the committee was key in mobilizing opposition against the plan and ultimately forcing President Vázquez to withdraw his proposal and abandon the negotiations. Even in the area of social policy I was told by members of the FA government that they were interested in maintaining the dialogue with base organizations (Personal Interview #1, 2). An under-secretary in the Budget Office and close advisor to the President told me,

“the Frente's policy-making process doesn't seek to isolate political pressures from unions and corporations. We are in the same political movement. The model is that technical experts draw up a proposal, but then it goes to the base. We don't want a technocratic democracy. We want some elements of public management, but we never want the Frente to lose its status as a movement” (Personal Interview #1).

In other words, while the degree of “organic” consultation inside the FA is certainly less than it was at the time of the party's emergence, it continues to be a defining characteristic and has important effects for policy outputs since the government cannot rely on autonomy from the party when formulating proposals.

An additional aspect of the FA's structure, its fractionalized character, further strengthens the tendency within the party to promote mobilized participation. The party's fractionalized

structure creates a situation of intense internal competition within the organization for electoral support. This internal competition, in turn, presents political elites with incentives to build deep organic ties with base organizations so as to institutionalize each fraction's power. This leads to the strengthening of mechanisms for consultation and participation, which in turn contributes to the FA's pluralistic orientation. The fact that organic-mobilizing parties invoke a process of popular consultation with base organizations when making policy decisions means that power within the party is dispersed vertically (between different levels of the organization). In the particular case of the FA, this power dispersion is even more dramatic because the fractionalized structure of the party means that power is also dispersed horizontally across different sectors of the party.⁴ The high level of power dispersion within the FA complicates policy-making in some regards, as it requires building consensus among a more heterogeneous group. Moreover, because of the party's strong and mobilizing ties to organized interest groups, such as unions and confederations, policy outputs are also likely to reflect the preferences of strong interest organizations. However, because of the need to consult with, and incorporate the interests of base organizations, which typically hold more statist views than the moderate political elite, the FA is more likely to prioritize goals of equity and state intervention over those of fiscal discipline and macroeconomic stability.⁵

Thus far, I have addressed the issue of how the organic-mobilizing structure of the FA matters for policy-making when the party is in government. However, for a large period of this analysis (1985-2005), the center-left party was in opposition. Despite its opposition status, I contend that the structure of the FA also had important consequences for social policy outcomes

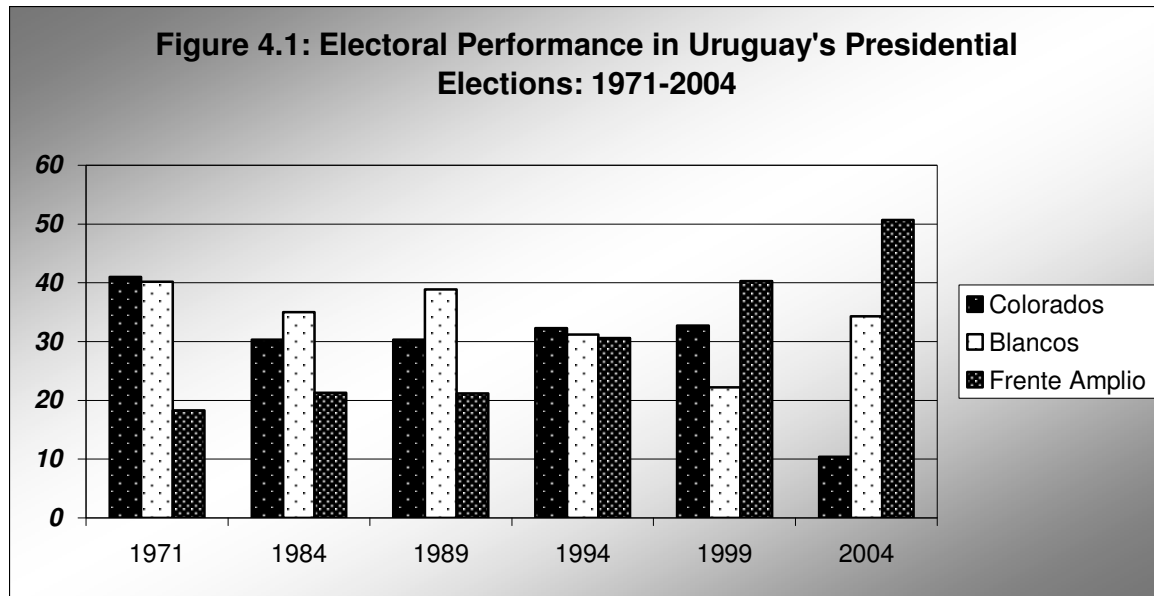
⁴ All of Uruguay's political parties are comprised of several competing fractions or lists, which compete for party leadership. To date, leadership within the FA has been quite fluid with different fractions growing and declining in distinct moments. In fact, Piñeiro and Yaffe (2003) argue that the FA has remained more fractionalized than the traditional parties (Piñeiro and Yaffe 2003). Still, Lanzarro (2004) notes that the five primary groups of the party receive approximately 85 percent of the vote (Lanzarro 2004: 76).

⁵ This does not mean that macroeconomic concerns are unimportant, but rather that they are not the driving force behind policy.

during this period as well. This is because the mobilizing potential of the FA influenced the behavior and policy options of Uruguay's traditional Colorado and Blanco parties. Due to the party's organic structure, the traditional parties faced high costs to engaging in reforms that might further fuel the center-left party's mobilizing capacity. In this way, the traditional parties were especially reserved in reforming sectors, such as healthcare, where the FA had not yet consolidated full support from organized interest groups. Moreover, the organic-mobilizing structure of the FA meant that it could mount aggressive resistance to proposed legislation. The country's traditional parties, therefore, faced a powerful veto coalition that would likely vote against any attempted reform; even, as was the case with the 1995 education reform, proposals that were relatively "statist" in their orientation (Filgueira and Moraes 1999). In other words, the presence of an organic-mobilizing party in opposition served to generate significant policy stasis.⁶

The stagnation in policy reform generated during the FA's experience in opposition was especially strong between 1985 and 1994. This is because during that period the country's two traditional parties, the Blancos and the Colorados, continued to compete intensely with one another, thereby increasing the stagnating trend. With the 1994 election, however, the traditional parties became aware of their dependence on one another for electoral survival and Uruguay's political arena took on a "bipolar" logic (Luna 2005; Lanzaro 2004). The evolution of electoral results in Uruguay between 1971 and 2004 is displayed in figure 4.1.

⁶ As noted later in this chapter, this policy stagnation was further strengthened by the organizational character of the traditional parties, which I label "elite-patronage."



Source: (Luna 2005: 367).

What is clear in figure 4.1 is that the FA made steady electoral gains between 1984 and its eventual victory in 2004. The traditional parties, by contrast, lost ground, fluctuating around 30 percent until the steep decline of the Colorado party in 2004.⁷ Perhaps most interesting for the purpose of this chapter is the balance of power in the 1994 election. Figure 4.1 reveals that the 1994 election was the first and only in which the Uruguayan electorate was divided into (nearly) equal thirds. This fact is important for understanding why the policy gridlock that plagued Uruguay during the first ten years of democracy began to ease following the 1994 election. The clear division of the electorate into three similarly sized blocks, generated a recognition on the part of the traditional parties that their best bet for competing with the expanding power of the FA was to partner together. The two parties had already been forced to form coalition governments during the first two presidencies of the democratic era, but the coalitions were weak and actors from each party maintained a primary goal of protecting their own party's interests with the hopes of boosting electoral support.

⁷ The Colorado Party suffered significantly as a result of its association with the 2001 economic crisis.

In the wake of the 1994 election, however, it became clear that the partnership between the two traditional parties had a new strategic importance. In this vein, Luna (2005) argues that the 1994 election marked a turning point in Uruguay's party politics:

“Frente Amplio's ‘almost victory’ provoked a fundamental watershed on the country's recent history, increasing the perceived costs of losing office for both traditional parties. While before 1994, losing office meant that the other traditional party would win but without a majority, now the implications were far more drastic as both traditional parties would be left out of office” (Luna 2005: 168-169).

Luna (2005) contends that such an outcome was particularly unacceptable for Uruguay's traditional parties because of their reliance on state resources for electoral success. Since the Blancos and Colorados had historically shared access to the state, the possibility of a FA victory and the potential disappearance of their hold over the state, endangered the traditional parties' electoral future (Luna 2005: 169).⁸ On a similar note, Filgueira and Filgueira (1997) argue that the 1994 election altered the incentives that the traditional parties faced, eliminating the tendency for policy stalemate. The authors argue that the policy gridlock of the 1984-1994 period arose primarily as a result of the fact that the traditional party in opposition had little incentive to cooperate with the traditional party in government because it sought to win the votes lost by the incumbent. The 1994 election, however, revealed that the FA was also capable of winning those lost votes and thus the traditional parties began a process of greater cooperation (Filgueira and Filgueira 1997).

Following the 1994 election, therefore, the nature of Uruguay's electoral competition changed. Luna (2005) puts it most clearly: “this coalition [that formed in 1995] produced another crucial externality: the consolidation of a bi-polar logic of programmatic competition structured around a traditional-party family and a leftist family, composed of the Frente Amplio and Nuevo Espacio” (Luna 2005: 170). My interviews confirm Luna's assertion. A high-ranking official from Budgeting Office in all three Colorado governments told me,

⁸ Lanzaro (2004) also argues that 1994 marked the transition to a bi-polar political system divided between the traditional party block and the FA.

“the second Sanguinetti government was different. We had a larger majority, but we were also able to arrive at more sustainable agreements... This good relationship allowed us to make some major agreements in the area of social policy and really advance in that field. Really, the coalition nearly lasted the full period of the government.” (Personal Interview #3)

Other policy-makers echoed this sentiment, noting that coordination between the two traditional parties was easier to achieve following the 1994 election and the 1996 electoral reform (Personal Interview #4, 5).

Evidence of the difficulties that existed prior to the 1994 election were expressed by key figures in the first two governments. One high official from the Ministry Finance told me,

“another big problem that we had was that we didn’t have a majority in the parliament. Without a majority, the ability of the President to do what he wants is really quite minimal. In our last year, spending was increased a lot because the other party had electoral interests. Although we didn’t want that, there wasn’t much we could do... we never had a majority. Not only did our party not have a majority, but then there is the issue of the factions. I mean, in a lucky situation the president might have 20 percent of the votes, but that’s nothing... that sort of division especially with the Frente in opposition, made it really hard to arrive at an agreement” (Personal Interview #5).

One of Uruguay’s former Presidents also expressed frustration about the problems that existed prior to the 1994 shift, telling me:

“if you don’t have the majority, you’re bounded, your hands are tied and it’s difficult to make a promise because reforms must be reforms of laws and you need a majority. So, we were very slow and even blocked by the fact that we had to negotiate every piece of legislation... I had three fronts: one the Frente Amplio against everything, the other the [other traditional] party that belonged but not too much to the government and moved away after the first or second year. Finally inside the party, one of our own fractions was always very much against anything that was serious” (Personal Interview #4).

In other words, there is significant evidence to suggest that the organic-mobilizing structure of the FA, and its subsequent electoral success, played an important role in shaping social policy outcomes during the party’s experience in opposition *and* once it assumed leadership of the central government. Generally speaking, one can identify three separate periods and three distinct effects of the party’s structure on policy outputs. The first spanned the years 1985 through 1994, during which time the mobilizing FA in combination with the elite-patronage-

organized traditional parties stalled any attempts at reform. In the wake of the 1994 election, as the system adopted a bi-polar logic, reform became slightly more feasible, but the traditional parties opted to pursue policy initiatives only in sectors where public opinion was on the side of reform (as was the case in education) or where involved interest groups had already withdrawn support for the traditional parties and had fully integrated themselves into the FA's mobilizing structure (also the case in education).

Finally, in the current era, since the FA's 2005 arrival in government, policy reform has been influenced by the party's organic-mobilizing structure because the organization disperses power, granting voice to a wide range of sectors. This power dispersion means that the FA's policy-making involves significant intra-party negotiation. In this way, policy outputs represent a broader range of interests on the left side of the spectrum than that which is witnessed in elite-electoral center-left parties. Since the majority of these left-leaning groups prefer a state-led model of development, the party's structure does lend more power to the traditional sector of the left, while erecting challenges to market-friendly forces within the party. For this reason, social policy reform during the FA government has been characterized by prioritizing equity and state-intervention over macroeconomic and fiscal discipline. Still, the organic-mobilizing structure that disperses power within the party also raises important barriers to reform. Indeed, since the FA relies on mobilization as an electoral tool, the role of unions and other organized interests are of particular importance and such groups enjoy a special level of representation. For this reason, sectors in which organized interest groups are united and strong will pose a unique challenge to FA reformers because the party's structure does not allow elites to by-pass the groups. Education is one example of such a sector. In other sectors, however, where organized interests are more dispersed, reform will be likely and the outcomes will prioritize equity and state intervention over goals of macroeconomic stability.⁹ The power-dispersing character of the FA's structure also

⁹ This point is discussed in depth in the section on policy legacies, see section 4.3.

suggests that policy reforms will seek to build universalistic programs rather than creating several targeted policies.

Uruguay's Traditional Parties: the Colorados and Blancos

As mentioned in the introduction of this chapter, an important organizational characteristic that distinguishes parties of the center-right during the neoliberal era is related to how party rules and practices facilitate (or inhibit) the participation of business representatives in the political process. Since big business has significantly increased its power during the neoliberal era, parties that effectively coordinate policy and strategy with this sector will increase their political influence.

Uruguay's two traditional parties, the Colorados and the Blancos are among the oldest in the world, dating back to the country's early civil war. The parties are unique in their organization, exhibiting a high level of fractionalization, and subsequently, a large degree of internal heterogeneity. Many scholars note that the fractions of both traditional parties in Uruguay span the ideological spectrum (González 1991; Martínez Barahona 2001; Luna 2005). For this reason, it is difficult to label the ideological orientation of the two traditional parties, although it is safe to say that on average they are located to the right of the FA. Unlike the organic-mobilizing structure of the FA, Uruguay's traditional parties were elite-organized from the outset, linking to voters through both patronage and partisan cultural appeals. Luna (2005) argues that the Colorados and Blancos "established links with constituents by combining resilient partisan identities with an expanding system of clientelistic side-payments and state patronage (Luna 2005: 104). This linkage, which was based on patronage and identity appeals, explicitly down-played mobilization and consultation with organized interests.¹⁰ The Colorado and Blanco parties' reliance on patronage and partisan culture fomented an organizational structure that I loosely define as elite-patronage; elite because of the lack of an organic tie between party

¹⁰ Evidence of this is offered by the fact that the Batllista project of welfare responded not to demands from below, but rather in anticipation of such mobilization (Filgueira 1995).

leadership and organized interest groups, and patronage because of the parties' reliance on side-payments and exchange for winning votes. A former Colorado Director of Budgeting told me, "the truth is that we never paid a lot of attention to the unions, but we didn't have the same relationship with them as the FA does. They can create more trouble for the FA" (Personal Interview #3).

Although the organizational structure of Uruguay's center-left FA is the primary determinant of the content and timing of social policy reform during the country's current neoliberal era, the elite-patronage structure of the traditional parties also has consequences for policy outputs. Specifically, the elite-patronage character of the traditional parties helps to explain why the opposition of the Colorados and Blancos to the current FA government has been so weak. Unlike in Chile, where the parties of the right have developed a "coordinating" link with big business, which has bolstered their veto power on issues that affect the business community, Uruguay's traditional parties do not enjoy strong ties to big business.¹¹ Moreover, the fact that Uruguay's traditional parties relied on state patronage to link with their voting base further explains the parties' difficulty in mounting an effective opposition to the FA government. Indeed, with no access to state resources to fund such patronage, the traditional parties have found themselves unable to rely on their previous linkage strategy.

Chile's Center-Left Concertación Parties

Chile's center-left coalition of parties, the Concertación, emerged in wake of the country's 17-year military regime and has won all four Presidential elections since the return to democracy.¹² The Concertación is comprised of the Party for Democracy (PPD), the Socialist Party (PS), the Christian Democratic Party (PDC), and the smaller Radical Social Democratic

¹¹ The reason for this weak link needs to be further investigated, but I expect that the traditional parties' historical access to state resources created a situation in which they did not need to rely on the private sector. Moreover, it is likely that the relative size and strength of the business community is quite different in Uruguay from that of Chile.

¹² The Concertación Presidents were: Patricio Aylwin (PDC, 1990-1994); Eduardo Frei (PDC, 1994-2000); Ricardo Lagos (PS, 2000-2006); and Michelle Bachelet (PS, 2006-Present).

Party (PRSD). The two largest parties in the coalition, the PS and the PDC, were not new to Chile's political arena, but had existed before the 1973 coup and played an active role in the events leading up to the democratic break-down. While the Concertación coalition cannot be considered a singular party, it is important to stress that all four parties have worked hard to preserve the partnership because of incentives presented by the electoral system.¹³ According to Carey (1997), the importance of political coalitions in contemporary Chilean politics has created a situation in which "coalition leaders negotiate candidate nominations jointly and can impose discipline across all members of the coalition" (Carey 1997: 93).

My own research confirms that inter-party cooperation is relatively high among the PDC, PS, and PPD. In interviews with elites from these parties I was consistently told that the primary political divisions within the coalition cut across party lines, dividing not distinct parties, but rather different *sectors* of parties. Specifically, in 20 of 25 interviews with Concertación elites in which the question about internal divisions was asked, the respondent identified an "market-friendly" and "statist" group and called this cleavage the primary fissure within the coalition, stressing that the divide crossed party lines.¹⁴ Of the five individuals who did not identify a "statist" "market friendly" division, three noted a different cleavage and two said that there were no divides within the Concertación (Personal Interviews [Chile 2006]). In an additional 22 interviews with members and advisors to the Concertación, I did not inquire about political divisions and the respondent did not bring up the issue.

The cleavage that divides the "market friendly" and "statist" sectors of the Concertación parties was made public in 1997 when each side of the division produced manifestos outlining

¹³ Carey (1997) argues, "the incentive that this electoral system [the two-member system designed by the outgoing military regime] gives to form coalitions has carried from the electoral arena to government, and is so formidable that Chile's traditional multi-party system now performs very much like a two party system" (93).

¹⁴ Naturally, respondents used different terms to identify the divide. Some called it "liberal" versus "statist"; others "renovated" versus "traditional." In all cases, however, the underlying idea was that of a market friendly and a statist sector.

their distinctive approach to the coalition's economic policy. The first group, commonly referred to as the 'auto-complacientes,' called for a deepening of the market-oriented strategy pursued by the Aylwin and Frei governments. The second group, however, released a document criticizing the government for its 'neoliberal' stance and calling for a more aggressive role for the state in fostering economic development and re-distributing income (Navia 2006: 45). Importantly, the members of the two groups came from all three parties, underscoring the fact that divisions within the coalition tend to cross rather than fall along party lines.¹⁵

The reasons why the Concertación parties have opted for an elite-electoral organizational structure are manifold and relate to the historical trajectories of the parties, the ideology of the elite, the composition of civil society, and the cleavage that dominates electoral competition.¹⁶ Perhaps the most important of these three contributing factors is the historical trajectory of the parties and its ensuing effects on elite ideology, namely that Chile's center-left parties were in government prior to the breakdown of democracy and emerged in government following the transition. The FA, by contrast, operated in opposition for more than 30 years. The FA's opposition standing forced the political organization to build and mobilize a strong voting base. This process fostered the creation of a strong tie that, while somewhat weakened during the past 10 years (Lanzaro 2004; Luna 2005), is still strong when compared with Chile's center-left parties.

Unlike the FA, the Concertación parties have a record in government both before and after the 1973-1989 military regime. The role of the PS in Allende's 1970-1973 Unidad Popular

¹⁵ Montecinos (1998) also finds evidence of a division within the Concertación that crosses party lines. Specifically, she notes: "growing tensions were reported between the 'renovated' groups within the parties – who were closely identified with the Aylwin government – and those sectors of the militancy that resisted the 'technocratic penetration' of government and party life. Many complained that the government placed excessive emphasis on technical consistency at the expense of progressing towards real democratization" (Montecinos 1998: 124).

¹⁶ Specifically, the fact that the PS and PDC were in power prior to the 1973 democratic break-down; that the 17-year military regime significantly weakened civil society organizations, and that the democratic-authoritarian divide is the best predictor of vote choice have all contributed toward the consolidation of the Concertación parties' elite-electoral structure.

administration has been cited as a crucial experience in the renovation of the left party (Roberts 1998). In an analysis of the PS renovation, Roberts (1998) describes how the party split because of differences in the interpretation of the causes behind the 1973 democratic breakdown. One sector of the party, based in Western Europe and committed to reforming the party in the direction of European Social Democracy, blamed the 1973 democratic breakdown on the radicalization of Allende's project and the unwillingness to compromise with the Christian Democratic party (Roberts 1998: 103-105). This group had very little territorial presence in Chile during the military government, but fostered a strong network among exiles (Roberts 1998: 106-107). The second faction of the PS sustained a more traditional Marxist-Leninist orientation and continued to have strong following within Chile (Roberts 1998: 107). By the time of the democratic transition, it was the first faction, then led by Ricardo Núñez, that emerged as the hegemonic force within the PS (Roberts 1998: 107). Importantly, however, the Altamirano-Núñez faction continued to exhibit little to no organizational capacity within Chile. In part as a consequence of this fact, and in part out of political-ideological conviction, the renovated PS elite downplayed the role of mobilization within the party, emphasizing instead the creation of elite political pacts and a broad electoral strategy (Roberts 1998: 116). In this way, it is of little surprise that the post-authoritarian PS emerged as an elite-electoral organization.

While less research has been carried out on the renovation of Chile's Christian Democratic party, it should be stressed that prior to the 1973 coup that party also contained strongly statist elements, as demonstrated by the Presidency of Eduardo Frei Montalva, whose "Revolution in Liberty" involved a significant land reform and a radical education reform. Despite these statist tendencies, the party elite began to re-think the experience during the 17-year Pinochet regime. This process of "rethinking" or ideological re-positioning was led by a group of economists that formed a pro-democracy think-tank, CIEPLAN (Silva 1991).¹⁷ This think tank

¹⁷ Silva (1991) argues: "CIEPLAN became a true think tank of the Christian Democratic Party. It expanded its activities from monitoring economic policies, to the elaboration of proposals for an alternative

sought to promote a new and more moderate position on economic and social policy issues and stressed the need for gradual and consensual change (Boeninger 1997). In interviews with PDC elites, I was told about the experience of renovation, albeit less dramatic than that of the PS.¹⁸ A former PDC Minister told me, “the experience [the military regime] was traumatic, but once it was over I think it was turned into an asset... this fear became an asset because it turned us into more pragmatic and less ideological actors” (Personal Interview #6). A one-time Vice-President of the PDC put it more clearly, saying:

“when the PDC was in government in the late 1960s the basic development model was, well not totally closed, but at least we thought it was best to limit our international interaction to Latin American economies in an attempt to sell our own manufactured goods... the whole process [of development] was state-centric. Other elements of the [PDC] statist model included the Chileanization of copper, the agriculture reform, and tax increases... All of this model and thinking changed during the dictatorship. The trajectory of our development model was radically altered during those years and by the end of the regime parts of the PDC had bought into the [neoliberal] model” (Personal Interview #7).

Several other PDC officials also concurred that an ideological re-positioning had occurred among Christian Democrats (Personal Interview #8, 9, 10, 11, 12).

The process of renovation, while stronger in the PS than among members of the PDC, involved the moderation of ideological positions among important sectors of the party elite. While studies of this “re-positioning” inside the Concertación parties have often focused primarily on macroeconomic policy, political elites also reformulated their social policy preferences, changing their attitude about the role of the private sector in delivering social services, the need for state regulation, and the danger of ‘populist’ spending patterns. In interviews with high-ranking members of the PS I was told that the exile and renovation experience changed how sectors of the elite view the role of the state and fomented an acute

socio-economic model and for a new political system to be adopted after the expected departure of the military” (Silva 1991: 403).

¹⁸ The renovation of the PDC was less dramatic because it departed from a more moderate position. In other words, while the PS moved from a radical statist position to the center, the PDC moved from a moderately statist position to the center.

awareness of the benefits of insulating policy-makers from populist spending demands (Personal Interviews #12, 13, 14, 15, 16, 17). Members of the PDC expressed a similar point, with one well-known Christian Democrat telling me,

“[h]ere in Chile the elites have been through a profound process of learning. This learning process involved both technical and academic experiences, but deeply altered our perceptions of policy and preferences... This influence [of liberal thinking] was especially strong in the Socialist Party, which had many people who were exiled and had experiences in exile that altered the way they perceived socialism. There was a major renovation within the elite of that party... The result of all of this is that we have an elite that, without ever being explicit about this, proposed a totally renovated program in the area of social policy” (Personal Interview #12).

A PS militant and former under-secretary of labor told me,

“I think that’s something that changed with us [PS/Concertación]; after the dictatorship we understood that regulations don’t resolve things and neither do revolutions. Today we’re extremely realistic. We realized that there’s a gap between utopia and what can really do and so we do the best we can... I realize that the way we thought [the PS] during Allende was wrong” (Personal Interview #16).

In other words, two of Chile’s Concertación parties (the PS and PDC) have not only experienced a significant period in government during the neoliberal era (a difference from Uruguay’s FA), but they also lived through a particularly painful period that culminated in 17 years of authoritarian rule; a fact that pushed the elite of the PS, and to a lesser extent those of the PDC, to re-organize the party structure and re-position themselves on the ideological spectrum. This shift in the ideology and organization of the parties has resulted in the creation of a policy-oriented electoral vehicle directed by a small group of technically skilled politicians who are inspired by goals of balancing state and market responsibilities.

In light of this historical trajectory and the desire on the part of the “market-friendly” sectors of the Concertación to sustain an ideologically moderate position, it is of little surprise that the Concertación parties have developed an elite-electoral structure. Elite-electoral parties have weak ties to the voting base with fewer practices aimed at promoting participation and consultation within the party structure. Indeed, while territorial and representative organizations

do exist within the Socialist Party (PS), the Christian Democratic Party (PDC), and Party for Democracy (PPD), the bodies meet sporadically and have little power for controlling government action and policy (Plumb 1998; Socialist Party of Chile 2003; Partido Demócrata Cristiano (Chile) 2005; Partido Por la Democracia (Chile) 2008). Specifically, none of the three primary Concertación parties provide for internal referenda nor popular initiatives. Moreover, the national congresses of the PS, PDC, and PPD are not required to meet on a regular basis nor are party elites required to attend local meetings (Partido Por la Democracia 2008; Socialist Party of Chile 2008; Partido Demócrata Cristiano 2005). Finally, of the Concertación's largest three parties, only the PS has a steering body similar to the FA's political committee. The organization, called the "executive committee," is smaller than that of the FA, comprised of only 7 participants. In addition, the committee is not required to meet on a regular basis and does not engage in such high-profile oversight as does the FA's political committee.¹⁹ In other words, the organizational structure of Chile's center-left parties does not foster the creation of mobilizing/participatory ties between the party elite and base organizations. Rather, the organizational structure of the parties tends to concentrate power within a small group of national-level political elites.

The elite-electoral organization of Chile's center-left parties does not mean that the actors lack a political project. To the contrary, the Concertación parties are committed to programmatic objectives and have enacted important policy changes since the transition to democracy. Still, the parties' approach to achieving these goals is quite distinct from the FA, involving political pacts among elite actors and an insulated "technical" decision-making process. In this way, policy-making rests in the hands of a small group of experts, deemed capable of making important decisions and calculations needed to achieve the party's programmatic ends.

This elite-electoral organizational structure, which characterizes the Concertación parties, influences policy-making by structuring the distribution of power between different sectors of the

¹⁹ This is based on my own review of press archives for social policy reforms in Chile and Uruguay between 1989 and 2007.

party. As mentioned previously, the primary division within the Concertación is between a “market-friendly” and a “statist” sector. Importantly, the parties’ organizational structure empowers the market-friendly sector, while limiting the clout of the more traditional statist sector. This is because the source of the traditional statist sector’s power rests in its connection to base organizations and its ability to mobilize citizens. Therefore, when the relationship between the base and the leadership is weakened, that sector loses its comparative advantage in the political process. Meanwhile, the market-friendly sector of the left party thrives in a setting in which it is free to formulate policy in response to technical criteria rather than popular mass pressure. Thus, an elite-electoral organization grants this group the upper hand. Because the market-friendly sector of the Concertación prioritizes the goals of fiscal discipline and macroeconomic stability, I hypothesize that social policy outputs will be consensual in nature and driven by economic concerns, with a secondary goal of promoting equity and reducing poverty.

The fact that the market-friendly sector of the Concertación parties prioritizes fiscal discipline and macroeconomic stability does not mean that the coalition’s social policy has neglected the issue of welfare and protecting the poor. In fact, the market-friendly sector of the Concertación has repeatedly stressed its desire to reduce poverty and income inequality, but their approach to resolving these problems is rooted in market-based solutions and thus they place fiscal discipline and macroeconomic goals first. A PPD Finance Minister explained this position, arguing that the market-friendly sector of the Concertación conceives of macroeconomic performance as a tool for protecting the poor: “we know that when there is volatility and harsh cycles it is the poor who suffer most... to get rid of poverty takes time and a sustained investment in human capital. Stability is key in order to sustain this investment” (Personal Interview #18). The former minister noted, however, that prioritizing ‘sound’ macroeconomic policies sometimes requires the party to insulate itself from popular pressures within its own voting base. “[T]here is a clear trade-off between good policy and legitimacy. On the one hand, our model promotes very responsible policy, but the isolation of so many groups may hurt our legitimacy. It’s possible,

then, that in the years to come we'll need to think about incorporating more actors" (Personal Interview #18). Despite this realization, there is a strong commitment among the market-friendly sector of the Concertación parties to govern in isolation from populist demands. One of President Ricardo Lagos' advisors said that the country's successful presidents "have known how to use parties, but never listen to them" (Public Presentation #1). This desire to rise above the party's base sheds light on some of the policy differences between the center-left governments in Chile and Uruguay.²⁰

Some critics of this argument may contend that the Concertación's moderation in social policy formation does not result from the organizational structure of the center-left parties, but rather from the peculiar character of the democratic transition, which forced the center-left parties to act with caution because of concern about a regression to authoritarianism. It is undeniable that the first government of the democratic period, led by PDC President Patricio Aylwin, was heavily conditioned by concern about the possible return of the military. Aylwin himself told me:

"We designed our [political] program with our feet firmly planted on the ground, knowing exactly what sort of ground we were standing on. We knew that at least 40 percent of the population continued to support Pinochet and missed the military's presence. We knew that Pinochet remained the Commander in Chief and that there was a risk of reversal... So we consolidated a plan that we followed rigorously and when some impatient colleagues made a move to break away from the process or go beyond the plan we only had to remind them of what was out there so that that put their efforts into the project of calming concerns... more than a few times we met with the members of parliament and the party organizers and we read them our plan. We listened to their concerns, but then we made them understand why this was the path and not another. The truth is that people [in the Concertación] were aware and mature" (Personal Interview #60).

Clearly, then, concern about the stability of the democratic regime did exist during the first government. Nonetheless, President Aylwin's statement (above) reveals that other issues were

²⁰ In a similar vein, Montecinos (1998) finds evidence of a 'transversal party' within the Concertación that prefers technical elitism over participation (Montecinos 1998). The author argues: "The transversal party was formed by a network of policy experts with personal ties dating several years. These experts had similar professional training and few ideological differences. Their shared language and premises, critics claimed, were suspiciously close to those of neoliberalism... the encompassing influence of the transversal party throughout the state apparatus was forcing a type of pragmatism and consensus that constrained political parties to play a secondary role (Montecinos 1998: 124).

also at play. He notes that members of the coalition were “aware” and “mature,” suggesting that their actions were not completely forced upon them by outside forces, but also part of a self-defined course of action. Indeed, while some of the moderation observed in the policies of the Aylwin government likely relates to concern about keeping the military in their barracks and avoiding an authoritarian set-back, the Concertación itself had changed and sectors of the coalition supported a new idea about social policy that was market-friendly in its orientation.

My interviews with Chile’s political elite uncovered significant support for this assertion. Several Concertación politicians told me that while there was a fear of the military’s return, there was also an independent desire on the part of the center-left coalition to pursue a moderate approach. One of the key actors of the first government noted, “when we took office in 1990 our strategy was very much in the direction of building cooperative, non-confrontational political system... of course, when you have to reach agreements, when you try to reach agreements, then change is gradual by definition because you have to compromise opposition views” (Personal Interview #10). While this official cited historical reasons for the Concertación’s commitment to cooperative, middle-of-the-road politics, other political elites noted that the real motivation for this moderate path was the conviction among a sizable sector of the coalition (the market-friendly group) that some of the military government’s policies had been successful. A leading Concertación economist noted,

“I think the people in Cieplan realized that the model [Pinochet’s model] was starting to work. So they started changing their discourse. I’m convinced that if we would have transitioned [to democracy] in 1985 we would have ended up in a different place, but by 1989 the model was bearing fruits and so the focus became how can we achieve a balance between following the model and responding to peoples’ needs” (Personal Interview #19).

In other words, the market-friendly group within the Concertación was convinced of the value of certain aspects of the liberal economic model and was committed to maintaining sound macroeconomic policy. Several Concertación elites stressed that because of the need to uphold sound macroeconomic policy, party leaders were concerned about the potential threat posed by

populist spending demands, and therefore sought to insulate the policy-making arena from such influences. An effective way of safe-guarding the state was by limiting the power of the Concertación parties' base organizations in the formulation of public policy. In this way, the elite-electoral organization of the Concertación parties was, from its origins, an attempt to moderate the policy-making process.

An important consequence of the fact that Chile's center-left parties are elite-electoral in their organization and empower a market-friendly sector is the fundamental belief that political considerations and consultation with the party base serves as a barrier to achieving the optimal policy ends. Indeed, several policy-makers said the Concertación was effective because it had favored "technical" over "political" considerations. Because of this rank-order of preferences, Chile's policy-making arena during the Concertación governments has fomented the creation of networks that are dominated by academic experts and technocrats. These actors enjoy special access to the policy-making process, while actors perceived as political (or with mobilizing potential) are viewed with suspicion. The Concertación's political elite recognize their attempts to insulate the policy-making arena against mass demands and reduce the power and voice of the more 'political' sectors of the coalition. One former Minister and Undersecretary told me:

"there are populist leaders in the Concertación [referring to the 'statist' sector], like [name], but they have no power ... I often had to go and meet with [such] leaders 'to consult' [he makes air quotes]. I knew that I wasn't there to take note and use their ideas. Instead, I was there to talk them into the project – to get them excited about things. So in the end, the idea is to co-opt them, not listen to their demands" (Personal Interview #20).

Another former undersecretary explained that the Concertación governments have prioritized the role of technical experts in policy making:

"the people who arrived in the government were very technical; they were people with a great deal of knowledge. I guess what really happened was that these people [the technocrats] were given a lot of room with which to move and make decisions. This was possible because Bustos [Central Union President] held back the pressure from the unions" (Personal Interview #11).

Interestingly, then, this official recognized the power of technocrats came at the expense of representation for base organizations such as unions and other groups.

It seems, therefore, that the policy-networks consolidated during the Concertación's governments have strengthened the role of a select group of technocratic elites, while marginalizing 'political' actors. This is the natural outcome of the elite-electoral organization of Chile's center-left parties, but it has an interesting consequence that I expect will further influence the character of social policy reform during the Concertación governments: it establishes the Ministry of Finance as the hegemonic actor in the policy-making process. Indeed, in systems that prioritize fiscal discipline and macroeconomic management, and where elites seek to downplay the role of "political" actors, it is likely that the highly technical Ministry of Finance will enjoy special power in the decision-making process. Meanwhile, other sectors of the state, such as the Education Ministry, the Labor Ministry, the Health Ministry, and the Social Development Ministry, will be perceived as "political" in character and thus granted less power inside the policy-making arena. Moreover, the fact that the elite-electoral structure of the Concertación prioritizes the issue of economic performance and growth means that the Finance Ministry will enjoy a privileged role. A high-ranking member of the Finance Ministry stressed this point, saying:

"the role of the Ministry has been strengthened because every President so far has understood that their success depends on the Ministry of Finance. Really, Chile would be different if the Deputies or Senators ran the government. The Presidents have realized that they cannot run the government like the Congress and they depend on the Finance Ministry to help them with that" (Personal Interview #21).

A high official from that Finance Ministry told me that his office enjoyed special powers because Concertación Presidents prioritize growth and in order to obtain good growth, he said, they must empower the Finance Minister:

"the sectoral Ministries [Education, Health, etc.] will be judged based on their performance inside the sector. So, for example, Health will get a good evaluation if services are better. The Ministry of Finance, however, will be judged by how the economy runs and that is based on so many factors. The key in balancing this

is to give the institution that will receive the blame adequate powers to engage in good policy [he is referring to social policies]” (Personal Interview #18).

My own interviews and the research of other scholars find support for the expectation that the Finance Ministry plays a hegemonic role in Chile’s policy-making process (Sandbrook et al. 2007; Castiglioni 2005; Montecinos 2003; Silva 1996). Specifically, Sandbrook et al. (2007) note: “Another important change [enacted by the military regime] was the 1975 law giving the finance minister ultimate authority over all decisions with financial implications, a measure that weakened the policy strengths of other ministries and agencies within the state and bolstered fiscal conservatism” (Sandbrook et al. 2007: 164). Similarly, Castiglioni (2005) and Silva (1996) stress that the 1975 financial administration law strengthened the Finance Ministry at the expense of other sectors. Interestingly, the first three governments of the Concertación did not modify the 1975 law. In fact, a high-ranking member of the Finance Ministry in the Lagos and Bachelet governments told me that not only had the Concertación governments maintained the system that privileged the Ministry of Finance, but that they had also deepened those powers. “In 1990 we passed an additional law that further strengthened the ministry. That law says that when a law is enacted it doesn’t just require the signature of the President, but also must be accompanied by a report from the Finance Ministry that explains the financial situation of the reform, how it will be funded, etc.” (Personal Interview #21).²¹ This is important, as it provides the Finance Minister a power over the Executive that other sectors do not enjoy. For this reason, I expect the Finance Ministry to play a crucial role in policy reform. Specifically, I hypothesize that social policy reform initiatives will only make their way onto the agenda once the Finance Ministry has voiced interest and that the Ministry will play a key role in determining the limits of reform proposals. In other words, political coalitions that do not enjoy the support of the Finance Minister will be unsuccessful in advancing policy reform. In Uruguay, by contrast, where the

²¹ I have confirmed that this practice exists (with a second former Finance Ministry official). I have not, however, been able to locate a law that stipulates this process.

organization of the center-left FA disperses power between different sectors of the party, I expect the Ministry of Finance to enjoy equal power as other sectoral Ministries.²²

Chile's Rightist Parties: Independent Democratic Union (UDI) and National Renovation (RN)

The organizational structure and strength of Chile's right-wing parties also has important implications for social policy outcomes. The nature of the country's rightist parties is considerably different from Uruguay's traditional parties. This is because Chile's two right-wing parties, the Independent Democratic Union (UDI) and National Renovation (RN) enjoy strong and semi-institutionalized ties to business organizations. For this reason, I characterize Chile's rightist parties as having a "coordinating" organizational structure. Indeed, the parties seek to adopt programs in coordination with representatives from big-business. This process of coordination is facilitated by the UDI and RN's respective think tanks – Libertad y Desarrollo and Libertad – which act as a venue for involving the business community without sacrificing the hierarchical internal organization of the parties. Illustrative of the important coordination that exists between Chile's right-wing parties and the business community is the fact that many high-profile individuals in the parties are well-established members of the business community. In the RN, of course, the best example is former Party President and candidate for the Presidency Sebastian Piñera. Piñera owns Chilevision, a portion of Lan Chile, the well-known Colo-Colo soccer team, and has a stake in several other national conglomerates. Representatives of big-business are also found inside the UDI, where Joignant and Navia (2003) underscore the existence of a "close relationship between political leaders and companies (for example ISAPREs by means of Andrés Tagle)" (Joignant and Navia 2003: 152).

²² My interviews reveal that Uruguay's Ministry of Economy and Finance does *not* enjoy special power in the social policy reform process. In fact, a representative from the FA's Finance Ministry told me: "I guess that this [the evaluation of education, health and social assistance spending] is really more the responsibility of the Congress, which approves the spending. Honestly, I think it would be really poorly seen if the Ministry of the Economy started getting involved with evaluation in those sectors. They would respond badly, thinking 'who are you to be telling us how we're doing and how to spend our money?'" (Personal Interview #22).

In other words, it seems that a “revolving door” between the world of business and politics exists among Chile’s right-wing parties. The basis for this process of political-business coordination was established during the country’s military regime, when several policy-makers had one foot in the government and another in the country’s growing domestic business sector. Since Chile’s right-wing parties, particularly the UDI, are comprised of individuals who had strong ties to (and often participated in) the military regime (Luna 2005; Joignant and Navia 2003; Dávila 2002; Huneeus 2000; Klein 2004),²³ the organizational characteristics between the political and business worlds that were adopted during that period have important consequences for current practices. Put differently, the historical coalition between business and the right that was forged during the military regime, continues to influence the parties’ activities today. In a study of privatization politics during the Pinochet regime, Schamis (1999) argues:

“key policymakers of the Pinochet government served on the boards and in the executive offices of large economic conglomerates before and after holding cabinet and central bank positions, leading to collusion between economic power and political power... With Chile’s return to democracy in 1990 and a center-left coalition in office ever since, the participation of policymakers of the military government on the boards of the largest firms in the country expanded, which suggests that the alliances forged during the long economic reform experiment were built to last” (Schamis 1999: 249-250).

Clearly, then, the “revolving door” practice was established during the military regime, but it has continued to characterize the relationship between parties of the right and the business world since the return to democracy. This practice is one pillar of the right parties’ “coordinating” structure, but the cooperative relationship is also achieved through informal channels and by means of the parties’ think tanks.

²³ Huneeus (2000) identifies many direct connections between current UDI members and the military regime. Specifically he notes that the right’s candidate for the Presidency in 1990 was Pinochet’s former Finance Minister Hernan Buchi. During Buchi’s time as Pinochet’s Minister of Finance, Christian Larroulet was his Chief of Cabinet. Larroulet also plays an active role in the UDI, specifically in the Libertad y Desarrollo think-tank, where he is the Executive Director (Huneeus 2000). Similarly, Klein (2004) argues: “the Independent Democratic Union was, moreover, the most outspoken and dedicated supporter of Pinochet in the run-up to the plebiscite... Members of the party tirelessly campaigned on behalf of the general” (Klein 2004: 313).

Theories about the structural and political power of Capital have been explored by scholars of Marxist theory, who argue that the power of business is rooted in the fact that all governments, regardless of their political orientation, rely on economic growth to support state programs and job creation. Since the business community can help or hinder the growth process (through investment decisions), it enjoys a certain level of structural power. This structural power, varies across sectors and countries depending upon the real ability of business to withdraw support and move operations elsewhere. In addition to structural power, the business sector also enjoys political influence, which is obtained through interest organizations and cooperation with political parties. In a recent analysis of tax reform in Chile, Fairfield (2007) argues that:

“business has had strong informal ties to the right parties, especially the UDI, that help solidify the policy alliance [tax policy]. These links grew out of support for Pinochet and the pragmatic economic model his advisors designed after the 1982 crisis; business publicly supported the right candidate – Pinochet’s Finance Minister – in the 1990 election” (Fairfield 2007: 15).

Moreover, Fairfield’s analysis reveals that the nature of the country’s right-wing parties allow business and the right to “consolidate into a single political actor during negotiation of tax reforms” (Fairfield 2007: 15). Specifically, in an interview with government officials involved in the tax reform, Fairfield (2007) was told:

“the right and the business leaders – until four or five years ago it was the same thing... I didn’t know if I should negotiate with the senatorial leader of the opposition or with the president of the big enterprises... [their behavior is] very coordinated. Sometimes they were both in the same meetings saying the same things” (quoted in: Fairfield 2007: 16).

While Fairfield (2007) focuses her research on tax policy in particular, I contend that the business-right alliance exists in several other sectors as well. More specifically, I argue that the “coordinating” structure of the right-wing parties creates a setting in which business interests can influence policy when they perceive that outcomes could influence their profits and stability. I have noted that one way in which this “coordination” occurs is through a revolving door policy between big business and party leadership. Yet another form of coordination is achieved through subtle informal channels. These are, naturally, more difficult to identify. One of these informal

networks is campaign finance. The fact that Chile has extremely liberal limits on campaign finance means that business interests have a great deal of room to influence outcomes. One study of campaign donations during the 2005 Presidential election found that the parties of the right received 65.7 percent of private donations, while the Concertación received only 34.3 percent (Durán 2007).²⁴ Informal influence is also achieved through personal contact between political figures and representatives of big-business. One example of such contacts was noted by Fairfield (2007) and is cited above. Further evidence of the importance of personal contact was offered during an interview with a high-profile UDI Senator. Our interview was interrupted by a phone call from a former President of both the Industrial Promotion Society and of the Confederation of Production and Commerce. The two men scheduled what the UDI Senator referred to as an “organizational meeting” (Personal Interview #23). In my interviews with the President of the Association of ISAPREs (Chilean private healthcare companies), I was also told about informal meetings with politicians (Personal Interview #24). While the representative did not identify a particular party, his office walls were covered with photos of UDI and RN events and politicians. In other words, in addition to the “revolving” door, Chile’s right wing parties foster a “coordinating” structure that rests on informal channels of influence.

In summary, Chile and Uruguay’s parties vary significantly in their internal organization. While Chile’s center-left parties are well described as elite-electoral in their orientation; the center-left FA in Uruguay is organic-mobilizing. This variation in structure influences the distribution of power among distinct sectors of the party, favoring the concentration of power among the market-friendly sectors of Chile’s left and the dispersion of power in Uruguay’s left. On the center-right of the political spectrum the two countries’ parties also differ in their internal organization. While Uruguay’s center-right parties have traditionally been elite-patronage in their

²⁴ It is important to note that one reason why Chile’s right-wing parties have come to rely heavily on big business is because of the fact that their opposition status has denied them access to state resources. As a result, the UDI in particular has turned to external (business) funding to build a successful political machine (Luna 2005). Thus, while Uruguay’s traditional parties could rely on state patronage, the UDI and RN have not enjoyed that benefit and have turned, instead, to the private sector.

structure, enjoying limited ties to big business, the UDI and RN in Chile are “coordinating” organizations with strong ties to the business sector. For this reason, the power of Chile’s right is particularly strong in issue areas where the business sector has a high level of interests.

4.3 Policy Legacies and the Structure of Civil Society and Organized Interests

Although the organizational structure of political parties in Chile and Uruguay is an important predictor of the content and timing of social policy outcomes, I contend that the strength of that relationship is mediated by an additional variable: the character of civil society and organized interests within the policy sector. The character of civil society varies both across countries and across policy sectors. Indeed, while it can be said that civil society groups are generally more numerous and unified in Uruguay than in Chile (Luna 2005); it is also true that certain sectors of Uruguayan civil society are highly unified (such as the teachers’ unions), while other sectors are more fragmented (such as the health sector professional associations). The same is true in Chile, where despite a general disarticulation of social groups during and immediately following the military regime, there continue to be pockets of active organizations (such as the teachers’ union). This variation in the character of civil society organizations across distinct policy sectors is, in part, influenced by general national trends, but is also the result of the design of the policy sector, or policy legacies.

Policy legacies influence social policy reform outcomes through two separate channels. The first way that policy legacies influence reform is by structuring the sorts of problems that exist. In the case of education, for example, a policy that involved expanding school enrolment without constructing new schools, will likely generate problems of over-crowding and place downward pressure on the quality of service. In this way, the effects of previous policies structure the kinds of reform that may be necessary.²⁵ A second way that policy legacies

²⁵ On a related note, previous policy also determines fiscal pressure for reform. This is especially true during the current neoliberal era, as states in Latin America have been forced to deal with demands to balance budgets and ensure “efficiency” in their social spending. In this context, policies that place a

influence the reform process is by structuring the distribution of power within the policy sector; empowering some groups, while weakening others.

Policy sectors are comprised of many different interest groups ranging from individuals and organizations that use services/transfers to those who provide the services/transfers. For example, in the case of education, organized interests inside the policy sector include individuals who use public education services, families who use the private school system, teachers and their unions, and private school providers. In the healthcare sector, organized interests include citizen groups representing healthcare users, health-sector professional associations, private insurance companies, public health NGOs, labor unions, and pensioners' movements. Importantly, the power of these organizations is determined, at least in part, by the design of previous policy. For example, a healthcare policy that grants private firms a large role and does not impose regulations will empower those companies. Similarly, a healthcare policy in which only a minority of citizens rely on the public health service will weaken organizations that represent public healthcare users because of their minority status. In structuring the distribution of power within the policy sector, legacies also shape which actors will be "winners" and "losers" of a given reform. In this way, policy legacies that have fostered the creation of large and unified interest groups will constrain potential reformers. By contrast, in policy sectors where previous codes have served to disperse power among several organizations or weaken the groups, the costs of reform will be lower.

In general terms, then, when civil society is highly atomized with either low levels of organizational density or high levels of fragmentation among groups, the intensity of the effect of party system structure on policy output will be affected. This is because politicians will face different political costs when engaging in policy reform. However, since political parties of the center-left and center-right cater to distinct organized interests, it is important to consider not only

significant drain on state resources may provide potential reformers with increased support for their initiatives.

whether groups are dense or fragmented, but also what kinds of groups they are (and what sorts of policy demands they are issuing).

In the case of elite-electoral parties of the center-left (ie: the Concertación parties), the degree of power concentration among the elite will be exaggerated in settings in which public sector unions and/or civil society organizations representing underprivileged groups are segmented or have low levels of organizational density (as was the case with general education policy during Aylwin, Frei, and Lagos). Where the opposite is the case, the party structure will continue to concentrate power among the party elite, but the effect of this concentration on policy outputs will be weaker, thus reducing the focus on fiscal discipline. The precise character of this mediated policy output depends on the nature of the organized interests involved (and their demands). Specifically, if the organized groups are corporatist in their orientation, I expect the mediated policy output will exhibit a slightly weaker focus on fiscal discipline and a greater emphasis on corporatist concerns. If, however, the groups mobilize broader appeals, I expect the mediated policy output to be slightly more universalistic in nature.

These hypotheses are illustrated in table 4.1, but a concrete example helps to illustrate this point. Consider the education sector in Chile, which is characterized by a relatively strong teachers' union. I expect the presence of this well-organized (and somewhat mobilized) actor to mediate the relationship between party structure and policy output, weakening the Concertación's focus on fiscal discipline. This mediation, however, will likely only occur for those policy debates for which the teachers' union is actively engaged and mobilized. Since Chile's teachers' union has focused its efforts on influencing policies tied to teacher treatment and pay (more corporatist concerns), the impact of policy legacies should be most notable in that particular area of education policy. In other words, in the case of education policy related to teachers' labor conditions, I expect the relationship between party structure and policy output to be slightly weaker, moving away from the fiscal discipline focus and toward a more corporatist orientation. By contrast, if the teachers' union (or another powerful group) were to mobilize demands for a

more expansive public education policy, I would expect the relationship between party structure and policy output to be slightly weaker, as the focus would shift from fiscal discipline toward more universalistic and equity-enhancing goals. An example that fits this pattern might be found in the education policy reform enacted during the current government of PS President Michelle Bachelet. Although I do not analyze that reform in this project, a preliminary reading suggests that the presence of a strong student movement (backed by the teachers' union) calling for a stronger role for the state has resulted in policy reforms that are somewhat less focused on fiscal discipline, oriented instead toward goals of equity and social protection. All of these expectations are spelled out in table 4.1.

For center-left organic-mobilizing parties, the nature of civil society also influences the intensity of the relationship between party structure and policy outputs. Specifically, if the organizational density of unions and/or civil society groups that represent underprivileged groups is high, the effect of party structure on output could be either weakened or strengthened depending on the nature of the organized interest groups involved in the debate. Specifically, if the organized interest groups are concerned with corporatist demands, as is the case with Uruguay's teachers' unions, I expect the policy outcomes to be less universalistic and more corporatist in their orientation (thus weakening the relationship between party structure and policy output). By contrast, if organized interest groups push for more universalistic policies, I expect the FA's focus on equity and universality to be strengthened. Finally, in policy sectors where organizational density is lower and public sector unions are segmented, the effect of party structure on policy output will be slightly stronger, as it will reflect the broad interests within the party (ie: healthcare reform during the first FA government). These expectations are spelled out in table 4.1.

The nature of civil society and the way in which policy legacies have structured the balance of power within a specific sector also has important consequences for the intensity of the effect of the organizational structure of center-right parties on policy outputs. Specifically, in

sectors where the private sector has high stakes, right-wing “coordinating” parties will enjoy greater power in promoting and/or vetoing policy reforms. In this way, I expect that Chile’s right-wing parties will more effectively constrain the policies of the center-left Concertación for issues that directly affect the business community. Meanwhile, for issues unrelated to business interests, the constraining effect of the right will be weaker. For the case of Uruguay’s traditional parties, I expect the elite-patronage structure of the Colorados and Blancos to favor status quo policy outputs because of the organizations’ reliance on state resources for winning votes. Because the center-right (elite-patronage) parties have little to no relationship with organized interests, I expect policy legacies to have a very weak mediating impact in the case of Uruguay’s traditional parties. These hypotheses are summarized in table 4.1.

To conclude, policy legacies influence the distribution of power and interests among civil society groups within a given sector (ie: education, health, social assistance). The nature of civil society, in turn, mediates the impact of party organization on policy outputs by presenting politicians with slightly different distributions of potential gains and losses. For example, while the elite-electoral organization of Chile’s center-left party predicts policy outcomes that favor the preferences of the “market-friendly” sector of the parties, the legacy of previous education policy, which sustained a strong and unified teachers’ union, created a situation in which the Concertación parties faced incentives to pass a teachers’ statute that was slightly more statist in its orientation (reflecting the corporatist interests of union). While the outcome still respected the “market-friendly” sector’s goals of fiscal discipline and macroeconomic stability, it was more moderate than that witnessed in other policy sectors. In this way, policy legacies served to weaken the effect of party structure on policy outputs by structuring civil society in such a way that it could not be completely ignored.

Policy legacies can also work to intensify the effects of party organization on policy outputs. A good example of this can be seen in health reform during the current FA government. While the organic-mobilizing character of Uruguay’s center-left party predicts policies that favor

goals of equity and universalism, the result has been especially strong in the healthcare sector, where previous policy segmented interest organizations. In this way, Uruguay's healthcare policy legacies, which divided interest organizations by geographical location and private/public sector location, intensified the relationship between party organization and policy output. A summary of the mediating effects of policy legacies is presented in table 4.1.

Table 4.1: Predicted Effect of Party Type and Policy Legacies

Party Type (Center-Left)	Expected Policy Outcome	Expected Policy Outcome with Fragmented Interest Groups	Expected Policy Outcome with Strong unified Interest Groups
Elite-Electoral (Concertación)	Policy emerges due to economic concerns; prioritize macroeconomic stability and fiscal discipline first and equity second	Policy emerges due to economic concerns; macroeconomic stability and fiscal discipline focus STRONGER EFFECT <i>(ie: Education Reform)</i>	Policy emerges due to economic concerns; macroeconomic stability and fiscal discipline focus WEAKER EFFECT If organized interests issue corporatist demands, policy output will move in that direction <i>(ie: Teachers' Statute in Chile)</i> WEAKER EFFECT If organized interests issue demands for broad protection, output will have slightly greater focus on universality <i>(possible example: Bachelet education reform)²⁶</i>
Organic-Mobilizing (Frente Amplio)	Policy emerges because of party consensus/concern; prioritize universalism first and macroeconomic	Policy emerges because of party consensus/concern. Prioritize universalism first and macroeconomic stability and fiscal	Policy emerges because of UNION MOBILIZATION AND VOICE. Prioritize demands of organized interests first and

²⁶ This reform is not analyzed in this project. This is based on brief reading of the evidence; see the text for more details.

	stability and fiscal discipline second.	discipline second STRONGER EFFECT <i>(ie: Healthcare reform in FA government)</i>	macroeconomic stability and fiscal discipline second : WEAKER EFFECT if groups pushing for corporatist over universal demands <i>(ie: Education in FA government)</i> STRONGER EFFECT if groups pushing for universal demands <i>(no example to date)</i>
Party Type (Center-Right)	Expected Policy Outcome	Fragmented and/or little business interests	Unified and/or high business interest
Business-Coordinating (UDI/RN)	Prioritize interests and profit margin of private sector	Prioritize interests and profit margin of private sector WEAKER EFFECT <i>(ie: Chile Solidario)</i>	Prioritize interests and profit margin of private sector STRONGER EFFECT <i>(ie: AUGE)</i>
Elite-Patronage (Colorados & Blancos)	Status Quo	Status Quo LITTLE EFFECT	Status Quo LITTLE EFFECT

4.4 Alternative Hypotheses

One challenge associated with a qualitative research design is that it is more difficult to test explanatory variables against rival hypotheses. For that reason, it is important to consider whether alternative explanations hold water when analyzing education, health, and non-contributory social assistance reform in Chile and Uruguay. As mentioned in chapter three, the selection of Chile and Uruguay as the primary cases of study allows me to control for several potential rival hypotheses, namely economic development, regime history, the strength of institutions, and two veto points (federalism and bi-cameralism). Variables that I do not control for, however, include more specific features of institutional design, such as the electoral system, the referenda mechanism in Uruguay, and previous to 2006, the institutional rule that created

designated Senators in Chile. I also do not control for the role of culture, the strength of the Church, and the presence of external actors such as the World Bank and IMF. For this reason, it is important to consider whether these factors are more effective at explaining variation in social policy outcomes in Chile and Uruguay than the argument presented in this study.

This project pays relatively little attention to the role of formal institutional design in shaping policy outcomes. This oversight is in part warranted because of similarities in the design of the Chilean and Uruguayan state, namely the fact that both are Presidential and unitary systems with a bi-cameral legislature. Still, the electoral systems in both countries do differ significantly and this variation does shed additional light on the issue of social policy formation and change. Specifically, Chile's binomial electoral system, which makes it difficult for a party to win both seats in any given Congressional district, has traditionally resulted in an over-representation of the parties of the right (Carey 1997). Moreover, Carey (1997) argues that the binomial system also produces high incentives for parties to group into coalitions, and therefore, helps explain the sustainability of the Concertación and the ability of politicians to exert discipline across party lines (Carey 1997: 93). Importantly, prior to the 2005 constitutional reform, a second institutional mechanism introduced by the Pinochet regime – the designated Senator rule – also granted special representation to the parties of the right. In this way, the institutional design of Chile's electoral system and the existence of designated Senators prior to 2006, complements the explanation of social policy reform developed and tested in this study. In particular, the over-representation of the right, provoked by the electoral system and previously by the designated Senator rule, provides a more nuanced understanding of the strength of Chile's conservative parties and their ability to alter Concertación social policy.

Uruguay also has a peculiar electoral system, which provides for double-simultaneous-vote (the right to select both a party and a specific list) and proportional representation.²⁷ Both of

²⁷ Although the 1996 electoral reform eliminated double-simultaneous-vote for the President (by requiring parties to select one Presidential candidate per party through primary elections), the change had little effect

these mechanisms help explain the fractionalized character of Uruguay's political parties (Piñeiro and Yaffe 2003). The fractionalization of Uruguay's parties is one of the contributing factors to the FA's organic-mobilizing structure because the high level of internal competition provides incentives to political elites to maintain strong ties to base organizations and work to expand territorial presence. The fractionalized character of the traditional parties is also important, as it sheds light on why neither the Colorados nor the Blancos have managed to institutionalize strong ties to the business sector. The internal divisions provoke a fragmentation of business' support across the two parties. It seems, therefore, that the institutional design of Uruguay's electoral system also complements the explanation of social policy reform tested in this study. Specifically, it provides greater insight into the fractionalization (and thus internal competition) present in Uruguay's political parties.

Another institutional mechanism that is present in Uruguay and absent in Chile is the rule that provides for popular initiatives and referenda. As mentioned in chapter three, since the return to democracy, the use of referenda have been most common in the area of economic policy, but nonetheless have been attempted in association with social policy initiatives as well.²⁸ In interviews with Uruguay's political elites I was consistently told that the importance of referenda for social policy formation depends on the character of the party in opposition. Specifically, members of all three Uruguayan parties noted that the FA was particularly effective at mobilizing individuals to call for a referenda. One Colorado Deputy said, "In reality the referendum worked in combination with the fact that Frente was in opposition. It's hard to form those sorts of broad groups in society if you don't have some sort of organization like the Frente that brings people together. That's why you haven't seen a referenda attempt since the Frente came to power"

for the FA, which had already institutionalized such a practice. To date, leadership within the FA has been quite fluid with different fractions growing and declining in distinct moments (Piñeiro and Yaffe 2003)

²⁸ The only successful use of the mechanism in association with social policy was the 1989 popular initiative that resulted in a guarantee that pensions would be increased at the same time and to the same magnitude as state workers' wages (Filgueira 1995)

(Personal Interview #50). A former Deputy from the Independent Party put it even more clearly, stating:

“It’s not the referenda mechanism on its own that was powerful. It was that rule in combination with the fact that FA was in opposition. Civil society on its own isn’t organized enough to bring that together. Without the FA working behind the scenes putting things together, there’s no way that they could have manage to pull off the referenda. In fact, I would go so far as to say that with the exception of the 1989 initiative, without the FA there wouldn’t have been any other referenda” (Personal Interview #91).

This point was also made by FA legislators and suggests that perhaps more important than the institutional device, was the character of the FA and specifically its mobilizing capacity (fostered by the organic-mobilizing structure). In this way, the role of the referenda in shaping social policy actually complements the argument presented in this study, illustrating yet another way in which the FA’s organizational structure influences policy outputs (ie: by means of an ability to mobilize a referenda).

Interestingly, some interviewees suggested that rather than influencing policy outcomes, the referenda mechanism has actually been most important for national politics because of its impact in assisting the FA to expand its electoral support. One Colorado deputy said, “the referendum is an excellent tool for parties in opposition because they can get people mobilized around an idea or issue” (Personal Interview #50). On a related note, leaders within the PIT-CNT union movement told me that use of the referenda had been key to maintaining union strength during the 1990s, as labor regulations were tightened and began to limit other forms of mobilization (Personal Interviews #94, 95). The leaders argued, therefore, that the referenda helped sustain the FA’s key constituency base – unions – during the difficult years in the 1990s (Personal Interviews #94, 95). Finally, a FA Senator also stressed how the referenda had helped strengthen the party, saying:

“Our promotion of referenda wasn’t thought about as a strategy to win votes. In hind-sight, though, it certainly did help us come to power... Typically we would put together the referendum in the middle of a governing term. That was a great time for it because it was a time when activity would fall for our militants and this gave them a new purpose... It was a great path for us to build loyalty with

the electorate. In those referenda moments we brought in people who might not otherwise have gotten involved and they became tied to the party” (Personal Interview #48).

In other words, it seems that Uruguay’s institutional rule that provides for referenda is, in fact, important for understanding the country’s political process, but that its effect on social policy works rather indirectly, creating a tool that helped the FA improve its electoral reach and providing an opportunity structure for an organic-mobilizing party such as the FA.

A second rival explanation of variation in Chile and Uruguay’s social policy reforms relates to the countries’ cultural profile and the strong role of the Catholic Church. This certainly marks a clear difference between the two countries, as Uruguay has a strong secular tradition and Chile’s Catholic Church is one of the most influential in the region (Blofield 2006; Htun 2003; Pribble 2006). Still, it is unclear that this distinction between the two countries has implications for the social policy reforms analyzed in this project. In a careful review of press archives for the policy reform incidents analyzed in this work, I did not come across any significant involvement of the Church.²⁹ In fact, the only policy domain where the Church might have been inclined to involve itself in policy-making is in Chile’s education reform. Since many of the state-subsidized private schools are Catholic in their orientation, the Church has a clear interest in seeing the voucher system maintained. Still, in interviews with political elites, when I inquired about whether that was a motivating force in the Concertación’s decision to maintain the system of subsidized private schools, I was consistently told that it was not relevant. In other words, it does not appear that the role of the Church was decisive in determining variation in Chile and Uruguay’s education, health, and non-contributory social assistance reforms during this current neoliberal era.

A final explanation of the differences in the timing and content of Chile and Uruguay’s social policy reforms that might rival the argument tested in this study relates to the role of

²⁹ Clearly there are occasional letters to the editor or articles about Church opinion on certain issues, but there was no evidence that the Church played an active political role in defining reform timing and objectives.

external actors, primarily international financial institutions (IFIs), in shaping outcomes. Clearly, the role of IFIs during the current neoliberal era has been significant with institutions such as the World Bank, the Inter-American Development Bank, and the IMF making sizable loans to countries for the purposes of stabilization and structural adjustment. The loan process provides IFIs with a power to encourage (or force) reforms of a particular type by means of conditionality. For this reason, several authors find that the involvement of IFIs tends to influence the nature of social policy reforms (Madrid 2003; Lakin 2006). In the case of Chile and Uruguay, while IFIs have certainly been involved in policy-making circles, it does not appear that the organizations were able to decisively shape policy content. Indeed, as discussed in Chapter Five, even in the midst of Uruguay's devastating 2002 financial crisis, the country was able negotiate spending protections for all social sectors, allowing the state to maintain social expenditure at its pre-crisis levels. A high official from the Batlle government told me that obtaining these guarantees required tough negotiations, but that ultimately they were able to extract the guarantees they wanted from the lenders (Personal Interview #3). Similarly in Chile, despite the use of World Bank loans, one high official of the Concertación told me

“the long and the short of it is that there was a great deal of symmetry in the relationship with the World Bank. They didn't force anything on us and couldn't force anything on us... There's a good story to illustrate what the relationship was like. About two years into the process of negotiating the deal with the Bank [for an education project], we were at the table with the usual players; the Chilean politicians, the Chilean World Bank team, and some new actors – the lawyers of the bank... they [the Bank representatives] proposed that we the Chilean government should submit our annual budget to the Bank before we sent it to the Congress. We couldn't believe it... We thought that was crazy and the director of our team from the Finance Ministry told them no way. We said, if we have to do that, no deal. In the end, they gave in and let us have it our way” (Personal Interview #28)

This comment was echoed by other policy-makers, one of whom reminded me that many representatives of the Chilean state are consultants for the World Bank and do not feel pressured by Washington technocrats (Personal Interview #79). In other words, while IFIs are likely important in introducing certain policy designs to the broader Latin American community (ie:

conditional cash transfer programs), it does not appear that the organizations played an important role in determining whether or not Chile and Uruguay adopted those reforms or generated their own models.³⁰

This brief review of alternative hypotheses reveals that the explanation presented in the remainder of this study stands up to competition. Specifically, my argument appears to provide a better explanation of the timing and content of social policy reform in contemporary Chile and Uruguay than the role of IFIs and that of the Church. Moreover, while differences in the design of Chile and Uruguay's electoral systems, as well as the Uruguayan referenda mechanism, appear to have been relevant to the policy reform process, the institutional differences actually complement the explanation presented in this study.

4.5 Conclusion

Research on political parties and their relationship to the political process during the neoliberal era has fallen into two separate camps: (1.) studies that focus on the organizational dilemmas of parties and the need to adapt to the new and challenging landscape generated by liberalizing reforms (Roberts Forthcoming; Levitsky 2003; Luna 2005) and (2.) research on the effects of partisanship on policy output (Huber et al. 2006; Pribble, Huber, and Stephens 2007; Castiglioni 2005; Murillo 2005; Murillo 2002; Lakin 2006). I contend that an effective analysis of policy reform in the contemporary era must combine these two literatures, considering how the organizational structure of parties of the left and right influence the timing and content of reform. In this chapter I have spelled out a theoretical framework that combines the programmatic/ideological color of parties with their organizational character and I argue that social policy reform during the current neoliberal era is heavily conditioned by this variable.

In the case of Chile's center-left Concertación parties, I argue that the elite-electoral structure has concentrated power among a small group of elites who share market-friendly views.

³⁰ This is one variable that may very well have differential effects within each of the four configurations of social protection. In other words, it is possible that IFIs have a strong effect in Latin America's weaker states and no effect in the more advanced countries.

For this reason, social policy reform during the Concertación governments is likely to emerge as a result of economic interests and concerns and the outputs tend to prioritize macroeconomic stability and fiscal discipline with a secondary focus on equity. The strength of this relationship, however, is mediated by policy legacies. In instances where previous policy fosters the formation of strong organized interests with an affinity to the Concertación parties, the fiscal discipline focus of policy outputs will be weaker. If the strong interest groups in question are promoting corporatist demands, the policy outcomes will move in a more corporatist direction, whereas if the demands are broader, the policy will move in a more universalistic direction. In Uruguay, the organic-mobilizing character of the center-left FA disperses power among the different sectors of the party, granting representation to a broader spectrum of policy positions. I, therefore, argue that policy outputs from the FA tend to favor a more universalistic approach to protection and prioritize equity first with macroeconomic and fiscal goals second. Still, because of the party's reliance on the mobilization of organized interest groups, the strength of the relationship between the FA's organizational structure and policy outcomes is heavily conditioned by the design of previous policies, or policy legacies. In sectors where previous policy fosters strong organized interest groups with political affinities to the FA, reform will be slower, as the party will be forced to negotiate among different sectors of the organization. If the interest groups in question are primarily concerned with corporatist demands, as is the case with teachers' unions in the education sector, policy outputs run the risk of being less universalistic than expected (thus the relationship between party organization and policy output will be weaker). By contrast, if the interest groups in question are mobilizing support for a broad policy reform, outputs could ostensibly be more universalistic in their orientation (thus a stronger relationship between party organization and output).

Party organization also matters for parties of the center-right. Since big business has obtained a new role of influence during the current neoliberal era, the power of the right is significantly affected by the ability of parties to coordinate activity with the business community.

Chile's UDI and RN parties have created a non-formal "coordinating" organization that incorporates big business through a revolving door policy that grants business leaders important positions within the party. The UDI and RN also achieve coordination through the informal relations established through campaign finance and informal consultation by means of think-tanks. For this reason, I expect that the UDI and RN will strongly favor policies that promote the role and the profit margin of private sector providers of social services and transfers. In contrast to the UDI and RN, Uruguay's center-right parties (the Colorados and Blancos) do not enjoy a particularly strong tie to the business community, which has undermined the parties' ability to mobilize an effective opposition to the FA government. Indeed, rather than favoring policies that promote the interests of the business sector, the traditional parties' elite-patronage structure and high internal fractionalization favors the maintenance of status quo policy.

The strength of the relationship between party type and policy outcomes is mediated by the design of previous policies, or policy legacies. This is because previous policies structure the distribution of power within the sector, determining the relative strength of organized interest groups and the preferences of private sector actors. In this way, the design of previous policies can serve to strengthen the predicted effect of party structure on policy output or it can soften the intensity of the effect. A summary of this theoretical framework can be found in table 4.1.

In the remainder of this study, I test the hypotheses presented in this framework, analyzing reform to education, healthcare, and non-contributory social assistance policy in Chile and Uruguay. I find strong support for the hypothesis that party type (ideological orientation*organizational structure) is a crucial predictor of policy reform outcomes during this current neoliberal era. I also illustrate how policy legacies mediate the strength of this effect.

CHAPTER 5: EDUCATION REFORM IN CHILE AND URUGUAY

Education policy is an important tool for reducing poverty levels. This is because education provides individuals with the necessary skills to obtain employment and sustain an income. In order for education to effectively contribute toward poverty reduction, however, states must ensure that the poorest households have access to high quality schools and that children complete the educational experience. During the 1990s and early 2000s, policy reforms were adopted in Chile and Uruguay that sought to improve the quality and coverage of each country's education system. In this chapter I analyze those reforms, presenting the first of three tests of my theory of social policy reform during Latin America's current neoliberal era.¹ Specifically, I seek to establish whether the organizational structure of Chile and Uruguay's political parties in combination with policy legacies did, in fact, shape the timing and content of education policy reform. The analysis presented in this chapter focuses on both a cross-national and a cross-temporal variation. The cross-national comparison sheds light on the way in which different parties influence the timing and content of education policy reform. It also provides insight into how policy legacies structure reform incentives in different ways. Finally, I use a cross-temporal comparison of educational policy reform in Uruguay to discern how the shift in the balance of power (a left party moving from opposition to government) influences the dynamics of social policy reform.

In the next section, I provide a brief historical overview of Chile and Uruguay's education systems. This description allows me to measure education policy legacies in each

¹ Grindle (2004) contends that policy reforms have five arenas: agenda setting, design, adoption, implementation, and sustainability (Grindle 2004). In this project I analyze three of these stages: agenda setting, design, and adoption. In contrast to Grindle (2004), however, I find that it is useful to group these three arenas into two stages of reform: (1) whether or not there is a reform [timing] and (2) the contents of that reform.

country. I then describe the education reforms that were enacted in the two states during the current neoliberal era, underscoring the achievements and shortcomings of the policies for the well-being of the poorest sectors of society. Finally, I analyze whether the configuration of the party system and the design of previous policies influenced the education reform process in a manner that explains the timing and content of the policy reforms.

5.2 A Historical Overview of the Chilean Education System

Chile's education system was formally established early in the country's history, but the first profound expansion of the system occurred in the wake of the country's 1924 military coup (Illanes and Riesco 2007). The coup, which brought an end to the stalemate of President Arturo Alessandri Palma's first government, marked the beginning of a extensive modernizing project in Chile. A key element of this project was the formation of an 'assistance state,' which among other issues sought to expand the country's education policy (Illanes and Riesco 2007). Although the Chilean state had committed itself to improving schooling with a 1920 law that created obligatory primary education, the first concrete steps toward this goal weren't made until 1927 with the creation of the Education Ministry. Evidence of the importance of this period for the development of Chile's education system is provided by the steep increase in state expenditure on education between 1924 and 1938, which grew by just under five percent per year for primary spending and just over 5 percent for year for secondary spending (Illanes and Riesco 2007: 420).² In subsequent periods spending increases hovered around 2 percent growth each year (Illanes and Riesco 2007: 420).

Despite the interest on the part of policy-makers in the late 1920s to build a national education system, the delivery of the service remained limited in scope well into the middle of the 20th century. Indeed, by the early 1960s, Chile's primary and secondary enrolment remained quite low and the country exhibited high levels of illiteracy. The election of Christian

² It should be noted that the most impressive level of expenditure growth was seen in tertiary education, which grew by just under 15 percent per year during the 1924-1938 period (Illanes and Riesco 2007: 420).

Democratic President Eduardo Frei Montalva, however, marked a turning point in the country's education policy. The Frei Montalva government carried out an extensive educational reform package that resulted in a dramatic expansion in enrolment rates (Illanes and Riesco 2007: 389). The Frei reform involved an increase in state expenditure for primary and secondary schooling and reformulated the school-day, creating two separate "shifts." The two-shift school day doubled the capacity of the country's system. Additionally, the Frei reform increased the number of years of basic education from six to eight (Cox 2003). Frei's reform provoked an impressive expansion in access to schooling in Chile, with primary school coverage reaching 90 percent in the majority of rural and urban areas by 1970. Similarly, secondary school coverage reached 49 percent in 1970, up from a mere 18 percent at the beginning of the 1960s (Cox 2003: 22).

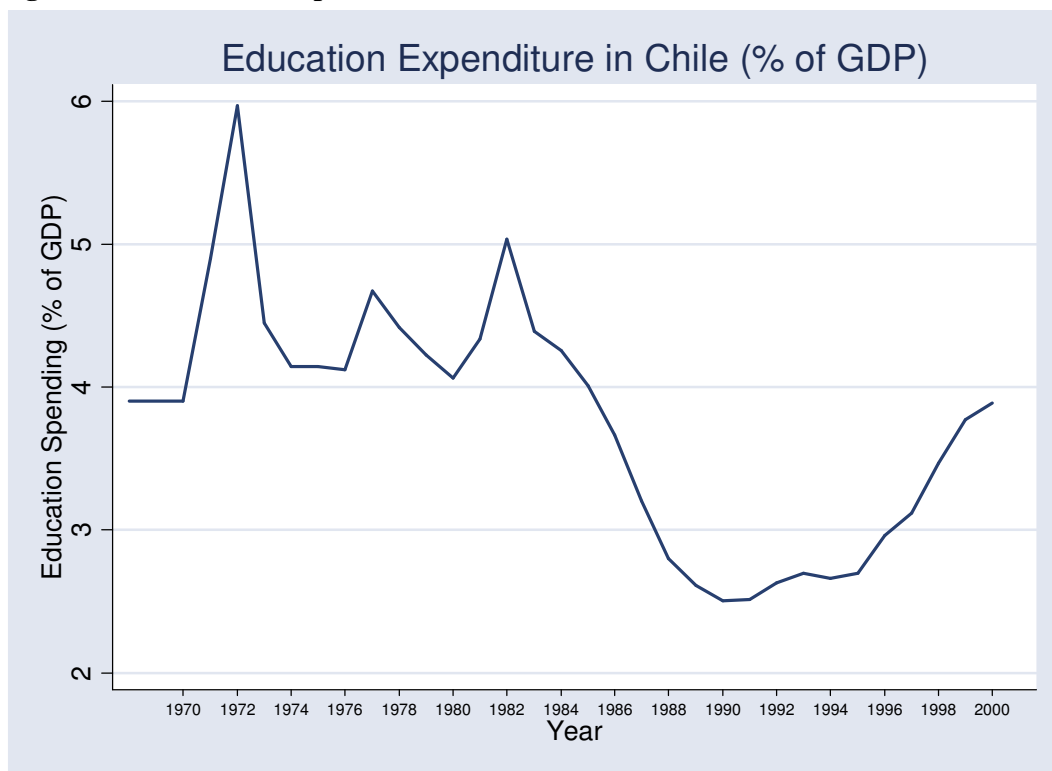
This trend toward higher levels of education was maintained during the Popular Unity government of President Salvador Allende, who further increased public expenditure per pupil for primary and secondary public education. Evidence of the effectiveness of this spending can be seen in the rapid improvements in literacy rates and school enrolment. Illanes and Riesco (2007) note that illiteracy fell five times faster during the 1950-1973 period than that achieved between 1938 and 1950. Moreover, the authors contend that "school enrolment raised 1.2 percent a year during the period 1923-1938, 2.6 percent a year during the period 1938-1950, and 5.3 percent a year during the period 1950-1973" (Illanes and Riesco 2007: 389).³

The 1960-1970s expansion in education expenditure and public school enrolment was halted by Gen. Augusto Pinochet's 1973 military coup. One of the first moves by the military government was to engage in dramatic spending cuts as part of an economic stabilization program. Figure 5.1 presents data on Chile's public expenditure on education for the period 1968 through

³ The authors do not specify a precise definition of this measure, but I assume that it is percentage change in the overall number of children enrolled in the school (regardless of their age). This is not the best measure of school coverage since it could simply represent a more general increase in the number of school-age children rather than an increase in the share of those children who have access to schooling. Still, the relative increase during the 1950-1973 era is so much larger than previous periods that it is quite safe to assume that it cannot all be accounted for by demographic change.

2001. The data is taken from Huber et al. (2008) and is compiled and calculated from IMF and ECLAC sources (Huber et al. 2008).⁴ The measure captures Chile's expenditure on primary, secondary, and tertiary education as a share of GDP. The graph reveals that Pinochet's stabilization program had a profound effect in the education sector, provoking a steep decrease in expenditure between 1972 and 1974. Following this initial stabilization period, education spending remained relatively steady until the early 1980s, when another dramatic decrease occurred.⁵ The sudden reduction in public education expenditure in the 1980s was the result of the military regime's radical education reform.

Figure 5.1: Education Expenditure in Chile



Source: Huber et al. (2008)

⁴ Huber et al. (2008) compile and calculate the measure using data from the IMF Government Finance Statistics and ECLAC.

⁵ In a study of social policy reform during the Pinochet era, Castiglioni (2005) uncovers a similarly large decrease in education spending between 1982 and 1990. Her data is taken from the Chilean Government's Contraloría General de la República (Castiglioni 2005: 23).

Significant changes were made to Chile's education system between 1980-1981, but two reforms deserve particular attention. First, the 1980 education reform transferred the administration of the education system to the country's 325 municipal governments. Previously, this responsibility had been in the hands of the national Ministry of Education. Under the new system, the role of the Ministry was reduced to include regulatory tasks such as designing curriculum, determining the length of the school year, administering evaluations, and providing technical advice (Cox 2003: 24; Mizala and Romanguera 2000: 6). Additionally, the Pinochet reform turned over the task of administering education funding and running public schools to local-level governments.⁶ A second significant change to the system involved the mechanism through which education was funded. The 1980 reform sought to create a system of "school choice" by providing a per pupil subsidy for public and private educational centers based on average student attendance at the school (Castiglioni 2005). In other words, under the new system, the central government paid a set rate per student for the average number of days attended. The government made this payment to both private and public schools in an effort to promote "choice" for parents, and in turn, competition among educational establishments. The military's education reform, therefore, created three types of schools in the country: (1) those that were strictly public and financed completely by the state (per pupil) transfer and municipal resources, (2.) state-subsidized private schools, and (3.) strictly private schools funded exclusively by fees paid by parents.

The difference between strictly public (municipal) schools and subsidized private schools was that the subsidized private schools could establish admissions criteria and accept or reject students, while municipal schools could not turn down any pupil. At the time of this reform the subsidized private schools were not permitted to charge a co-payment, but this mechanism was later introduced during the first Concertación government of Patricio Aylwin. Additional modifications included in the Pinochet reform were the liberalization of labor practices for

⁶ At that time local level officials were appointed by the military government.

teachers, the creation of a student evaluation system (the SIMCE), and changes to the national curriculum (Cox 2003; Mizala and Romaguera 2005).

The school system created by the Pinochet military government was, therefore, similar to Friedman's well-known "voucher system" (Friedman 1955), but rather than providing payments directly to parents, the new system transferred funds to the school. The amount transferred was calculated on the basis of enrolment rates and student attendance. Taken as a whole, the system represented an attempt to increase coverage and quality through the introduction of market mechanisms. Defenders of the system argued that competition would prompt improvements in the quality of services (Gauri 1998; Mizala and Romaguera 2000). Moreover, the decentralization of administrative responsibilities was in line with the neoliberal goal of downsizing the role and size of the state; a priority of the Pinochet government. By creating a fixed subsidy to be paid per student and transferring the task of administering that payment to the local government, the military regime stripped the Education Ministry of its previous power and relevance, thus reducing the voice and relevance of powerful bureaucratic actor.

Unsurprisingly, the 1980 reform coincided with a dramatic reduction in education expenditure. Figure 5.1 reveals that between 1982 and 1990 education spending as a share of GDP fell from 5 percent to 2.5 percent. Other results of the military government's education reform are controversial to say the least. On the one hand, secondary school enrolment and educational coverage increased, growing from 65 percent in 1982 to 82 percent in 1989 (Ministry of Education Government of Chile 1998 & 1992: 280 & 156). Indicators of school efficiency also revealed some improvement with the rate of repetition in primary schools falling from 8.1 percent to 6.1 percent between 1980 and 1989 along with the level of school abandonment (Cox 2003: 33). These improvements, however, came at a great cost. The new system had produced no notable improvements in the quality of education (Cox 2003) and to make matters worse, it had provoked a sizable increase in educational inequality. Indeed, the decentralized system of school competition had essentially created a system of high quality private schools, unpredictable

subsidized private institutions, and below-standard public schools. This fact is illustrated by an analysis of student performance, which reveals a strong relationship between school type and test scores, with fully private schools exhibiting much higher performance than public schools (Bravo, Contreras, and Sanhueza 1999).

This gap in the quality of education services helped cement social segmentation in Chile by re-producing the inequality in life chances faced by the country's wealthiest and poorest sectors. In this vein, Mizala and Romaguera (2000) note that:

“over half of all children from the first six deciles, that is, the children of low-income families, attend municipal schools. The subsidized private sector serves all income levels, but it is most important to middle-class families, serving 22.8% in the bottom decile, which rises to 47.1 % in the seventh, before dropping back to 24% in the higher decile, due to the bigger share of the fee-paying sector. The latter is really important among the wealthiest 10% of the population” (Mizala and Romaguera 2000: 7).

This fact coupled with the empirical evidence that strictly public (municipal) schools perform significantly worse than private and subsidized-private schools suggest that Chile's education system reproduces the class and income distinctions already present in society.

In 1991, then, when the center-left Concertación assumed power under the new democratic regime, it inherited an education system that was characterized by segmentation in several respects. At the most basic level the system divided “users” of the service into three categories: (1.) public sector students, (2.) subsidized private sector students, and (3.) self-paid private sector students. This segmentation was further strengthened by the fact that the divisions between user-types tends to correspond to income group with poor students using public schools, middle-class students attending subsidized private schools, and wealthy families using the fully-paid private sector. The inherited education system also segmented the provision of services between two levels of government with the central state being responsible for curriculum planning and technical oversight, while local-level politicians administered funds and managed the schools. Finally, the new democratic government inherited a system that was desperately under-funded.

Table 5.1 describes the evolution of student enrolment by school category since the return to democracy. The numbers reveal that segmentation between different types of schools has increased since 1990 as more children move from the strictly public system into subsidized private schools. These divisions and the segmentation of Chilean children into different categories of schools are of critical importance for understanding the reform process during the democratic era. As explained in chapter 4, the design of previous policies shapes subsequent reform by structuring the distribution of power within the policy sector. Where previous policies concentrate individuals, fomenting strong interest groups with political affinities with the governing party, the strength of the relationship between party system organization and policy output will be weaker. When the opposite is the case, the relationship should be stronger.

Table 5.1: Enrolment by School Category (Chile): 1990-2004

	<i>1990</i>	<i>1995</i>	<i>2000</i>	<i>2004</i>
Municipal (strictly public)	57.7	56.8	53.7	49.3
Private (state-subsidized)	32.4	32.5	35.8	41.5
Private (family-paid)	7.9	9.1	8.9	7.7
Corporation	1.7	1.6	1.6	1.4

Source: (Cox 2006: 15).

In the case of Chile's education policy, the Pinochet reform segmented organized interests within the education sector, thereby weakening their power. Specifically, the military regime's education policy divided families into three separate groups (fully public, subsidized private, and fully private), decreasing the chances for 'users' of public education services to mobilize demands for reform. Indeed, as noted in table 5.1, no clear 'majority' group existed within the education sector. Thus, the electoral incentives associated with reforming the delivery and funding of public education were weak to non-existent. Additionally, due to the process of decentralization, bureaucrats in the national Ministry of Education had very little power to influence policy and therefore exerted little to no ability to push for the expansion of public education. This, then, eliminated another actor that might have lobbied for the expansion of the central government's role in education. Interestingly, municipal governments had obtained a new source of power and were interested in maintaining their control of the system, as it provided a

space for credit-claiming.⁷ Still, because of political divisions across municipal lines, this group also remained weakened by segmentation. Indeed, the only interest group in the education sector that continued to exert a high level of unity and power at the time of the democratic transition was the teachers' union.⁸

In other words, at the time of the transition, the education policy sphere in Chile was highly fragmented. Since there were no strong organized groups pushing for the expansion of public education, I expect that the relationship between party organization and policy output to be especially strong. Specifically, I hypothesize that education policy outcomes in post-authoritarian Chile will place a heavy emphasis on fiscal discipline and will emerge out of economic considerations, thereby reflecting the type of policy promoted by elite-electoral organizations. Before turning to my analysis of the education policy reforms adopted by the Concertación governments during the 1990s and early 2000s, I now provide a brief overview of education in Uruguay.

5.3 A Historical Overview of Uruguay's Education System

The groundwork for Uruguay's education system was laid in 1877 during the military government of Lorenzo Latorre. Latorre's decree created an obligatory, secular, and free system of primary education (Filgueira 1995). Coverage, however, remained limited in scope and it was not until the first government of José Batlle y Ordoñez (1903-1907) that the country witnessed a significant expansion in the provision of education services. Indeed, Batlle saw education as one

⁷ One policy-maker told me that municipal governments would not easily surrender their responsibility for education because "the fact that the school is tied to the municipality gives the mayor a direct link to a really important group: the teacher's union. This is a huge electoral base... no matter where you go there are teachers, so having access to them can be a really important base of political power" (Personal Interview #34). The director of research at the Chilean Association of Municipalities confirmed the fact that local governments would resist moves by the state to remove their power in administering education. He told me that in surveys of mayors, they consistently found that "the majority want to be responsible. There is a small group, though, that says if the government doesn't provide better funding, then I want to get rid of the responsibility. A lot of mayors, however, do also admit that even if the funding issue isn't resolved, they want to keep the services" (Personal Interview #25).

⁸ Although the working condition of teachers had worsened significantly during the military dictatorship, the union had been an important force in pushing for a democratic transition after re-organizing to form the 'Colegio de Profesores' in 1987 (Palacios 2003) (Personal Interview #26).

of the central pillars of his liberal political project and increased spending to the sector. Between 1904 and 1912 education expenditure as a share of total government spending increased from five to 10 percent (Filgueira 1995). Spending increased at an even greater pace during the second and third decade of the 20th century, as secondary school was made mandatory and schools began to be constructed in the interior of the country (outside of Montevideo). By 1932, the Uruguayan state was allocating 20 percent of state expenditure to public education (Filgueira 1995). The steady growth in education expenditure was matched by an expansion in school enrolment. Between 1915 and 1930 school attendance increased from 90,000 to 120,000 students (out of a total of around 247,000) (Filgueira and Filgueira 1994). Thus, by the 1930s education had come to be recognized by the general public as a central pillar of Uruguay's social protection system. In fact, the system of centralized public education was seen as part and parcel of the Batllista liberal-egalitarian project and considered a critical tool in the pursuit of social mobility (Vanger 1980). This popular perception of the importance of a state-provided, secular, public, and centralized education created a powerful policy legacy that has shaped education policy throughout Uruguay's history.

The Uruguayan state continued to make steady progress in expanding primary education and it is estimated that by 1967 universal coverage had been achieved (Administración Nacional de Educación Pública (Anep) 2005). The 1950s and '60s was also a time of impressive progress in secondary school enrolment. Between 1953 and 1970 it is estimated that the net secondary enrolment ratio grew by 110 percent (Anep 2005). The expansion of the system, while positive in many regards, quickly encountered financial constraints. Beginning in the early 1950s the Uruguayan economy entered a difficult period. Filgueira and Filgueira (1994) have referred to this period of growth in social programs as "expansion without a base," which they argue resulted in the creation of a very fragile system of secondary schooling. In particular, the authors note that the Uruguayan state never established a solid network of infrastructure nor a strong pool of trained professionals; a fact which had significant consequences for future policy (Anep 2005).

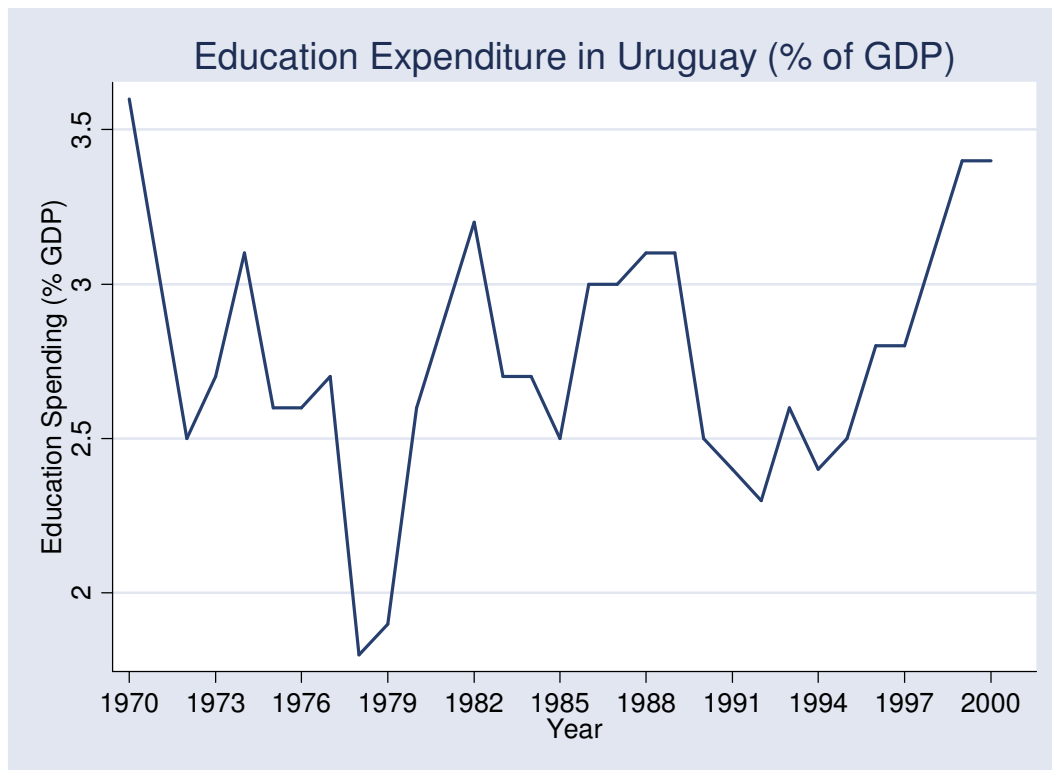
As concern mounted about the declining quality of Uruguay's education system, a group of technical experts founded a think-tank (CIDE) dedicated to education policy in the mid-1960s. This group formulated an education plan that included, among other things, a proposal for the creation of a national system of pre-school education as well as policies aimed at addressing the challenge of secondary school abandonment. The policy activity of CIDE, however, came to an abrupt halt in 1973, when President Juan Bordaberry carried out a self-coup that ushered in an 11-year period of military rule.

By most accounts, the military government in Uruguay, which ruled from 1973 to 1984, did very little in change core aspects of the country's education system. One significant change was the decision to centralize the provision of education services in the hands of one office (Castiglioni 2005). Previously, each level of education had been administered by a governing council that enjoyed autonomy from the Executive. Additionally, in 1977 the authoritarian government sought to further centralize the system by creating a unique institution that would be responsible for training primary, secondary, and vocational teachers (Castiglioni 2005). During the early years of the military regime secondary enrolment declined slightly, but by the late 1970s the share of children attending school was higher than ever. It is estimated that secondary enrolment increased by nearly 30 percent between 1979 and 1986 (Anep 2005). This increase in attendance, however, was not matched with higher levels of funding. Instead, as is illustrated in Figure 5.2, education expenditure declined markedly between 1970 and 1979. As a result of the increased demand and lower expenditure, the country witnessed a steady decline in the quality of public schools during the period of military rule (Anep 2005; Castiglioni 2005; Mancebo 1998).

Unsurprisingly, concurrent to the decline in the quality of public education services, the role of private schools began to expand. Put differently, education policy reform during Uruguay's military regime might be classified as policy "drift" (Hacker 2004). Hacker (2004) argues that when the risk structure or the demand for social programs experiences a significant change, yet the policies are not adapted accordingly, a form of retrenchment, or "drift," may

occur (Hacker 2004). In the case of education in post-1970 Uruguay, this is exactly what happened. The increased demand for services coupled with lower levels of spending resulted in a decline in the overall quality of public education. This, in turn, prompted a new role for private education, as middle income and upper income families began to move their children out of the public sector (Anep 2005). Evidence of this trend is revealed in enrolment statistics for the 1970-1975 period. While public schools enrolment remained relatively stable during the five-year period, increasing only slightly from 109,207 to 113,108 students, enrolment in the private sector witnessed a significant expansion of 33 percent (Anep 2005: 33). Specifically, the provision of private secondary education went from serving 22,938 students in 1970 to 31,389 students in 1975 (Anep 2005: 33). In other words, while Uruguay witnessed nothing similar to Chile's dramatic privatizing reform, it did see a shift from a near-exclusively public system to a dual system of public and private education.

Figure 5.2: Education Expenditure in Uruguay 1970-2001



Source: Huber et al. (2008) with data compiled from the IMF and ECLAC

Thus, at the 1984 transition back to democracy, Uruguay's education system was significantly under-funded. The problems were particularly acute at the secondary level, where over-crowding and high student to teacher ratios had become the norm. While increased funds were allocated by the new democratic governments, economic constraints limited the scope of that expansion. Importantly, however, the public sector maintained a central role in the provision of education in Uruguay. Unlike in Chile, where a de-centralizing reform had introduced high levels of segmentation into the system and divided users into several small groups, the Uruguayan system remained predominantly public. As is illustrated in Table 5.2, the share of students who attend public primary and secondary school is high in Uruguay and actually increased throughout the 1990s and into this decade. Indeed, a clear majority of Uruguayans continue to obtain their education through public schools. This is a crucial policy legacy that has influenced the timing of education reform since the return of democracy by making the issue of education a topic of public interest.

Table 5.2: Primary and Secondary School Enrolment by Income Quintile (Uruguay)

	1992	1995	1998	2000	2005
Share of all students in public primary schools	.79	.83	.85	.87	.85
Share of students from quintile 1 in public primary	.97	.97	.99	.99	.99
Share of students from quintile 2 in public primary	.91	.93	.96	.97	.96
Share of students from quintile 3 in public primary	.80	.86	.87	.91	.89
Share of all students in public secondary school	.84	.86	.86	.87	.87
Share of students from quintile 1 in public secondary	.98	.98	.99	.99	1
Share of students from quintile 2 in public secondary	.95	.97	.98	.98	.97
Share of students from quintile 3 in public secondary	.90	.91	.93	.95	.94

Source: (Cedlas and Bank 2007).

On a related note, the continued presence of a centralized public education system has helped maintain a united teachers' union movement because interests are not segmented among

public and private sector teachers. Moreover, the teachers' unions have strong ties to the center-left FA. Thus, an important policy legacy in the Uruguayan case is the existence of a strong teachers' union movement with clear and direct ties to the FA. As explained in chapter four, when policy legacies strengthen organized interests with a tie to the governing party, the effect of party organization on policy output is expected to be weaker. For this reason, I hypothesize that policy legacies in Uruguay will hinder the ability of the organic-mobilizing Frente Amplio to secure a universalistic and equity-enhancing education reform.

Another important policy legacy in Uruguay's education sector results from the fact that the office responsible for administering education is an autonomous entity. This system was set in place in 1985, when the government of Colorado President Julio Sanguinetti approved a regulatory law that de-centralized the administration of education and returned to the previous system of the administration of education through an autonomous entity. Specifically, the 1985 law created the National Administration of Public Education (Anep), which is responsible for overseeing the provision of public education. The law also called for the creation of a Central Committee (Codicen) within Anep. Codicen is comprised of five members (a president and a representative for primary, secondary, technical, and tertiary education), who are nominated by the President and confirmed by the Senate. Codicen is responsible for formulating education policy and programs and has the right to attend legislative committee meetings on education policy, but cannot vote. The central committee also oversees the activities of three de-centralized councils that are responsible for planning and administration of primary, secondary, and technical education respectively. The autonomous character of Anep means that there are limits on the ability of the Executive branch to steer education policy-making. Although the President does name the members of Codicen, the Ministry of Education has almost no voice in policy formation and implementation. The power of legislative branch in the area of education is also somewhat constrained. The primary tool of control is the approval or rejection of funding. It is true that the Uruguayan Congress can initiate bills related to education policy, and that Anep must enforce

these laws assuming they do not violate the Constitution, but the lacking power of the Ministry of Education has in practice reduced the legislative impetus for education policy reform. Instead, the primary impetus for education policy formation and change in post-authoritarian Uruguay has emerged from inside of Anep. Moreover, once funds have been allocated to Anep by the Congress, the policies and programs that Codicen enacts are not easily challenged by the legislative branch because the power of “censuring” a Minister does not exist for autonomous agencies.⁹ In short, the autonomy of Anep constitutes a unique institutional configuration that has important legacies for education policy-making in Uruguay. Specifically, I hypothesize that the autonomous character of the agency will weaken the effect of party structure on policy output because it allows politicians to by-pass traditional policy-making channels. In this way, policy legacies in the education sector should weaken the ‘status quo’ tendency of Uruguay’s traditional parties, but also weaken the ‘universalistic’ and ‘equity-enhancing’ tendency of the FA.

In summary, the design of Chile and Uruguay’s education sectors prior to the most recent era of reform differed greatly across the two cases. While Chile’s system had fragmented the educational policy-making arena into several groups with no clear majority sector, the Uruguayan system was characterized by a much lower level of fragmentation. In Uruguay, the central state was responsible for public education, thus eliminating the division of power between national and local actors. Moreover, a clear majority of Uruguayan children in the 1990s were enrolled in public schools. Additionally, the reliance on public education was a trend across income quintiles, suggesting that interests were spread between the low and middle sectors. Thus, in Uruguay there were two clear majority groups: users of the public system and public-sector teachers (but more specifically the unions). Additionally, the fact that the administrative body responsible for public

⁹ In accordance with the Uruguayan Constitution, the Congress can (with a 2/3 majority) vote to censure a Minister. If this occurs, the President has the option of rejecting the censure, but can do this only once during his/her term in office. If after this rejection, the parliament votes (again) to censure the Minister, the President must either accept the vote or call for new parliamentary elections.

education in Uruguay, Anep, is autonomous from the government further reduced potential fragmentation in the policy-making arena.

Based on the nature of policy legacies in each country, my expectations for education reform are that political party organization will have a stronger effect on policy output in Chile than in Uruguay. In other words, I expect policy legacies to intensify the effect of party structure on policy outputs in Chile, generating a reform that is especially focused on fiscal discipline and with extra strong roots in economic reasoning. By contrast, in Uruguay I hypothesize that the tendency of the organic-mobilizing FA to produce more universal and equity-enhancing reform will be tempered by the strength of the teachers' unions and their calls for reform. In this way, policy legacies in education work to magnify (in Chile) and inhibit (in Uruguay) the effects of party system structure on policy outcomes. It is, therefore, the combination of factors – party system characteristics with policy legacies – that explains the timing and content of education policy reform in each country. I now turn to a description of the dependent variable analyzed in this chapter: the package of reforms made to the educational system during the 1990s and early 2000s.

5.4 Measuring Pro-Poor Education Reform

Education policy is an important tool for preventing the occurrence of poverty. This is because in systems where all citizens, regardless of their income group, are guaranteed a quality education, individuals are able to build human capital, obtain employment, and keep themselves out of poverty. In essence, a broad and high quality education system works to reduce inequalities in life chances that children inherit from their parents. By reducing this gap between the life opportunities presented to rich and poor children, the education system can provide a means for children to break the inter-generational cycle of poverty. Such poverty prevention, however, is only possible when the system provides universal coverage *and* ensures that the education received by the lowest income sectors is of a similar quality of that received by upper

income sectors, or at the very least, that the education provides lower income groups with sufficient skills to access high-quality employment.

Thus, policies that effectively expand the level of protection available to the lowest income groups will ensure two things: that all children have access to *and* attend school for a set number of years, and second, that the educational experience does not reproduce the inequality in life chances that exists prior to a child's schooling. In other words, a pro-poor education policy will not only provide universal coverage, but it will include programs that promote equal outcomes for low-income children.¹⁰ Programs that ensure equal outcomes will focus on the quality of educational services delivered to low-income families as well as on overcoming the special challenges that these sectors face. Thus, policies that ensure equal outcomes can range from programs aimed at recruiting high-quality teachers in low-income schools to a system of pre-school education, which helps low-income children develop academic skills before entering primary school so that they begin their educational experience on equal footing as more privileged groups.

These are conceptual dimensions of education planning that are difficult to define and measure in concrete policy terms. Still, for the purpose of comparison, it is essential to establish basic dimensions upon which policy reforms can be analyzed. For this analysis I have identified five dimensions of policy that are relevant for achieving the aim of universal coverage and quality.

First, to establish the degree to which a state is effective at expanding protection to children in low-income households, it is important to consider whether a reform addresses the unique risks faced by schools in low-income areas and takes concrete steps to ensure that those schools function at the same level as schools in better-off areas. Such efforts might include special subsidies for high-risk schools or incentives for attracting high-quality teachers to such schools.

¹⁰ In a setting of high inequality, "equal opportunity" will not always ensure equality of outcomes. In the same way that affirmative action seeks to ensure equality of outcomes, education policy can also provide extra protection and special programs in high risk schools.

Another dimension of education policy that shapes how “pro-poor” an education system is, relates to the way in which schools are funded and how much financial support institutions receive. Education systems that are funded through the revenue of local governments tends to reproduce the societal distribution of life chances because poor localities will be less able to fund their schools than better-off areas. By contrast, systems that are funded through a centralized organ can make efforts to ensure that all schools have access to equal levels of financing. Another aspect of school financing is whether parents are required to make co-payments for their children’s education. Systems that require co-pays may disadvantage poor children whose parents do not have the resources to cover such costs. Finally, it is important to consider not only how schools are funded, but how much financing they receive. Indeed, regardless of how funds are distributed, an education system that is generally under-funded offers little to no chance of helping the poorest students. Thus, it is also important to consider whether a reform boosts the emphasis of public expenditure on education at the primary and secondary levels.

A third dimension upon which education policy can be compared is the extent to which a state concentrates its education efforts on the levels of schooling that are most relevant to poor sectors of society. In the setting of Latin America’s advanced countries, near universal primary schooling has been achieved.¹¹ Thus, reforms that serve the poor should focus on establishing a universal system of pre-school education, keeping kids in primary school, and expanding the coverage and retention in secondary education.

A fourth dimension for comparing education reform packages is how effectively the state expands access to education among the poorest sectors. Concrete policies that contribute to such an extension are the creation of a full school day and the construction of educational facilities in areas that previously had been left out of the network of public schools. A fifth and final dimension of education reform that could influence how successful states are at expanding the

¹¹ On average, in the democratic-ISI group of social protection states, primary school attendance among children in the bottom income quintile is 98.7 percent. See chapter two for more details.

level of protection enjoyed by the bottom-most sectors of the population is the implementation of mechanisms that seek to ensure an equal quality of education for all children. Such policies may include the creation of a teacher evaluation and training program as well as tools to monitor student performance and progress. While the ability of such programs to ensure improved performance is a technical issue, and one that is best left to experts in education practices, it is relevant to consider whether each country has attempted to implement some form of evaluation and monitoring.

Table 5.3 summarizes the five dimensions of education reform that should be considered when evaluating the capacity of a state to expand risk prevention to the bottom-most sectors of society. The table also lists concrete policies that may (or may not) be included in a policy package. In my discussion of education reform in Chile and Uruguay I will consider whether such policies were included in each country's reform program.

Table 5.3: Summary of Dimensions of Education Reform

Conceptual Dimensions of Education Reform that Favors Poorest Sectors	Concrete Policies
Attention Paid to High Risk Schools (Funding, Teaching, and Infrastructure)	<ul style="list-style-type: none"> (1.) Targeted subsidies to high-risk schools (extra funding) (2.) Special Programs for high-risk students (3.) Incentives to attract outstanding teachers to high-risk schools
Funds Schools in Equitable Way	<ul style="list-style-type: none"> (1.) Funding re-distributes societal distribution of life chances by ensuring that poor localities have same resources as the wealthy. (2.) Co-financing is not required. (3.) Adequate funding is provided to public schools
Focus on Education Services Used by Poorest Sectors (Preschool, Primary, Secondary)	<ul style="list-style-type: none"> (1.) Creates universal system of preschool education (2.) Ensures universal coverage and completion of primary (3.) Ensures universal coverage and completion of secondary
Extends coverage through full school day and broader network of schools	<ul style="list-style-type: none"> (1.) Creates full school day (2.) Extends the network of schools into areas where schools are lacking (rural

	communities, peripheral areas of urban centers, etc.)
Seeks to ensure equal quality of schooling in high-risk areas	(1.) Develops national system of teacher evaluation and training. (2.) Develops system of student evaluation and progress

5.5 Education Reform in Chile

Changes to education policy in Chile occurred in several waves following the country's transition to democracy, and while most analysts refer only to the legislative initiative of the Concertación's second government headed by Christian Democratic President Eduardo Frei when they speak of the "education reform," important programs were also introduced during the administration of President Patricio Aylwin. Indeed, in an interview with a former Christian Democratic Deputy and Minister of the Ministry of Cooperation and Development (Mideplan), I was told that a definition of education reform in democratic Chile should not simply focus on the reform that required legislative approval (that of Frei), but must also consider the targeted policies of Aylwin (Personal Interview #27). Even the Minister of Education at the time of the Frei government's legislative reform, José Pablo Arellano, contends that there are four pillars to the Chilean reform and that two of those pillars (the programs for improvement and teaching innovation and changes to the teaching career) emerged during the Aylwin government. The other two pillars, curriculum reform and the full-school-day, came later (Arellano 2001: 88-90). My analysis of education reform, therefore, considers both the legislative package passed by the Frei government and the policy innovations adopted during Aylwin's presidency.

The first Concertación government of President Aylwin faced critical decisions about how to fix the country's struggling education system. According to a top-ranking figure in the education policy team, one of the first decisions made by the administration was to maintain the overall architecture of the school system, which had been passed down by the military government (Personal Interview #28). Although the decision on the part of the new democratic government to maintain the system of a per-student subsidy administered at the local level cannot

be considered as a policy reform, since there was no change, it had important repercussions for the effectiveness of the system at extending protection to the poorest sectors of society. Indeed, this was an instance where “no reform” had consequences and as such should be considered a *political* choice.

A high-ranking official who helped design the Aylwin administration’s ‘school improvement programs’ explained that there was a consensus among the party elite that the shortcomings of the military’s education system could be overcome: “while we [the Concertación] didn’t like how the system was performing, we were quite sure that we could make the system work well.” (Personal Interview #28). One effort to make the system ‘work well’ was the creation of the P900 program of targeted assistance to the 900 poorest performing primary schools in Chile. This assistance, which reached the bottom 10 percent of educational establishments involved the distribution of pedagogical materials, the provision of technical assistance, special classes for teachers, and the implementation of a student mentoring system (Arellano 2001: 86). The system was funded by aid from the Danish and Swedish governments and spending was concentrated in low-income communities, where academic achievement faced its greatest challenge (Castiglioni 2005: 99). Two aspects of this policy deserve special attention for the purpose of this analysis. First, the P900 program was significant in that it recognized the particular challenges faced by high-risk schools and directed special effort to those schools, suggesting that the Chilean state was interested in offering new protection to the country’s highest-risk students. Additionally, the state chose to focus these efforts in primary education, a sector particularly relevant to the poorest segments of the population. Still, the fact that this program covered only the bottom 10 percent of schools at a time when more than 40 percent of the population lived in poverty suggests that the program was extremely limited in scope.

Another program adopted during the Aylwin government was funded by a World Bank loan and was called the project for the improvement of quality and education in primary schools (MECE basic). This project was followed by nationally-funded programs that were similar in

style and offered targeted assistance to secondary schools (MECE secondary) and rural schools (MECE rural) during the Frei administration. The MECE programs involved the distribution of text books and didactic materials, investment in infrastructure, and the formation of grants for schools to formulate projects aimed at improving their services. The broad goals of MECE basic were to improve the quality of teaching and the coverage primary school, increase pre-school enrolment, improve the technical management capabilities of the Ministry of Education, and evaluate curricular reform at the secondary level (Rojas 1991; Bravo 1991; Arellano 2001). MECE secondary and MECE rural worked in a similar manner with all three programs engaging in three different types of school intervention: material investments, teaching investments, and school-based quality improvements (Cox 2006).

Several aspects of the three MECE programs are relevant to the conceptual dimensions outlined in table 5.3. First, the MECE programs sought to improve the quality of education in the strictly public sector of Chilean education. This effort was targeted in primary, secondary, and rural schools, thus touching areas that are highly relevant for poor populations. The programs did not, however, offer special assistance to higher-risk schools. Additionally, while the MECE basic program did contain funds for expanding the coverage of preschool, the government opted to do this through private providers rather than establishing a national system of pre-kinder education. Indeed, there was no attempt by the state to guarantee that all children would be enrolled in pre-school education, thus limiting the scope of this effort. In light of this poor record on pre-school education it is of little surprise that coverage among pre-kinder students had reached only 32.4 percent in 2000 (Arellano 2004: 23).¹² Since pre-kinder education is of fundamental importance for low-income children, neglect for this level of education weakened the pro-poor focus of Concertación policy.

¹² This is very low compared to Uruguay, where enrolment of three year olds hovered around 40 percent in the year 2000. Enrolment among four-year-olds was even higher, covering more than 70 percent of the population.

Finally, all of the programs enacted by the Aylwin government maintained the basic infrastructure of the military's education reform. This system generated large inequalities in the distribution of funds with poor municipalities depending solely on that state subsidy per-pupil. In wealthier municipalities and subsidized private establishments, the state transfer was often supplemented with funds from local revenues and private sources, thus permitting a larger operating budget. Moreover, as students increasingly transferred into the subsidized private schools, municipal school enrolment dropped and the establishments were forced to operate with far smaller amounts of funding. The economy of scale involved in running a school was often lost and poor municipal schools struggled to get by, even as funding increased at the national level.

Importantly, the first three Concertación governments carried out a steady increase in education spending, but careful consideration of figure 5.1 reveals that in 2001 the total increase had only barely overcome the spending cuts inflicted by the military regime. A more recent study of education spending in Chile paints a similar picture, specifying the country spent around four percent of GDP on education as late as 2004 (Unesco Institute for Statistics 2007).¹³ The data in figure 5.1 suggests that prior to the 1980 education reform, the military government spent a similar amount. It is clear, therefore, that the Concertación governments have increased spending on education, but the change has only made up for the dramatic cuts enacted during the military regime.

A final policy adopted by the Aylwin government during its last days in office has had a dramatic impact on the ability of Chilean education to provide protection to the poorest sectors of society. In 1993, during negotiations over the renewal of the tax reform with the parties of the Right, the Concertación agreed to a system of "shared financing" for the state-subsidized private

¹³ Uruguay's FA government set a goal raising education expenditure to 4.5 percent of GDP by the end of their first term in office. In other words, the FA sought to do in one period of government what the Concertación did over the course of several administrations.

primary schools and *all* secondary “liceos.”¹⁴ Specifically, the new rule allowed subsidized private schools and all secondary schools to charge families a fee to attend the school. The co-pay was intended to increase the revenue available to private schools and to municipal secondary schools. The system has been successful in boosting funds with co-payments providing revenues of more than US\$200 million in 2004 (Cox 2006: 13), but the funding increase has come at the enormous cost of increased segmentation and social segregation. Indeed, families who cannot afford the co-pay are forced to send children to a strictly public primary school or transfer the student to an alternative secondary school (Cox 2006: 13). It is clear, therefore, that this policy has had a strong negative impact on the ability of the state to increase the quality of services to the lowest income sectors of the population. Evidence of the dramatic impact of this law is clear in a 1997 newspaper interview with former PDC Deputy and Education Minister Mariana Aylwin, who stated: “I represent the La Florida municipality [a lower-middle-class neighborhood] and 75 percent of schools are subsidized private institutions and nearly all of them have adopted the shared finance policy. There are nearly no free schools” (Del Solar 1997).

The second government of the Concertación, led by President Frei, also opted to uphold the basic infrastructure of Chile’s education system. In addition to adopting the MECE secondary and MECE rural system, the Frei administration passed the most significant legislative reform to the country’s education system since the military regime’s 1981 reform. In his annual address to the nation on May 21, 1996, President Frei proposed “grand reform” that would be funded by maintaining the country’s value-added tax at 18 percent and would create a full-school day for all Chilean students (Soto 1996). Up until this point, Chilean schools had operated on a two-shift system, serving one group of students in the morning and another in the afternoon. The reform, therefore, increased the total number of hours per week by 8 in both primary and secondary education. This extension was of critical importance for several reasons. First, there is evidence that more hours spent in the classroom translate to more learning on the part of students (Lee et al.

¹⁴ This means that strictly public secondary schools can charge a co-payment.

2006). Additionally, Chile's private schools provided students with an average of 200 hours more of class than public schools prior to this reform (Del Solar 1997). This difference meant that while upper income children had access to an extended learning period, other children did not have the same opportunities, thus widening the gap in life chances.

The Frei reform was important because it increased the quality of education available to the lowest income groups and because it involved the construction of several new schools. Still, the program was implemented in a regressive manner, with municipal and subsidized private schools receiving the exact same subsidy for the school-day extension and with the government opting to begin its interventions in the schools that were best-prepared to handle the transition, leaving the other, poorer schools for a later date. In this way, the policy was implemented in a way that supported the existing inequalities and segmentation in the school system.

A final aspect of Chile's education reform process was the adoption of new teacher training and evaluation systems. While the technical effects of these policies are hard to gauge for a layperson in pedagogical studies, it is important to stress that these policies were a core element in MECE básica, MECE secondary, and MECE rural programs. Additionally, the country has continued to administer the SIMCE student achievement test created by the military regime and has agreed to international evaluations such as the PISA and the TIMSS, thus permitting insight into the quality of education in the country's schools (Mizala and Romaguera 2005). Table 5.5 summarizes the conceptual dimensions of the dependent variable (education reform) and provides concrete policies used to measure the overall effect of the policy reform for the protection of Chile's poorest sectors.

Table 5.4: A Summary of the Chilean Education Reform

Conceptual Dimensions of Education Reform that Favors Poorest Sectors	Concrete Policies in Chilean Education Reform
Attention Paid to High Risk Schools (Funding, Teaching, and Infrastructure)	<ul style="list-style-type: none"> • Subsidies to worst-performing 900 primary schools (bottom 10%). • Assistance to primary, secondary, and rural schools to improve quality of education. • New teaching statute sets equal salaries for all public school teachers. <p>HIGH POTENTIAL TO IMPROVE PROTECTION TO POOREST</p>
Funds Schools in Equitable Way	<ul style="list-style-type: none"> • Funded by central government, but administered at local level. Subsidies not differentiated, so inequality prevails • Co-financing introduced during Aylwin government • Spending increased across the board in education, but only recovers to early military-regime levels. <p>STRONG <i>NEGATIVE</i> EFFECT ON IMPROVING PROTECTION FOR POOREST</p>
Focus on Education Services Used by Poorest Sectors (Preschool, Primary, Secondary)	<ul style="list-style-type: none"> • No system of universal preschool created. State funds designated to promote enrolment in private preschools. • Main state efforts made in primary, secondary, and in rural schools. Efforts focused on expanding secondary enrolment and retention <p>MEDIUM ABILITY TO IMPROVE PROTECTION FOR POOREST</p>
Extends coverage through full school day and broader network of schools	<ul style="list-style-type: none"> • Creates full school day, but implements first in wealthiest schools. • Relies predominantly on private sector to expand network, although several new schools built for full-school-day. <p>MEDIUM ABILITY TO IMPROVE PROTECTION FOR POOREST</p>
Seeks to ensure equal quality of schooling in high-risk areas	<ul style="list-style-type: none"> • Adopts system of teacher evaluation • System of student evaluation already exists, but

	further extended. Joins PISA and other international evaluations.
	HIGH ABILITY TO IMPROVE PROTECTION FOR POOREST
OVERALL ABILITY TO PROTECT POOR	High for extending coverage and medium in improving quality for the poorest.

5.6 Education Reform in Uruguay

A similar evaluation of education reform in Uruguay reveals that the country also made significant advances in the ability of the system to offer assistance to the poorest sectors of society, but like Chile, it also suffers from insufficient progress in some areas. The Uruguayan education system suffered immensely during the country's military regime and in the years building up to the coup. As mentioned previously, spending in the sector dropped to less than one percent of GDP during the darkest years. Following the country's return to democracy, the education system witnessed only minimal change with state expenditure increasing, but much less than that witnessed in social security and healthcare. Indeed, (Filgueira and Moraes 1999) note that between 1984 and 1995 there were no significant structural reforms to the system. Still, Mancebo (1998) argues that the first two governments of the democratic era made impressive progress in increasing the coverage of secondary schools, boosting enrolment from 186,000 to 226,000 between 1985 and 1994 (Mancebo 1998: 3). Moreover, household surveys reveal that this progress was distributed across all income groups (Mancebo 1998: 3). Nonetheless, these gains had a negative side as well, as the secondary system became overtaxed. While the 1984-1994 period witnessed the construction of a limited number of new schools, the expansion of enrolment was also achieved by reducing the number of in-class hours. The overcrowding of secondary schools and the reduction in class hours took a negative toll on the quality of Uruguay's education system, with the rate of student drop-outs increased markedly during this period (Anep 2005).

Thus, going into the 1994 presidential election, the Uruguayan education system remained quite similar to the system inherited from the military regime. Increases in education expenditure during the first two democratic governments had been insufficient to resuscitate the under-funded schools and higher levels of enrolment had placed an even greater stress on the already-weakened infrastructure. Recognition of these problems and concern over an impending crisis in the country's education system had, however, begun to grow. Between 1990 and 1994 the Montevideo office of the United Nations' Economic Commission for Latin America and the Caribbean had released three analyses of Uruguay's education system. The studies had been solicited by the central government and were directed by a well-known Uruguayan sociologist, German Rama. Interestingly, the presentation of the reports was extensively covered by the media and the issue quickly worked its way onto the national agenda.

Unsurprisingly, then, a consideration of Uruguayan public opinion in 1995 reveals widespread recognition and concern about the challenges facing the public education system. The Latinobarometro survey conducted that year found that 35 percent of the Uruguayan population believed that public education had worsened since 1990 (Filgueira and Moraes 1999; Latinobarómetro 1995: 4). Moreover, Uruguayan satisfaction with the quality of education was very low compared to other countries in the region. While 38 percent of Chileans, 39 percent of Mexicans, 31 percent of Brazilians, and 53 percent of Peruvians believed education had improved in their countries since 1990, only 19 percent of Uruguayans shared that sentiment (Latinobarómetro 1995: 4).

Despite this widespread sense of concern about the state of the country's education system, only the teachers' unions had taken an active role in promoting a legislative change (Filgueira and Moraes 1999). In perhaps the most significant attempt to enact a formal education reform since the transition to democracy, the teachers' unions in cooperation with the FA and the central trade union (PIT-CNT) proposed a plebiscite for a constitutional amendment in 1994. The proposed amendment would require the government to allocate 27 percent of the national budget

to education. Initial assessments of public support for the popular initiative reveal that a majority favored the reform with about 70 percent of Uruguayans expressing support for the amendment in early polls (Filgueira and Moraes 1999: 23). However, after four months of debate and amidst growing concern about the fiscal constraints imposed by the country's increased pension obligations, the initiative was voted down.

It is clear, then, that public concern over the state of education was on the rise in 1994. As a consequence, education policy became a central issue in the 1994 electoral campaign and all three parties (the Colorados, the Blancos, and the FA) dedicated a full chapter of their electoral program to the topic of education (De Armas 2001: 69; Irazábal 2004: 38). The winner of the 1994 election was Julio Sanguinetti, a former president and member of the progressive fraction [Foro Batllista] of the Colorado party. Upon assuming the government, Sanguinetti appointed the previous director of Cepal (Uruguay), German Rama, to head up his education team and assume the position of President of Codicen, the four-person body that governs Uruguayan education through Anep. As mentioned previously, Rama had directed the research team contracted to diagnose the central problems facing Uruguay's education system. Moreover, his policy proposals had been used in the Colorado's electoral platform and enjoyed broad support (De Armas 2001). Rama was certain that Uruguay's education system could be repaired without moving toward a privatized or decentralized system (Mancebo 1998; Irazábal 2004) and a core element of the proposal involved creating a universal system of preschool education as well as targeted assistance to high-risk schools and the enactment of a full-school-day (Lanzaro 2004).

Uruguay's education reform occurred in a way quite different from that of Chile. The reasons for these differences are manifold, but most importantly the unique institutional design of the country's education sector, which provides autonomy to the governing body Anep, meant that changes could be adopted without legislative approval. Indeed, the only real requirement for the changes outlined by Rama was an increase in education expenditure. Once the funds were appropriated, Rama and Codicen would be free to administer the project as they deemed

appropriate. In fact, from the very beginning, Rama and Sanguinetti decided that the reform would not involve any legislative modifications. De Armas (2001) argues that this is because the policy-makers conceived of education reform as “an open process that should be gradual and managed from Codicen” (De Armas 2001: 95). Rama himself said: “the education reform will not be enacted as law... education reform is ongoing, it’s not an act in and of itself, what is important is to demonstrate that there is an interest in launching a permanent process of transformation” (quoted in: De Armas 2001, 95, translation by author).¹⁵

Rama quickly put together a reform team comprised of representatives from all three political parties. The representatives worked diligently during the first months of the government to secure funding for their project. Although the final budget allocation fell short of the Rama proposal, it nonetheless represented a dramatic increase in spending. The contents of Uruguay’s 1995 education reform differed from others adopted in the Latin American region during the ‘90s. The reform explicitly rejected the adoption of vouchers and moves to decentralize funding and administration. Moreover, Uruguay’s reform increased spending and created new educational responsibilities for the central government. Interestingly, the reform also contained elements that ran against the interests of the teachers’ corporation. One aspect of the reform that upset the unions was the attempt by Rama to move away from the humanist and liberal curricular tradition in Uruguay. A second element of the reform that provoked union opposition was that the funding increase would not be used to improve teachers’ wages, which were (and continue to be) quite low (Filgueria and Moraes 1999).¹⁶

The Rama reform introduced several changes to Uruguay’s education system. Perhaps the best-known of these policies was the creation of a universal (and obligatory) system of public pre-school. In particular, Codicen sought to enroll 45,000 five year-olds and 40,000 four-year-olds before the year 2000. This increase would mean that by the year 2000, approximately 95

¹⁵ I discuss Rama’s reasons for not enacting a new education law at greater length in section 5.7.

¹⁶ The reform did create a new system of merit-based pay raises, but no across-the-board salary increase.

percent of five-year-olds and 74 percent of four-year-olds would have access to preschool (De Armas 2001: 97). Additionally, the project sought to provide full-day school services that included education, nutrition programs, and healthcare to 65 percent of the four and five-year-olds from households with unsatisfied basic needs (De Armas 2001: 97).

A second focus of Uruguay's education reform involved the expansion of full-day-schools in high risk areas (Filgueira and Moraes 1999: 26-27; Lanzaro 2004: 9; De Armas 2001: 99). The reform also sought to make significant changes to the organization of secondary schooling, adjusting the size of schools, the length of in-class time, and the content of the curriculum (Masena and Salaverría 2003). The above-mentioned changes were first adopted in a set of 11 pilot schools (8 secondary and 3 technical) in 1996. The pilot program was subsequently expanded to 350 schools, and by 1999 about 50 percent of students who enrolled in secondary education were covered by the new system (De Armas 2001). Finally, Uruguay's 1995 education reform also included attempts to improve and standardize teacher training (Filgueira and Moraes 1999; Lanzaro 2004; De Armas 2001).

The fact that Uruguay's education reform required no legislative approval meant that the measures were implemented quickly and effectively in the short to medium term. However, the lack of an accompanying law had a draw-back as well: the maintenance of the reform programs were dependent on the will of future of governments, which greatly complicated the sustainability of the 1995 reform (Filgueira & Moraes 1999; Lanzaro 2004; Personal Interviews #29, 30). It should be stressed that the passage of an education reform law would not have guaranteed future funding, but it would have established educational programs and standards that, by law, would have had to have been accounted for in the budget debate. In other words, if the Sanguinetti government had opted to pass the education reform as a *legal* project, future governments would have been more constrained.

Consideration of the educational policies enacted during the Batlle government (2000-2004) and the Vázquez government (2005-present) reveal that long-term maintenance of Rama's

reform project is mixed. Specifically, advances made in the domain of preschool education between 1996 and 2000 were impressive and have been maintained by subsequent governments. Evidence of this can be seen in the fact that enrolment of four year olds rose from around 50 percent in 1995 to just under 75 percent in 2002 (Anep 2005: 50). However, other aspects of the Rama reform, namely changes to the curriculum and to the organization of secondary education, have been put on hold (or even reversed in some cases). A former member of Vázquez' education policy team told me, "they [the current FA government] haven't completely done away with the reform, but they've altered or removed pieces and they've done it in such a way that it might even be better to totally do away with it. It's not effective to leave parts when you've removed other parts that make it work" (Personal Interview #31). This "undoing" of the reform began before the FA assumed the government. During the Colorado government of Jorge Batlle, aspects of the Rama reform were put on hold because of the country's devastating economic crisis and because of the ideological orientation of Batlle's Lista 15 fraction, which is economically liberal in its orientation and has sought to scale back the role of the state in the provision of public services and transfers.¹⁷

In light of the non-binding aspect of Uruguay's 1995 education reform, it is important that an evaluation of the country's risk prevention ability consider both the content of the original policies *and* how they've changed across time. Thus, the explanation presented here employs a dynamic conceptualization of the dependent variable (education reform) and seeks to explain the factors that account for the original character of the reform and why the policies were changed as they were during the Batlle and Vázquez governments. Table 5.6 presents the conceptual dimensions of comparison with a summary of the 1995 policies and of the current state of affairs.

¹⁷ In fact, the fraction's leader and former President, Jorge Batlle, was the only top-ranking political official in Uruguay to overtly oppose the 1989 popular initiative that indexed pensions to the minimum wage. This stance cost Batlle the 1990 election and is evidence of the fraction's ideological orientation.

Table 5.5: A Summary of the Uruguayan Education Reforms

Conceptual Dimensions of Education Reform	Uruguay Policies 1995	Uruguay Policies circa 2007
Attention Paid to High Risk Schools (Funding, Teaching, and Infrastructure)	<ul style="list-style-type: none"> • 1995 Reform targets additional funds to high-risk schools (teaching material, technology, and libraries) • Creates system of teacher/mentor in high risk schools • Offer better pay and special training to teachers in high-risk schools <p>HIGH POTENTIAL TO PROTECT POOREST</p>	<ul style="list-style-type: none"> • Funding increased across the board, but a large amount directed to teachers salaries. • Commitments to universalize certain infrastructure improvements such as computers in every classroom • Maintenance and expansion of teacher-mentor program in high-risk areas • Phasing out targeted assistance programs <p>MEDIUM POTENTIAL</p>
Funds Schools in Equitable Way	<ul style="list-style-type: none"> • Schools funded centrally • No co-finance • Spending is low despite the post-transition increase and increase tied to reform <p>MEDIUM-LOW POTENTIAL TO PROTECT POOREST</p>	<ul style="list-style-type: none"> • Schools funded centrally • No co-finance • Funding increased significantly with FA government <p>MEDIUM-HIGH POTENTIAL</p>
Focus on Education Services Used by Poorest Sectors (Preschool, Primary, Secondary)	<ul style="list-style-type: none"> • Creates universal system of public preschool • Expand primary and secondary, but secondary is over-stretched • Create post-school education in rural sector • Curriculum reform to decrease drop-outs <p>HIGH POTENTIAL TO PROTECT POOREST</p>	<ul style="list-style-type: none"> • Preschool coverage continues to expand • Emphasis of spending on preschool, primary, and secondary. • Curriculum reform abandoned <p>MEDIUM-HIGH POTENTIAL</p>
Extends coverage through full school day and broader network of schools	<ul style="list-style-type: none"> • Create full school day on limited scale, but implement first in poorest communities 	<ul style="list-style-type: none"> • No advancement in expanding full school day, but no reversal either

	<ul style="list-style-type: none"> • Limited new infrastructure MEDIUM POTENTIAL TO PROTECT POOREST	MEDIUM POTENTIAL TO PROTECT POOREST
Seeks to ensure equal quality of schooling in high-risk areas	<ul style="list-style-type: none"> • No teacher evaluation • Seeks to introduce student evaluation, Uruguay begin to participate in PISA 2003 NO PROTECTION FOR POOREST	<ul style="list-style-type: none"> • No teacher evaluation • Uruguay participates in PISA NO PROTECTION
OVERALL	High coverage and Medium quality to the poorest sectors.	High coverage, but decrease in the quality

Now that I have defined the dependent variable analyzed in this chapter, I move to an analysis of the reform process in each case. In particular, I use process tracing to reveal how the character of the party system in combination with policy legacies influenced education reform outcomes. To demonstrate the impact of these effects I compare across the two cases and across time within the case of Uruguay.

5.7 Explaining Education Reform Outcomes in Chile and Uruguay

As illustrated in the previous section, the Chilean and Uruguayan reforms both exhibit elements that are positive for the extension of services to the bottommost sectors of the income distribution and for improving the quality of those services. Similarly, the two states also present shortcomings. In the Uruguayan case, the weakness appears to be the lack of funding,¹⁸ a resistance to providing extra assistance to poor schools,¹⁹ and the inability to implement curricular and other pedagogical reforms that might help combat the country's high secondary drop-out rate.²⁰ In Chile, by contrast the shortcoming is tied to the system of funding and

¹⁸ The FA's goal of allocating at least 4.5 percent of GDP in education expenditure by the end of its first term in government would allow Uruguay to match or surpass Chile in that category of spending.

¹⁹ This is not to suggest that targeting alone is a particularly pro-poor policy. Rather, I would argue that the most effective means of ensuring equality of outcomes in high unequal setting is to combine the universal provision of public education with additional funding to high-risk schools.

²⁰ Uruguay's secondary drop-out rate is significantly higher than that of Chile. In 1999 it is estimated that the global drop-out rate (drop out at all levels of education) was 17 percent in Chile and 34 percent in Uruguay (Anep 2005: 124).

particularly co-financing, which creates wide gaps in the quality of education available to different income groups. By contrast, the most important achievement of Uruguay's education reform was the adoption of a universal preschool system, while in Chile it was the extension of the full-school-day to all educational establishments. This explanation must, therefore, explain why Chile excelled in the full school day, but fell short in correcting the structural inequality built into the system, while Uruguay was successful in building a system of preschool, while failing to extend support to poor secondary-school students. These outcomes can be explained by the variables identified in the theoretical framework: the character of parties in combination with the design of previous policies.

Chile: Political Party Structure

My theory of social policy reform predicts that the elite-electoral character of Chile's center-left parties will influence the timing and content of policy reform. Specifically, I hypothesize that the party structure will contribute toward the formation of moderate reforms that privilege macroeconomic and fiscal stability as a primary goal and social protection as a secondary aim. This effect, however, is also conditioned by the characteristics of existing policy, or policy legacies. The case of Chile's education reform provides evidence that confirms this causal sequence.

The policy changes made to Chile's education system during the first three governments of the Concertación were, indeed, characterized by moderation and consensus. In fact, one might even claim that education policy reform was even more moderate than that predicted by the character of the party system. Evidence of the extreme moderation exercised in reforming education policy can be seen in both the timing and content of reforms. First, the fact that no legislative changes were made to the school system during the first six years of the democratic government reveals an extremely moderate approach.²¹ While the Aylwin government did carry

²¹ The approval of a new teachers' statute during the Aylwin administration was a legislative change, but did nothing to influence the design of the education system. Still, I discuss the statute later in this chapter.

out significant legislative reforms in the area of tax and labor policy, education was left for the next administration. Moreover, the one major change that was adopted during the Aylwin government created a system of co-financing, which was regressive in nature. Thus, in addition to explaining why education reform in Chile did not touch the infrastructure of the system, but was able to secure a full school day, this explanation must also shed light on why reform in the education sector was more moderate than expected (and even regressive in some respects). To explain this outcome, I focus on the structure of the center-left Concertación parties and policy legacies.

Chile's center-left Concertación parties are elite-electoral in their organization, and therefore, concentrate power among a small group of similarly-minded elites who are pro-market in their approach to social policy. In the particular case of education, the "market friendly" sector of the Concertación parties had a generally positive perception of the country's voucher system. A top-ranking Concertación official involved in education policy-making during the first two governments said,

"in order to reform the structure of the [education] system, there should presumably be a better alternative. In the case of education, however, that 'better alternative' didn't exist... Also, though, it has to be said that the more modern sector of the Concertación is in favor of this [the decentralized system of voucher-funded education]. We think that decentralization is good. I mean, I think things should be even more decentralized. The truth is that this wasn't forced on us. In the more modern sector of the coalition we were happy to keep this system" (Personal Interview #12).

Clearly, then, the decision to continue with the Pinochet government's voucher system reflected the preferences of the "market friendly" sector of the Concertación. Since the organization of the center-left parties strengthened the power of that group, while weakening the more traditional "statist" sector, policy reform remained moderate in its aim.

In chapter four I provided evidence of a liberal/statist or political/technocratic divide across the Concertación parties. This division is also present in the education sector, where the Ministers included Ricardo Lagos, José Pablo Arellano, Sergio Bitar, and Mariana Aylwin, two

of whom are trained economists and all of whom considered by most of my interviewees to represent the ‘liberal’ wing of the Concertación. In an interview with one former minister I was told:

“I think in the first three governments there was a great deal of continuity within the Ministry [of Education]. It was filled with good and competent ‘tecnicos’ and they were there year after year... the political apparatus of the coalition always disapproved of people like me and José [Arellano]. They said, look at them up there, we get stuck down at the bottom and never get a say” (Personal Interview #32).

Interestingly, then, this liberal or “technocratic” group seems to self-identify in addition to being identified by the other sectors of the parties. They also recognize their special access to power and the discontent that generated from other sectors of the parties. In this vein, an education official who considers himself part of the “market-friendly” sector of the Concertación told me:

“the more ‘modern’ [economically liberal] sector of the Concertación has had hegemony during these 16 years of government. Even if this sector is the minority in terms of numbers, they are the majority in terms of power. That’s because the technocratic group has been the primary engine of the government; they’ve occupied the national posts and because the Concertación government have enjoyed relative success, this sector has gained legitimacy” (Personal Interview #12).

Naturally, there is significant resentment toward the party’s powerful elite from the more ‘political’ or ‘statist’ sectors of the coalition. In interviews with Deputies and local-level politicians I heard several complaints about the technocratic elite that ignores the interests and wishes of the base (Personal Interviews #33, 34). In the case of education it is clear that while the base of the Concertación parties and the more ‘statist’ sectors of the coalition were interested in reforming the structure of the education system, the national technocratic elite remained unconvinced that a better system existed. One of President Lagos’ advisors told me, “I think a large part of the Concertación was convinced that it would be better to re-centralize things, but it wasn’t possible” (Personal Interview #35). Another official who was active in education policy echoed this sentiment, stating “there was a big clamor in the early years of the democracy to

switch back to a centralized system... there was a movement against de-centralization, but it didn't take root" (Personal Interview #34).

Indeed, in nearly all of the interviews about education policy, there was an explicit recognition that there was a sizable portion of the center-left coalition that wanted to change the structure of the education system, but that their demands went ignored. This disregard for the more 'statist' sector of the Concertación became especially clear once the government of Eduardo Frei opted for the adoption of a full school day over other potential reforms (the re-centralization of services, the creation of a differentiated voucher payment, and other options). Two Concertación deputies who represent the more 'statist' wing of the coalition parties told me that their attempts to reform the structure of the education system were ignored because of the technocratic interests of the party's elite. One deputy told me,

"at its core, the divisions within the Concertación are between those who want more or less market. Those who want more market have achieved this aim by sticking with the municipal [education] system. They also deepened the market's control by passing the shared finance rule and in how the divvied up funds for the full-school-day. That reform gave a lot of money to private schools to reform their infrastructure and in effect extended the reach of the private sector in the administration of education... The reform's focus was extremely technocratic... I personally think the technocrats who wrote up the proposal were interested in deepening the role of the market in the provision of education and they knew that the full school day reform would allow them to invest in the private sector. The first schools that benefited from the financing were the voucher schools. We thought they should begin by putting money into the poorest schools, but they said that they should start where it would be easiest" (Personal Interview #13)

Another deputy who also considers herself more 'statist' in nature told me:

"Something that Carlos [another Deputy] and I tried to work on was to ensure that the investment in the full school day infrastructure would privilege municipal schools, but we lost. There was a clear interest within the Ministry of Education and the Ministry of Finance to privilege the voucher, private-sector schools and so there has been a steady trend toward the marginalization of municipalized education... I think that liberal group [the technocratic sector of the Concertación] made a very strong impact on the education reform that was passed... The strength of this liberal group within the Concertación cannot be seen so much in the maintenance of the municipal system, but rather in the increasing emphasis put on private schools and on shared financing. There's never been a clear group within the Concertación that came out in favor of helping poor kids. So there's no counter-weight to the liberal group... the power of this liberal group is strengthened by the Ministry of Finance. The ministry is

really powerful and they have a lot of say in the design of sectoral policies, but especially in the area of education” (Personal Interview #15).

Even representatives of the more liberal sector of the coalition reported that the education reform reflected the interests of the renovated party elite and not the more traditional statist sectors. Moreover, as expected, the role of the Ministry of Finance was particularly important in initiating the education reform process and in molding the content of the initiative. A Minister in the Frei government told me that the reform emerged out of the Ministry of Finance, not the Education Ministry. He said the motivation for the reform was two-fold. First, he noted that the initial urge came from a need on the part of the economic team to convince political actors to maintain the increase in the value-added-tax. In negotiations about the structure of the tax code in 1993, the Aylwin administration had reached an agreement with the rightist coalition, Alliance for Chile, to maintain an increased VAT tax until 1996. As that date approached, then-Finance Minister Eduardo Aninat and his team realized that the economy was growing at a rapid rate and worried that a tax reduction could be dangerous, potentially paving the way for an overheating of the economy (Personal Interview #36). The economic team, therefore, was committed to maintaining the tax. According to a high official from the Finance Ministry, the economic team realized that the best way to convince Chileans, and more specifically the political elite, to maintain an increased VAT tax was to earmark the funds for a precise purpose. The Minister told me that several potential policies were considered, including revamping the health system, investing in infrastructure, and expanding subsidies to the poor (Personal Interview #36).

The Finance Ministry ultimately decided to pursue an education reform for two reasons. First, the Brunner Report, a study of the Chilean education system that had been written at the beginning of the Frei Presidency, had already plotted out a useful roadmap to overcoming problems facing the system. Additionally, a high official from the Finance Ministry told me that during the debate over the tax extension, then-Finance Minister Aninat had happened to be traveling to the United States to negotiate aspects of a trade agreement and was invited to spend

four days in Boston with experts in Harvard's Education Department. During this meeting, a Harvard education economist presented research suggesting that the best type of reform for a country with the characteristics of Chile was the creation of a full school day. This presentation and a review of other literature convinced Aninat and his economic team that pushing for a full school day would be an extremely effective and cost-efficient investment (Personal Interview #36). A high official from the Frei government told me "we knew we wanted to do something and we liked the idea of improving and investing in Chile's human capital. Put that together with the fact that we needed to solve the VAT and you have the reason for the reform" (Personal Interview #36).

Clearly, then, the goals of the education reform were not primarily tied to issues of protecting poor children. The Finance Ministry's first concern was about maintaining macroeconomic stability by not reducing the VAT during a period of high growth. They opted for the full-school-day because it was perceived as the most cost-efficient policy and because a focus on human capital development fit well with the Finance Ministry's economic goals of long-term growth. In other words, concerns about fiscal efficiency and macroeconomic stability clearly determined the timing and content of this reform.

The heavy role of the Finance Ministry and the centrality of macroeconomic and fiscal concerns in the education reform is also confirmed by the cabinet change that preceded the education reform. In 1996, Frei named the former Director of Budgeting, José Pablo Arellano, as Minister of Education. The move was made, according to a high official inside the Frei government, to facilitate interaction between the Education and Finance Ministry as the reform proceeded (Personal Interview #36). The role of the Finance Ministry was also confirmed by interviewees from various social sectors and distinct levels of the government. The mayor of Santiago at the time of the transition told me, "the Concertación was always critical of the municipal program... once we were in government, we lost the strength of that critique and the economic view of the Ministry of Finance took hold. They thought it was better to keep things

decentralized and so we did” (Personal Interview #37). A former Minister of Education stressed the role of the Finance Ministry in education policy during all three Concertación governments:

“I would say it was Finance who decided whether or not education would be a central issue in the distinct governments of the Concertación... Everything I wanted to do [with education policy] had to be negotiated with him [the director of budgets in the Ministry of Finance] and all of the projects represented an agreement between our two points of view. It’s interesting because I can honestly say that every single project I came up with was formed in conjunction with the Finance Ministry, none of them were formed on my own... Sometimes I would get so mad about the power that they had... because it really reduces your room for maneuver. I had very good relations, but it does reduce the space for innovation” (Personal Interview #32).

In summary, it is clear that the elite-electoral character of Chile’s center-left parties granted special power to the ‘market-friendly’ sector of the coalition, particularly actors in the Finance Ministry. These actors dominated the education reform process, rejecting the proposals that emerged from other sectors of the parties and pursuing policies that were rooted in the promotion of macroeconomic stability and fiscal conservatism as a primary goal and improving the education services available to the poor as a secondary interest. This explains why Chile did not reform the basic structure of the education system and why it pursued the full-school-day reform. It also sheds light on how the co-financing mechanism came to exist. The issue of exactly how the co-financing mechanism came to be cannot fully confirmed, as it happened during closed-door negotiations. What is known is that Aylwin’s Finance Minister, Alejandro Foxley, agreed to the co-financing mechanism in exchange for the extension of the tax reform that was negotiated during the first year of the democratic government. Regardless of whether it was the Concertación or the Rightist parties that proposed the device, what must be stressed is that the center-left policy elites saw the trade-off as an acceptable compromise. This is a clear case of members of the Finance Ministry and the liberal-leaning elite of the party putting fiscal issues above equity. A Christian Democratic Deputy told me that co-financing resulted from the realization that they needed to maintain the tax reform to keep the system in balance (Personal Interview #27). Another Deputy was more critical and told me that the shared financing

mechanism was not forced on the Concertación by the Right, but rather was perceived as a money-saving device (Personal Interview #13). This was echoed by an official from the education sector who told me the idea of shared financing had emerged early during the Aylwin government. He said, “the idea was present even among the Concertación economists, the socialists. They didn’t even ask education people about this. They just went ahead from the Ministry of Finance and enacted this bad idea” (Personal Interview #34).

In other words, the elite-electoral nature of the Concertación and the subsequent dominance of the more liberal-oriented sector of the parties also helps explain the regressive policy of co-finance that was adopted during the Aylwin government. The coalition was able to adopt the afore-mentioned policies despite resistance from the more ‘statist’ wing of the parties. This is because the internal structure of the Concertación parties insulates national elites from the voices of the political sectors of the parties and from their voting base. A representative from the national teachers’ union told me that there was a great push within the rank-and-file of all three Concertación parties to do away with the decentralized voucher system, but he noted they had little voice in the decision-making process, “the Concertación didn’t require social mobilization to introduce change; they did it without mobilization” (Personal Interview #26). This, he told me, weakened the ability of organizations like his to have a say in policy. If the elite did not require their mobilization to win votes, then there was no need to include them in the policy-making process (Personal Interview #26).

Of course no party can exist without some form of territorial organization and relationship with its base. Interestingly in my interviews with political elites from the PS, PDC, and PPD, they noted that their electoral success would have been unsustainable without the presence of local leaders and high-profile personalities that could maintain the parties’ presence in society. An advisor to Lagos and Bachelet told me,

“I think the Concertación realizes that the construction of leadership often happens at the local level. For this reason there are certain individuals that will stay mayors for their entire career. Take Johnny Carrasco [PS mayor], for

example, he started off as mayor of Pudahuel with the hope and expectation that he would move on to become deputy and then onward, but the PS won't let him. They will never let him become a Deputy because they need his leadership and his personality that ensures the vote for the party... This is important because the party needs a territorial base for its deputies and senators to get elected" (Personal Interview #38).

While not all interviewees spoke about the importance of local leaders, the role of "personalities" in elections was cited by many (Personal Interviews #33, 39). In order for local leaders to play a role in strengthening and expanding the reach of the party, however, they must have access to tools or policies that permit some form of credit-claiming.²² Policies that involve the decentralized delivery of services and transfers do just this. In fact, a high-ranking member of the Education Ministry in all four Concertación governments told me that education policy provides local leaders with a good way of building a reputation for both the center-left and rightist coalition. He said, "with the passage of the full-school-day it's been necessary to build tons of new infrastructure. During Lagos' government we realized that in UDI municipalities the UDI was painting these new schools in their colors and using them as a sort of propaganda to say 'look what we've done'" (Personal Interview #40). The official noted that such use of education policy was not limited to the opposition parties. He said, for example, that when current President Michelle Bachelet was putting together her Cabinet, many members of the Ministry were surprised that a Christian Democrat was appointed as Minister of Education. According to this official, the reason the appointment was made was because of the potential to deliver benefits to local leaders by means of the Ministry. "They [the PDC] told Bachelet, give us education because that's the only other place where we can take care of our Alcaldes. They wanted to take care of them because municipal elections are coming up and they want to maintain power" (Personal Interview #40).

²² Mayhew (1974) develops the concept of 'credit claiming.' He argues that 'credit claiming' occurs when legislators lead constituents to believe that they are responsible for something positive that the government has achieved (Mayhew 1974).

In other words, the maintenance of a decentralized voucher system not only corresponds to the programmatic preferences of the Concertación's market-friendly sectors, but it also helps all parties in the system maintain a local base while engaging in national policy that does not always match with voter preferences. Indeed, the policies seem to work very well in a political system like that of Chile. The fact that the national government retains all financial control means that fiscal discipline and macroeconomic stability can be maintained. Moreover, the fact that the policy is administered at the local level helps protect national-level bureaucrats from popular pressure, while providing local level politicians with the tools to cultivate votes for the party by claiming credit for positive factors and passing any blame to national politicians. When asked if this beneficial equilibrium was explicitly planned, all interviewees told me that it was not, but several remarked that with the passage of time it has emerged as a useful configuration (Personal Interviews #32, 38, 12, and others).

I have thus far demonstrated how the character of Chile's center-left parties, namely their elite-electoral organization, and consequently, the heavy role of the Ministry of Finance in provoking and guiding policy reform, produced a series of education policy initiative that grant priority to fiscal and macroeconomic stability, while pursuing only modest advances toward increasing equity. Still, the education policy of the Concertación governments has gone beyond my theoretical expectations for elite-electoral policy, producing policy that was, in some instances, more conservative and regressive than predicted. To fully understand this outcome, it is essential to consider how policy legacies acted to weaken organized interests, thereby increasing the strength of the relationship between party organization and policy output.

Chile: Policy Legacies

The design of previous policies, or policy legacies, influences reform outputs by structuring the political costs and opportunities that politicians face when deciding whether or not to carry out a reform and what to include in legislation. Specifically, policy legacies may concentrate or fragment organized interest groups. In instances where previous policy design

concentrates the power of organized interests with a political affinity to the governing party, the impact of party organization on policy output will be weaker than in cases where such interests are dispersed. In the case of Chile's education policy during the 1990s and 2000s, the elite-electoral character of the center-left parties favored the formation of policies that prioritized fiscal discipline and that are motivated by economic concerns. The outcome, however, was even more financially-focused than that predicted by party structure alone. I contend that the "extra" level of economic liberalism built into Chile's education reforms was the result of policy legacies and specifically how those legacies dispersed organized interests, thereby bolstering the power of the "market-friendly" sector of the Concertación parties.

As explained earlier, Pinochet's education policy created an incredibly fragmented system, where users were divided into three groups (public, subsidized private, and fully private) and the provision of services was split between two levels of government (national and local) and two modes of finance (public and private). My research reveals that this high level of fragmentation contributed to the nature of the education policy reforms during the 1990s and early 2000s. Specifically, the fact that previous policies had weakened those organizations that might have lobbied for an increased role for the state in regulating and providing education services, served to empower the economically-liberal sector of the Concertación. Indeed, not only did the elite-electoral character of the Concertación parties grant this sector special voice, but the fragmentation of the education sector further amplified their power. This is because the policy legacies in the sector of education undermined the power of actors committed to expanding the state's role in education.

The fragmentation of the provision of services into three distinct systems seems to have weakened the ability of the "statist" sector of the Concertación parties to stand up to the Finance Ministry and the 'market-friendly' sector of the parties. The fact that users were divided into separate systems meant that there was no 'majority' group that would benefit from a reform. Put differently, there was no clear 'winner' for a statist education policy reform. Several Deputies

mentioned that the lack of a clear public majority made it hard to convince the political class to act (Personal Interviews #13, 15). A PPD Deputy said, “The thing is that we [the more political and statist sector of the Concertación] were really not in a position where we were capable of changing it. The Colegio de Profesores was taking care of its own interests and there was no movement for us to point to. We did our best to be critical and argue against the weakness, but that’s all we could do” (Personal Interview #15). Indeed, this Deputy and others noted that they did not have the power of numbers nor electoral incentives on their side, which made it impossible for them to overcome the fiscal and economic considerations that dominated the reform process. In this way, the fact that previous policy had dispersed users, weakened the stance of Concertación elites who sought to expand the role of the central government in the provision of education. Another PPD Deputy echoed this problem, saying: “there was no change [in education policy] because it wasn’t plausible and in the second place because there were so many divergent opinions. There was a dispersion of opinions about what to do” (Personal Interview #41). A former high official from the Ministry of Education noted that reform efforts were influenced by the fact that “there’s no agreement in the society about what to do” (Personal Interview #32). This lack of agreement is likely produced by the fact that society has been divided into small groups with contrasting interests. This dispersion of opinions and interests means that there is no clear advantage in reforming. The same former official noted that because of the diversity of interests, education reform was particularly difficult and “messy” (Personal Interview #32). Moreover, the de-centralization of education services had weakened the Ministry of Education which otherwise might have acted as an impetus for reform.

In other words, education policy reform during Chile’s first three democratic governments has been even more moderate than that predicted by the center-left parties’ organizational structure. This is, at least in part, because of the lack of a clear winner from a ‘statist’ reform. According to a high-ranking member of the Frei reform team, the dispersion of interests also helps explain why the Concertación opted to promote the full-school day rather than

other options such as a larger subsidy for strictly public schools. This official confirmed that the importance of the Finance Ministry and the liberal-leaning sector of the Concertación was key in determining the adoption of the full-school day, but noted that the policy was also supported because it was popular among a large sector of the public, not just those attending municipal schools. He noted, “in surveys we started to realize that parents really liked the idea of their children being in school all day... we realized that 85 percent of the population supported the reform” (Personal Interview #12). Such overwhelming support for a reform that would increase the subsidy paid to municipal schools didn’t generate the same amount of enthusiasm.

Thus, while the nature of Chile’s center-left parties was likely to result in moderate education policy reforms that favored fiscal discipline and macroeconomic stability, these characteristics emerged in an exaggerated form in the education reform because of the legacies of previous policy. The fact that policies fragmented interest groups and the power of national bureaucrats created a situation in which the only ‘united’ group was the ‘market-friendly’ sector of the Concertación. One PPD Deputy said, “Finance has a clear and unified vision of what we should do [about education]. In the sectoral ministries, by contrast, there’s a lot of debate and disagreement about what is right. The Ministry of Finance is clear, orderly, and has a unified voice, so it makes sense that they end up having the most influence” (Personal Interview #41). This helps explain why the nature of education policy was so strongly tied to the interests of the Finance Ministry. While the nature of Chile’s party system predicts reforms that place great emphasis on fiscal control, the actual reforms in the education sector went further in that direction than in health. This is because reformers faced no political incentives to act differently. Engaging policies such as the shared finance rule and maintaining a school design that promotes segmentation carried only minimal costs since voters were fragmented by the policy legacies

One way of confirming that the design of the policy sector and the concentration or fragmentation of organized interest groups truly has the capacity to intensify or weaken the effect of party organization on policy output is to examine the one area of education policy for which

previous policies had *concentrated* organized interest groups with a political affinity to the governing party. Fortunately, in the Chilean case such an area exists: teachers' labor conditions. Despite the Pinochet reform, Chile's teachers' unions re-emerged in the mid 1980s as a strong and important actor in mobilizing resistance against the dictatorship. It is interesting, therefore, to consider the question of whether the Concertación's education policy in the area of teachers' labor conditions was *less* 'market-friendly' or 'fiscally-oriented' than other areas of the policy. If, in fact, it was, and if the more 'statist' outcome was made possible because of how policy legacies structured the power of unions, then this provides additional evidence in support of the argument that policy legacies can work to strengthen or temper the relationship between party structure and policy output is correct.

The first Concertación government of PDC President Patricio Aylwin did reform the teachers' statute in a direction that was decidedly more statist. Pinochet's 1980-'81 education reform changed the employment status of public school teachers. Rather than being paid by the central government as national public servants, the teachers' pay and benefits were turned over to local-level governments. This new structure of responsibility coupled with the steep decrease in education spending resulted in sizable cuts in teachers' pay and benefits. At the time of the transition, therefore, the situation of teachers was quite poor and the union, which had begun to reorganize in the mid-1980s, was issuing calls for a re-centralization of education services. Upon assuming power, the Aylwin administration moved swiftly to re-centralize teachers' salaries, increasing their pay and creating a uniform wage scale. The initiative, which was pursued by the then-Minister of Education Ricardo Lagos, was heavily criticized by actors in the Finance Ministry, as it opened the door for potential demands for greater spending and weakened the insulation built into the system. An undersecretary in Aylwin's government told me that the Teachers' Statute was extremely unpopular with the budget team because of its populist tones. He said,

“the only policy during the Aylwin government that the Ministry of finance and the director of budgeting were really not happy with was Lagos’ Teachers’ Statute. Really, that policy was allowed because Lagos was an important figure in the Concertación and because it was the only way that he was going to avoid a major conflict, but we never liked the policy and it caused a lot of problems” (Personal Interview #11).

Ultimately, however, Lagos and other supporters of the new statute were able to overcome opposition from the Finance Ministry because of the political costs that would have been associated with breaking ties with the teachers’ union. A key member of Aylwin’s education policy team said that the government realized that a concession had to be made to the union because of its strength. “The teachers’ unions were very much against it [the municipal education system]. That’s exactly why the Teachers’ Statute happened. It was the Concertación’s way of taking care of this issue. We said, forget about the possibility of re-centralizing the system, but we’ll guarantee you a serious improvement in your work situation” (Personal Interview #28). A member of the Education Minister’s cabinet in the Aylwin, Frei, and Lagos governments also noted that the Statute had political aims, saying,

“the fact that the Colegio [union] was a huge base of power for the Concertación and a key actor in the return to democracy generated a unique conflict for the Concertación when they came to power. How would they respond to the demands of the colegio?... we told them [the unions] there’s no way were’ returning to the old system, but we’ll give you two concrete promises to improve your situation. First, the Teachers Statute... In the statute they were given a new status, new protections, and a gradual increase in salary. A second issue that we promised them was that the municipalities would be democratized” (Personal Interview #40).

In other words, while the elite-electoral organization of Chile’s center-left parties predicts moderate policy reform that places goals of fiscal responsibility and macroeconomic stability first, the policy output was tempered in the one area where policy legacies structured political interests in such a way that organized interests with a political affinity with the governing party were strong. In other words, it is clear that the design of previous policies mediates the strength of the relationship between party system organization and reform outcomes.

In summary, process of education reform during the first three Concertación governments reveals that the nature of the center-left parties, namely their elite-electoral organization, allowed the more economically-liberal sector of the Concertación, particularly members of the Finance Ministry, to dominate the reform process. The preferences of this group favored fiscal discipline and macroeconomic stability, while setting equity as a secondary goal. This tendency toward policies that prioritize fiscal conservatism was further strengthened by policy legacies in the education sector, which fragmented potential beneficiaries of the reform. The end result was a series of reforms that prioritized fiscal and macroeconomic concerns while making gradual steps toward expanding the coverage and quality of education services for the poorest children. Having found support for my theory of social policy reform in the case of Chilean education policy during the 1990s and early 2000s, I now turn to the analysis of Uruguay.

Uruguay: Party System

As mentioned in the discussion of Uruguay's education reform, the 1995 policy initiative was effective at creating a universal system of preschool education. It also made important advancements in the area of equity, creating several full-day schools in high-risk areas. Where the reform was less effective, by contrast, was in the attempts to improve the quality of secondary education, particularly in low-income areas and outside of Montevideo. The shortcomings in secondary education have become even more dramatic since 2000, as the two subsequent governments have abandoned some aspects of the reform aimed at improving that sector. Any explanation of education policy reform in Uruguay, therefore, must address this seeming contradiction in outcome: significant advancement in one area and set-backs in another.

In this section I analyze how the organizational structure of Uruguay's political parties contributed to the content and timing of education policy reform, paying attention to how policy legacies mediate the strength of that relationship. For the Uruguayan case, the elite-patronage structure of the traditional parties favors status-quo policy outputs. This stagnation was further strengthened by the presence of an organic-mobilizing party (the FA) in opposition. Indeed, the

FA's mobilizing structure complicated policy calculations for the traditional parties, which faced high barriers to reform. This policy stagnation was particularly strong prior to the 1994 elections, which marked the beginning of a new era of cooperation between the traditional Colorado and Blanco parties.

Education policy was not immune to the gridlock dynamics of the 1984-1994 period. An official from Anep told me,

“during the dictatorship parties were a dangerous and bad thing, so no one asked what party you belonged to. When democracy returned and the parties re-organized, these identities became important again. So instead of discussing options [of education policy], we began to talk about personalities and partisan disputes. The party system in Uruguay makes it difficult to unite behind ideas” (Personal Interview #42).

This comment underscores both the general limitations imposed by the nature of the country's party system and suggests that while the 1994 election may have marked a moment of important change, it did not completely eliminate competitive dynamics that inhibited policy reforms in the post-transition era. Indeed, while the Blancos and the Colorados had come face-to-face with their interdependence, the traditional party block still had to deal with an organic-mobilizing left party in opposition. As one of the primary authors of the education reform told me,

“all of my management was challenged by one political party: the Frente Amplio. They were against anything and everything. Their only goal was to get to power and if they had to burn down schools to achieve that goal, that's what they would do. They saw no room for any cooperative behavior.” (Telephone Interview #1).

This official explained that in a meeting with the FA leader at that time, Tabaré Vázquez, he had explained the aims, “I stressed the ties between healthcare and education, as I thought this would resonate with him [Vázquez is a Doctor]. He seemed concerned and agreed that something had to be done” (Telephone Interview #1). Still, the official told me that when he invited the FA to have a representative on the committee, Vázquez said no: “it was as if a wall had gone up. The Frente Amplio clearly had a policy of not cooperating. They weren't interested in a cross-party effort... They refused to move out of the opposing position and so I was unable to create a three-party governing body” (Telephone Interview #1).

The FA's rejection of the 1995 reform was largely driven by its strategic relationship with the teachers' unions and the need to maintain that support (De Armas 2001; Personal Interview #31). For this reason, the organizational structure of the FA influenced the party's decision to oppose the initiative, despite the fact that members of the party elite supported the Rama policy. Evidence suggests that a sector of the FA elite supported the 1995 education reform. This group, however, was constrained by the party's organizational structure and its reliance on the teachers' union for mobilization. In a study of the reform process, De Armas (2001) quotes FA Senator Couriel as saying, "In 1992 [within the left] there were no differences in position... In 1992 with the studies from Cepal we were all in agreement... All of the left agreed with the Cepal reports" (Quoted in: De Armas 2001: 66, translation by author). Additionally, De Armas (2001) finds that the FA continued to support the efforts at reform during the early period of the Sanguinetti government. He quotes Socialist Deputy Daisy Tourné as saying: "[the education reform should be] a priority for this period. The reform cannot continue to be delayed when we all know its needed" (Quoted in: De Armas 2001: 83, translation by author).

Despite these statements of support, the FA eventually opposed the initiative. Nearly all of my interviewees cited the party's relationship with the unions as critical in determining this decision. There are several reasons that the unions opposed the reform. One point of contention had to do with the revision to the process of assigning teachers to schools. In an attempt to ensure the provision of high-quality instructors in high-risk schools and to decrease the turn-over of those instructors, Rama put in a place a new system of teacher assignment that reduced the power of the teachers' corporation. Additionally, pay incentives that were unrelated to seniority were introduced into the system; a measure that the unions saw as an attempt to create divisions within the movement. A third aspect of the reform that angered the unions was that Rama had explicitly decided not to use increased funds for across-the-board salary increases. Additionally, the reform's attempt to revamp Uruguay's classical curriculum at the secondary level was strongly

opposed by the unions, which worried that these efforts would result in the elimination of areas of study and thus job loss for members of the union.

Finally, and perhaps most importantly, the unions rejected Rama's reform style. The fact that Rama refused to incorporate unions into the policy-making process and that he relied instead on a team of "technical experts," ran against the traditionally inclusive nature of Uruguay's political process. A former high official from the Colorado Party stressed that Rama's style was a key factor in generating union opposition, saying: "the education reform is an example of what happens when you try and go against the logic of the corporations... Rama was convinced that he was right and had the authority to ahead so he did, but that might have been at the expense of the long-term sustainability of the reform" (Personal Interview #43). Other interviewees concurred with this view and an official from Anep told me, "how do you expect to generate support for a reform when the main actor comes out saying the he doesn't believe in unions?... Rama carried out the reform without convincing the teachers and this had disaster written all over it" (Personal Interview #44). Similarly, union members and representatives from the Frente Amplio fractions that opposed the reform, most notably the Communist Party and the MPP, cited Rama's disregard for union input as the policy initiative's central weakness (Personal Interviews 29, 30, 45, 46). The Teachers' Technical Assembly, a professional group tied to the unions, criticized the reform for ignoring the input of teachers, saying: "the education reform ignores and undermines the proposals of teachers... it corresponds to an economistic conception of education that subordinates pedagogical objectives to economic goals and fails to recognize our humanistic teaching tradition" (quoted in Mancebo 1996: 150, translation by author).

Interestingly, the unions' opposition to the 1995 education reform was mixed, with the most adamant rejection being voiced by the secondary school teachers (Personal Interviews #29, 30, 42, 44, 45, 47). A representative of the secondary school teachers' union told me, "the divide [in reaction to the reform] was between the different levels of education... there was very strong resistance among secondary teachers, but the primary teachers were less opposed" (Personal

Interview #30). The mixed reaction to the reform was also confirmed by an activist in the Primary School Teachers' Union, who told me, "I guess we were more accepting of the reform because we saw a important positive elements, but we certainly didn't like how the reform was carried out. We liked the content more than the form" (Personal Interview #29).

Some authors have argued that the division between the two unions (primary school and secondary school teachers) was crucial in allowing the reform to pass (Doglio, Senatore, and Yaffé 2004). While this division likely eased the pressure on the Sanguinetti government initially, it did not eliminate the problem of union opposition, and mobilized conflict became more common as the Colorado government neared the end of its term. Indeed, strikes and school take-overs became a common occurrence during the Sanguinetti government. Thus, as the 2000 election approached, a clear divide between reform supporters and the teachers' unions had emerged and was quickly politicized. This politicization coupled with the organizational structure and electoral strategy of the Frente Amplio, created a situation in which the left party faced significant pressure to oppose the education reform. While the party had voiced mixed opinions about the reform until that point, there was growing pressure for the FA to take a unified stand against the reform. This pressure was made more intense by the fact that the traditional parties had passed a constitutional reform in 1996 that solidified the bi-polar system of Uruguay's electoral competition by requiring a run-off election in Presidential contests if no candidate won an absolute majority in the first round. The reform meant that future elections would involve a traditional party candidate supported by both the Colorados and Blancos facing off against the Frente Amplio. It was clear, then, that the Frente needed to differentiate itself from the opposition and strengthen its organization for the upcoming Presidential election. The reliance of the left party on a mobilizing strategy meant that strengthening the organization required reaffirming its ties to organizations such as the teachers' unions. Thus, it came as little surprise in 1997 when, despite his initial conciliatory stance, Vázquez shifted his position on the education reform, opposing the initiative. De Armas (2001) finds evidence that the reason for Vázquez'

sudden shift was tied to the FA's electoral strategy (De Armas 2001: 131). While no Frente Amplio representative explained the decision in such explicit terms, one Senator did tell me that the party's electoral strategy aimed to mobilize the easily organized sectors such as unions, and therefore, limited the parties ability to act in disagreement with said groups (Personal Interview #48). In other words, the organizational structure of the party, namely its organic-mobilizing character, placed pressure on the FA to oppose the education reform despite the statist and universal tendencies of the policy initiative.

Several interviewees confirmed that the FA's mobilizing character tied the hands of the party elite, forcing the party to reject the education reform. A secondary school union organizer told me:

“at first there wasn't a full-out rejection by the left. In fact, there were even members of the unions and the FA who got involved in the reform. The only fast and unified rejection of the reform came from the teachers' unions and the PIT-CNT. The PIT-CNT rejected the reform in November of 1996, but it took the FA until December of 1998 to agree to reject the reform. There were key sectors of the Frente, like the Vertiente, that were less combative. It was a difficult time and I think that in the end it was the strength of the movement out in the streets that defined the FA attitude” (Personal Interview #45).

Other interviewees also suggested that the FA's rejection of the reform had more to do with mobilizing character than with differences over the content of the reform. A FA militant and member of Codicen told me,

“I have the impression that the scandal around Rama was really about Rama. I think that basically in certain sectors of the left they realized that Rama was doing things that they wanted to do. I can say this because I was in the FA assemblies; I heard my compañeros say ‘these are policies we like,’” (Personal Interview #42).

Another FA militant and former education advisor told me that there was significant division between the more technical sectors of the party, who supported the reform, and the union base. “Tabare realized that the resolutions of the ‘unidad de enseñanza’ [the union's education policy advising committee] were not ideal, but he's smart and he knew he couldn't afford to lose that part of the vote [the unions]” (Personal Interview #31). In other words, the fact that the FA found

itself in opposition with a new electoral system that would force it to win an absolute majority combined with the fact that the party's organic-mobilizing character, forced the organization into a corner when it came to the 1995 education reform. As a result, the party officially opposed the reform despite the fact that portions of the FA continued to work on the Rama team and many sectors continued to express support for the policies.

Interestingly, the organic-mobilizing structure of the FA and its ties to the teachers' union movement had another effect on the 1995 education reform, shaping one key characteristic: the fact that it was not passed as a legislative reform. As discussed in chapter four, the presence of the FA in opposition from 1984 to 2004 and its mobilizing electoral strategy helped strengthen Uruguay's civil society. The power and mobilizing capacity of the unions served to constrain the Sanguinetti government. Specifically, the Colorado administration was explicit in its attempts to carry out a reform that minimized the involvement of unions, thereby reducing the likelihood that the FA would veto the reform. In other words, the government sought to avoid a conflict and minimize the ability of the FA to further strengthen its base by opposing legislation (a strategy used by the left party in other instances). With this aim in mind, the Sanguinetti government chose to pursue an education reform that did not involve legislative change. Instead, the 1995 reform sought to enact a new education program in a number of pilot schools. The reform also involved the creation of parallel institutions that were capable of by-passing the traditional policy-making process.

In an analysis of the education reform, De Armas (2001) reports that one member of Rama's policy-making team told him, "[Rama] created a practice of by-pass to push his policy through" (quoted in: De Armas 2001: 123, translation by author). This point was also stressed in several of my own interviews. One member of the reform team told me that the decision to pursue a reform that was not formalized in legislation was the result of concerns about unions and mobilization, saying:

“passing a legal reform through the Congress would have been like opening Pandora’s box. It would have generated one of those situation in which a million different groups all would have been trying to get their piece of the pie and their special interest entered. In the end, the only group who would have lost was poor children; the kids who were dropping out of school” (Telephone Interview #1).

Another member of the reform team confirmed that there was an explicit effort made to by-pass the unions, saying: “there was no willingness to compromise nor was there a recognition of other actors. Rama never once tried to seduce the unions. He didn’t have to” (Personal Interview #49). The reformer told me that the unions didn’t have to be addressed because Rama had chosen to pursue an administrative reform that involved no legislative debate and thus closed the door on unions. A Colorado Deputy told me that there were two good reasons to by-pass the unions: their potential veto power and the fact that any mobilization by the unions worked to strengthen the Frente Amplio (Personal Interview #50). In other words, the presence of a strong mobilized left party in opposition with deep ties to the teachers’ unions prompted Rama to pursue a non-binding reform path.

The character of Uruguay’s parties, therefore, helps explain why reform was delayed for so many years. It also sheds light on why the reform did not involve the formation of a new legal framework, but rather called for the enactment of a new educational program in a limited number of pilot schools. What remains to be answered, however, is why the reform pursued the particular policies it did. To understand other aspects of the reform’s contents, I turn to a consideration of policy legacies.

Uruguay: Policy Legacies

Several policy legacies shaped the content of Uruguay’s 1995 education reform by weakening the strength of the relationship between party organization and policy output. Specifically, the fact that Uruguay’s education system concentrated the interests of users into a clear majority group provided a significant electoral incentive to politicians. As mentioned earlier in this chapter, at the time of the reform there was overwhelming evidence that the

population as a whole was concerned about the state of the country's education system and that there was significant support for the idea of an education reform. According to Mancebo (1998), "the wide diffusion of the [Cepal] studies worked slowly but systematically to generate an awareness about the country's educational problems, at the level of general public opinion, among the elites, and within the political class" (Mancebo 1998: 7). This interest and concern was strengthened by the fact that an overwhelming majority of Uruguayans use the public school system. In this vein, De Armas (2001) notes that the reform was perceived by some within the Colorado party as having electoral benefits (De Armas 2001: 135). A former Colorado Senator affirmed this belief, telling me that there was a realization that the Colorado party needed to return to its "Batllista" roots and that an education reform would be well-received by the population. A top official in all three Colorado governments told me that it was no surprise that the Sanguinetti government chose to reform education policy, saying: "in reality everyone is in favor of improving education... so we were all resolved to make the reform happen" (Personal Interview #3).

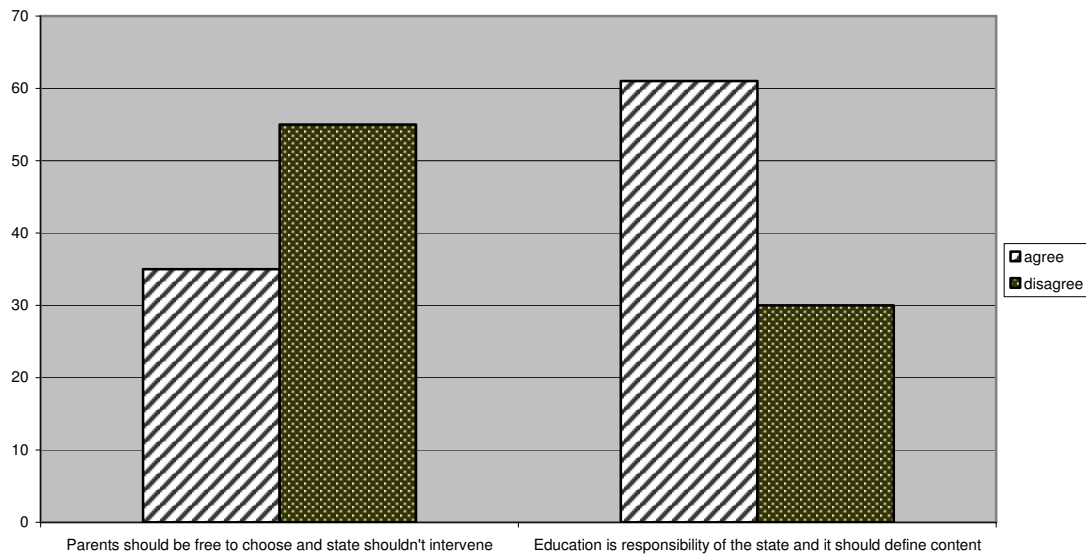
Interestingly, the fact that policy legacies in the education sector concentrated interests and created clear potential winners of a reform aimed at strengthening public education: the overwhelming majority of children, worked to weaken the predicted effect of party structure on reform outcomes. In other words, the fact that interests were concentrated in the education sector eased the tendency toward policy stasis that existed in Uruguay as a result of the elite-patronage structure of the traditional parties. This is because there was a clear political incentive for improving the public system. A union leader told me, "we often discuss education. Most of us are interested. Union members for the most part have their kids in public schools, so these are issues that matter to us" (Personal Interview #51). Indeed, policy legacies in Uruguay's education sector provided electoral incentives to engage in a reform.

This consensus and the subsequent ability of the Colorado party to overcome the tendency toward policy stasis and engage in an education reform was bolstered by yet another

policy legacy: the Batllista tradition, or the belief in a strong state that actively intervenes in the market, provides social services, and offers an extensive social safety net. The legacy of “Batllismo” and the public’s commitment to a strong state was mentioned in an overwhelming majority of my interviews as a determinant of policy reform. The country’s former Blanco President may have put it best, noting with irony that, “there is a little Batllista in all of us” (Personal Interview #4). This tradition helps explain why Uruguay’s education reform did not seek to decentralize the funding and provision of services; a policy common in Latin America at that time. Moreover, Rama’s program did not attempt to subsidize demand through the creation of a voucher system. Rather, the Uruguayan reform was overtly statist and centralizing in its aims and sought to create a universal level of preschool education as well as a new system of teacher training that would be administered by the state. This aspect of the Uruguayan reform was heavily influenced by policy legacies, particularly by the legacy of Batllismo,

The fact that politicians recognize the importance of the Batllista legacy is unsurprising since several studies find Uruguayans to be significantly more supportive of state involvement in the economy than citizens from other countries. In fact, the 2002 Latinobarometro survey found that only 37 percent of Uruguayans thought a market economy was the best option, compared to Latin America’s regional average of 57 percent (cited in: Luna 2005; 153). The legacy of Batllismo is especially strong with regard to education policy, which the Colorado party often identifies as the central pillar of Batlle y Ordóñez’ original political project (Personal Interviews #43, 50, 52, 53, 54; Mancebo 1996). Figure 5.3 provides a graphical portrayal of Uruguayan public opinion about the role of the state in providing education, revealing the country’s extremely strong preference for a centralized public education system. While more than 60 percent of respondents believe that education is the responsibility of the state and that the central government should define educational priorities, only a minority believe that parents should be free to choose what type of education their children receive.

Figure 5.3: Uruguayan Public Opinion about the Role of the State in Education (1998)



Source: Interconsult, cited in: DeArmas 2001: 121 (translation of question by author).

Interestingly, interviews with members of the 1995 education reform team suggest that the Batllista legacy of a strong state presence in the area of education did in fact influence the policy initiative, allowing the Colorado party to overcome the tendency toward policy stasis. In an interview a member of Rama's reform team, I was told, "this [the education reform] goes with the history of Uruguay. From the very beginning education was perceived as an instrument of citizenship and integration. It was a pillar of our social reform process. So for us it was clear that we needed to put the emphasis of our policy on the weakest, the poor and preschool children"

(Personal Interview #42). Another member of the team wrote,

"it was important that the reform proposal was in touch with the 'imaginario social' of Uruguayans... the reform vindicated the legacy of an inclusive public education of high quality, like that which the country had achieved in the 1950s and '60s... the reform's ferocious defense of this model of public education resonated with the population, as did its emphasis on redistribution. Although the reform was unable to mobilize the population in favor of the initiative because the beneficiaries were diffuse... it avoided any mobilization against it" (Mancebo 1996: 158, translation by author).

Indeed, even Rama appealed regularly to the 'Batllista' legacy. In a 1998 interview he explained the 'statist' focus of the reform and appealed to citizens to defend the initiative, saying: "from a

country of immigrants; of people who spoke all languages and were of all races and creeds, we created a just and equitable society based on two institutions: political democracy and the public school” (quoted in: Macebo 1996: 144, translation by author).

Additional evidence of the importance of the “Batllismo” policy legacy in shaping policy output is offered by President Jorge Batlle’s response to the 2002 economic crisis. Despite the fact that Batlle’s “Lista 15” fraction is known for its strong support for liberalizing reforms, the administration was careful to safeguard social spending during the economic downturn. Indeed, rather than engaging in across-the-board spending cuts, the Batlle government quickly entered negotiations with the World Bank and the Inter-American Development Bank to negotiate spending protections for key social sectors. A official from Batlle’s budget team told me, “the tricky part about the crisis was that when a situation gets so bad, you really need funds to take care of the poor. You need to invest in nutrition and children. That’s why we negotiated the budget protections with the World Bank and the BID” (Personal Interview #3). One area that was particularly protected by the World Bank and BID funding was education. A high official from Batlle’s Finance Ministry told me that a central goal established at the onset of the crisis was to maintain the state-provided safety net and particularly education services. When I asked him why that they had set that priority, he said,

“I guess a bit because of tradition or at least because of wanting to re-establish trust... The best way of getting back the sense of faith in the state was in the traditional way that it was built in Uruguay: by taking care of people... So the first front of protection was using the existing social protection infrastructure to distribute food baskets... the second focus of our activity was on education. We knew that schools were the best way to get help to children... The only spending cut that happened in education spending during this time was in infrastructure; funds to build schools... Otherwise, though, we did not take one step back; we didn’t make a minimal cut in the area of nutrition and education. In fact, we increased spending on nutrition” (Personal Interview #55)

In other words, it is clear that the economic pressures generated by the financial crisis and Batlle’s own ideological commitment to reducing the role of the state (and that of his party fraction) were tempered by the country’s policy legacy of a strong and universal public education system.

A final policy legacy that influenced the 1995 education reform was the fact that the administration of education in Uruguay is carried out by an autonomous office (Anep). As mentioned previously, the autonomy of Anep was crucial in determining the likelihood of reform. In fact a Minister in Sanguinetti's second government told me, "Codicen was basically free to do as it wanted under Rama," noting that this permitted the adoption of an education reform even in the setting of a "classical corporatist democratic battle" (Personal Interview #56). A member of Codicen in two separate administrations told me, "the fact that Anep/Codicen is autonomous is relevant because it implies that the issue of leadership is very important in the likelihood and direction of reform" (Personal Interview #47). Another former member of Codicen agreed with this fact, but noted that the autonomous status of Anep can work in two separate directions (either enhancing or inhibiting reform) depending on the nature of the party in office:

"from the point of view of the government, the autonomous status of Anep means that if the government has an education plan, it is easy to implement. If they don't have a plan or a team, then autonomy is relative [the unions will enjoy more control]... in the case of the Rama reform I think it did facilitate our activity because there was a clear plan and a team ready to direct the plan. I was in Anep for 10 years and I can say that I saw a big difference between the two governments. If you have a plan and a team things are very different from if you don't" (Personal Interview #42).

A former director of budgeting used nearly the same words, telling me: "the only thing Anep needs to carry out a reform are the resources [funding]... That's what's unique about education. In education if you know what you want to do, there's very little blocking you from doing it. The main problem is to know what you want to do" (Personal Interview #3). It is clear, then, that the autonomy of Anep, a legacy of previous policy decisions, greatly influenced the ability of Rama and his team to carry out the 1995 education reform, thus weakening the relationship between party structure and policy output.

Interestingly, the autonomy of Anep also seems to have reduced the control that the Economy and Finance Ministry enjoys over education policy. A former high official from the Ministry of Finance told me,

"the ministries who don't have direct receipts, who depend on the central government, are easier to control. Those who have their own source of money are much more difficult. Then there are the autonomous agencies. They are really difficult to reign in, especially education. Education is a huge spender and as the Finance Minister I always found myself in a fight with them" (Personal Interview #5).

When I asked the Minister who usually “won” such disputes, he told me it depended on several factors, but that the Finance Ministry did not enjoy guaranteed victory. In an analysis of the 1995 education reform, Castiglioni (2005) quotes German Rama as saying that the Ministry of Finance worked hard to limit education spending during his tenure as Codicen President. He said the fight over resources was fierce and required the intervention of then-President Sanguinetti (Castiglioni 2005: 88-89). The way in which the budget process works for education is that both the government and Anep submit a proposal. The Congress, then, can opt for either of the two proposals and make modifications. In the case of the 1995 budget, the Congress opted for Anep’s proposal and although Rama did not secure the full level of funding he had requested, he did succeed in convincing the Congress to allocate more than the Ministry of Finance had proposed (De Armas 2001). This outcome stands in stark contrast to the politics of education reform in Chile, where the Ministry of Finance was able to dominate the process. Instead, aspects of the party system and of policy legacies, namely the autonomy of Anep, reduced the relative power of the Finance Ministry in Uruguay’s decision-making process.

Uruguay and the Effect Party Structure during the Frente Amplio Government

One aspect of Uruguay’s party system that changed in 2005 was that the center-left FA moved from a position of opposition to an “in government” status. The position of the FA (in government or in opposition) is important in two regards. First, the fact that the center-left party arrived in government marks an important shift in the balance of power within the system. Second, the arrival of a center-left party in government after more than 30 years of opposition marks the beginning of a process of adaptation. As one Deputy told me,

“now that they’re in government they’ll have to change. This is because governing is a life-changing experience. It’s like getting married or having kids. You know, once you’re married you have to take the time to think about the other; remember to call home and see how things are going. That’s what’s happening to the Frente; now they have to start thinking about other actors and taking them more seriously” (Personal Interview #50).

Indeed, as Luna (2007) argues, one of the primary tasks that has faced the FA in government is the need to balance the heterogeneous, and occasionally contradictory, interests of its broad base. While these differences could be overlooked or mediated while in opposition because the party had little room to actively promote legislation, the divisions have become more obvious since arriving in government because the party must enact policies and carry out the party program.

One FA Senator told me,

“the FA has the perfect structure for accumulating votes and power from a position of opposition. This is the case because we created an organization that is able to internalize a huge degree of difference and resolve issues internally to win votes. The party is so diverse and that helped us come to power, but it makes governing very difficult. When we were in opposition we could agree on things we didn’t want to approve, but now we have to take care of things that we do want to do and it’s hard” (Personal Interview #48).

The Senator’s comment reveals that the organic-mobilizing structure of the FA has different consequences when the party is in opposition and in government. Moreover, the Senator suggests that the transition to an ‘in government’ role will be difficult for the FA, as resolving internal party conflicts will involve negotiation between groups that have high mobilizing potential and experience.

Thus, the arrival of FA in government should influence policy through two distinct channels. The first is through a shift in the distribution of power, granting a new voice to the center-left. A clear and immediate effect of the change in the distribution of power involved a shift in state expenditure priorities. In this vein, education was defined as one of the government’s central spending priorities and President Vázquez committed his administration to a sizable increase in education expenditure. The FA budget priorities were set in agreement with the political platform, but ultimately decided by the council of Ministers. A participant in the budgeting process told me, “once we had a reasonable [budget] proposal we presented it to the council of Ministers. This was the time when they could define what the government priorities were. The Council decided on education, healthcare, and public security” (Personal Interview #57).

President Vázquez took the education priority one step further, committing his government to a spending allocation of 4.5 percent of GDP. This commitment, which was one percentage point higher than the spending peak that was reached just prior to the economic crisis in 2002, provoked the first political conflict for the FA administration. The initial budget proposal, which was issued by the Minister of Finance, Danilo Astori, allocated 3.5 percent of GDP to education. When President Vázquez refused the Minister's proposal in September of 2005, Astori agreed to revise the figures. After several days, Astori presented his calculations to the President, insisting that a budget allocation of 4.5 percent of GDP on education was too high and would push Uruguay to violate its agreement with the IMF. Vázquez, however, insisted on his decision, citing the party's approved platform. In response to the President's opposition, the Minister of Finance declared that he would resign following the completion of the budget. After several days of political maneuvers, the crisis was resolved and the wording of the budget law was slightly altered. Rather than mandating a budget allocation of 4.5 percent of GDP, the final version of the budget law stated a goal of spending 4.5 percent per year, provided that economic conditions permitted such a level (Cotelo 2005; Latin American Weekly Report 2005).

The outcome of this first internal debate reveals an important difference between the FA and the Concertación. Indeed, the elite-electoral organization of Chile's center-left parties grant increased power to the liberal-leaning sector of the center-left parties. The central goal of this sector, much like that of Uruguay's Finance Minister, is focused on macroeconomic and fiscal stability. In the case of Chile, the weak organic structure of the parties, which provide little to no consultation with the base, mean that the Finance Ministry and like-minded sectors of the political elite effectively control the budget process. In other words, a confrontation like that seen in Uruguay is unimaginable in Chile. The Finance Ministry sets the terms of the country's budget and other actors fall in line.²³ By contrast, the mobilizing character of the FA and the fact that the

²³ Evidence of this fact was seen in the recent debate over education policy in Chile during the Bachelet government. In the wake of the 2006 increase in copper prices, and subsequently, the government's record-

party has strong ties to its base and mechanisms for consultation with party militants about policy choices, means that politicians like President Vázquez are more assertive about enforcing the agreed-upon party platform.

The 2005 debate over education spending is one example of an instance in which the liberal-leaning sector of the FA was challenged, but a similar confrontation occurred in 2007 during the final Rendición de Cuentas for the Vázquez government. The debate, again, involved education spending and reveals how the party's structure, which involved the consolidation of close ties with the teachers' unions during its 30 years in opposition, results in different policy outcomes than those provoked by Chile's center-left parties, which downplay mobilization and have minimal ties to organized social groups.

In June 2007, a significant portion of the FA legislative block in the lower House surprised President Vázquez and his Ministers by demanding a change to the Rendición de Cuentas, which had been submitted to the legislature. The demand involved an increase of US\$30 million in education expenditure (Observa online 2007). Members of the government resisted the demand, noting that the government was on target to reach the 4.5 percent of GDP spending level by 2009 and that spending had increased from US\$550 million to US\$800 million between 2005 and 2007 (Observa online 2007). Following meetings with his Ministers, President Vázquez also rejected the demand for the spending increase. The FA bancada, however, did not back down and eventually a compromise was achieved. The resulting budget called for a US\$30 million increase in education and made equivalent cuts in other policy areas, thereby maintaining

high levels of revenue, an intense debate emerged between the more "statist" sectors of the Concertación and the liberal-leaning group that is committed to macroeconomic management and fiscal stability. While the liberal-leaning group and the Ministry of Finance's economic team insisted that spending should not be increased because of its potential to generate inflationary pressures, the shortcomings of the education sector coupled with widespread student mobilization prompted some sectors of the Concertación parties to demand increases in education expenditure. Unlike in the Uruguayan case, the demands went largely unanswered. Although social spending did increase as a result of economic growth, the increase did not reflect the demands of the more statist sector of the Concertación. Although this internal debate generated some conflict for the Bachelet government, the elite-electoral organization of the center-left parties helped to insulate national policy-makers from any potentially de-stabilizing backlash as a result of this discrepancy.

overall spending levels (Observa online 2007). This process reflects the impact of an organic-mobilizing structure because the increased spending petition presented in the Congress reflects demands issued by the teachers' unions, which worked their way up from the party's political committee into the Congress.²⁴ Thus, the 2007 process of Rendición de Cuentas is illustrative of how the FA works and of the very different level of power enjoyed by the economically liberal sectors of the party as compared to the Concertación parties in Chile. Moreover, the incident reveals how a party structure that is based on close ties to groups such as the teachers' unions, changes the dynamics of the budget process, placing a heavy emphasis on social spending.

In summary, when considering the allocation of education spending, it is clear that the shift in the balance of power that occurred with the FA's arrival in government has resulted in new spending priorities that – if invested in primary, secondary, and preschool education – could benefit the poorest sectors of society. Moreover, the organic-mobilizing structure of the FA also worked to ensure that the shift in the balance of power was reflected in a concrete change in spending and not mere rhetorical promises. What remains to be seen, however, is how the nature of the party system and policy legacies have influenced the design of education policy. I now turn to an analysis of the content of education policy in the first FA government.

A striking aspect of the content of education policy during the first three years of the Vázquez administration is how little has been done.²⁵ Indeed, despite sizable spending increases, there has been nothing similar to the 1995 Rama program. Furthermore, while some aspects of

²⁴ According to President Vázquez' 2007 'memoria anual,' about 80 percent of funds spend on non-tertiary education were dedicated to salaries (El Observador 2008).

²⁵ In late February of 2008 the Vázquez administration announced that it would submit a "general education" bill to the Congress in March or April of this year (Rodriguez 2008). The contents of the proposal are not yet public, but the bill will address, among other things, how representatives of Codicen and the primary, secondary, and technical school councils are designated. The teachers' unions have demanded that all appointments (to Codicen and to the councils) be decided by teachers. However, the government's original proposal stipulated that the President would designate three of the five Codicen members and two of the four council members (with the teachers naming two representatives to Codicen and one to each of the councils). According to media reports, because of union discontent, the government has altered its proposal so that the President would name three of the five Codicen representatives, but none of the council posts. Instead, the council positions will be elected by the members of Codicen (Rodriguez 2008).

Rama's project have been maintained and even expanded (pre-school and the full-school-day institutions), other elements of the reform, such as the curriculum change, the adjustment in the system of assigning teachers, and the training program have been put on hold. A member of Codicen – the four person body that directs Anep – told me that at the primary level, several elements of the Rama reform had been maintained:

“no one has an interest in changing universal preschool; no one wants to get rid of the full time schools. No one wants to get rid of the nutrition programs... in secondary, we have returned to the old way of assigning teachers and re-established the number of sections that they must teach... at present we are sort of sticking with that [secondary school teacher training] system. We are, however, doing so in a very careful way” (Personal Interview #47).

An official from Anep confirmed that little to no policy change had occurred during the early years of the first FA government, telling me: “the Frente doesn't have clear goals. So the debate has become more of a healing process than a place of generating ideas. It's a healing process because it allows the people who felt so offended by the Rama reform to get together and say what they don't want” (Personal Interview #44). Interestingly, my interviews reveal overwhelming evidence that officials working in Anep and the Ministry of Education are aware of the challenges facing the public schools and have ideas about the sorts of policy that could provide solutions (Personal Interviews #31, 44, 47). Still, no moves have been made to adopt those policies

The reasons for the lack of activity in education policy are different from those that impaired education reform prior to 1994. Indeed, the FA enjoys a majority in the legislature and controls the Presidency. Moreover, the opposition is not mobilized and would be hard-pressed to put up a fight against a reform to the system. Rather, the policy gridlock up until this point is best explained by the organizational structure of the FA in combination with the policy legacies in the area of education. The organic-mobilizing character of the FA has complicated the reform process because the party is divided between the sectors with close ties to the teachers' union and sectors representing proponents of the 1995 Rama reform. This internal division means that any

significant change in policy will require important internal negotiations within the party. An official who worked in Vázquez' Anep told me,

“technical [education] experts do have a significant role in the day-to-day operations of Codicen and the Ministry, but the corporations [teachers' unions] have a long and tested relationship with the Frente Amplio. They formed a strategic alliance to get to this point and it's impossible from one day to the next that it's going to disappear. I guess it's a matter of time for the Frente to realize that they will not always please the unions and that relationship will have to change. The strategic relationship of the past places a lot of conditions on the future” (Personal Interview #31).

A FA Senator also explained ongoing tension within the party with regard to balancing the interests of distinct sectors, saying:

“the left is afraid of this [of adopting a more technical approach to policy-making]. They don't like some of the things the tecnicos tell them, but the fact of the matter is that if we have to engage a cultural change to improve things, then that's how it has to be. I mean, the same is true for teachers; if they have to change their skills and demands so that we can help poor kids, then we might just have to do it” (Personal Interview #58).

An official in the Social Development Ministry noted that the need to negotiate policy made change difficult: “With Rama there was one leader, one voice, one vision. Now there are so many voices and the no single vision. We find ourselves having to negotiate every little thing; even minor points and the discussions are very deep,” (Personal Interview #49). This same official noted that the Frente's relationship with unions and practice of consultation acted as a limit on policy-making, but added: “I think this may be heavily influenced by the fact that this is the first government; perhaps by the second government the two sides will have fought for their relative interests and figured out how the balance will work” (Personal Interview #49).

This process of defining the “in government” relationship between the party and unions was also noted by members of union movement. A leader in the primary school teachers' union told me that it was hard to balance the role as party militant and union member. “I will take care of my people and of this government... this is my government and it's really hard for me to put them in a difficult position. If it comes to that, I will do it, but I would like to avoid that... This is a difficult time to be a union organizer. After so many years we have arrived in government, but

that makes our job harder” (Personal Interview #29). In other words, the organic-mobilizing structure of the FA has complicated education reform, generating a situation in which the party must resolve internal debates before moving forward.

Uruguay and the Effect of Policy Legacies During the Frente Amplio Government

Interestingly, Uruguay’s policy legacies in the education sector – the concentration of interests in a way that creates clear potential winners and losers [public school users and teachers] and the autonomy of Anep – have further inhibited attempts at policy reform. In other words, while policy legacies encouraged government action in 1995 by tempering the status-quo tendency of the elite-patronage traditional parties, the same legacies are now working in the opposite direction, making it more difficult for the FA to enact a broad education program.²⁶ In particular, the fact that the Uruguayan education system concentrates interests among public school users and public school teachers and the fact that both groups are represented within the party means that it is a particularly difficult area to legislate. A FA Senator noted that education imposed special limits on a legislator, saying: “the education reform is completely different... it involves so many different actors who need to be consulted and voice their opinion. Health has a bit of that, but not quite as much. There are so many groups in the society tied to education and they are very diverse” (Personal Interview #48). A FA Deputy echoed this, saying: “education is one of the most conflict-ridden subjects in the Frente Amplio. It always has been and it continues to be” (Personal Interview #46). Another FA Deputy put it in clearer terms:

“I guess Education is the most difficult sector for us because, as you say, we have different actors inside the Frente... We are also taking measures to ensure that the budget commitments to education are used for things beyond salaries. We also need to build infrastructure; put computers in the classrooms. That’s where the tensions form” (Personal Interview #59).

In other words, there is a tension between the FA sectors that seek to prioritize policies that respond to teachers’ demands and sectors that prioritize programs aimed at improving the quality

²⁶ It should be noted that the mediating effect of policy legacies in both cases worked to weaken the effect of party structure on policy output. In the case of the traditional parties, it weakened the “status quo” tendency, whereas in the case of the FA it weakened the “universalistic and equity-enhancing” outcome.

and coverage of education services among the poorest sectors of the population, while setting the teachers' demands as a secondary goal. The fact that both of these groups (unions and the parents of children attending public schools) are represented in the FA makes it especially hard for the government to resolve this conflict. Indeed, in healthcare, where users and providers are segmented, reform has come more easily to the Frente Amplio.²⁷

Finally, the autonomy of Anep has also magnified the problems created by the FA's internal divisions. According to one official who worked in Anep during the Vázquez government, the autonomy of the office makes it difficult for individuals who do not pertain to an organized interest groups to be represented in education policy: "this [the autonomy] creates a situation in which the government governs to appease the unions and not the citizens" (Personal Interview #31). A member of Codicen also recognized this problem, telling me that the autonomy of Anep granted special power to organized the interests. "The unorganized interests – the parents, the poor, the rural dwellers, the black, those who don't work, those who work on the street corner, etc. they aren't heard in this process and the corporations have a strong channel to this institution" (Personal Interview #47). He added that the access of unions to Anep had increased during the FA government, and that this had slowed reform:

"Codicen has also changed [since the arrival of the FA]. It is now very difficult for us to make decisions without consulting with the unions. I guess that on this new playing field there is a logic of inter-dependence that means there's less conflict, but Codicen has less autonomy. This new logic necessarily means that change will be difficult and when achieved, it will be minor" (Personal Interview #47).

Consideration of the composition of the current Codicen reveals that unions do, in fact, enjoy special access. Three of the four members are former union activists (and the fourth position has been empty since October 2006). As was mentioned previously in this chapter, the autonomous status of Anep means that the character of Codicen's leadership is crucial for understanding whether change is likely and what sort of change might be enacted. In this case, the fact that the

²⁷ A full discussion of this comparison can be found in chapter six.

autonomous body has high levels of union representation has emphasized the internal tensions in the FA. For this reason, the policy legacy of Anep's autonomy has further reduced the chances for policy reform during the first FA government.

In summary, the cross-temporal analysis of the Uruguayan case reveals an interesting point: that policy legacies may have different effects depending on the character of the party in government. While the concentration of interests and autonomy of Anep made reform more likely during the Colorado government, the opposite held true for the Frente Amplio. This goes back to differences in the organizational structure of the two parties. The Colorado party is best classified as an elite-patronage party and thus does not rely on mobilization to link with its base. The Frente Amplio, by contrast, has developed a semi-institutionalized system of consultation, thereby empowering base organizations. As specified in chapter four, organic-mobilizing parties of the center-left, such as the FA, are expected to promote policies that prioritize universality and equity. In cases where policy legacies concentrate organized interests that are represented within the party, reform will be complicated, as the party will be forced to address corporatist demands and thus equity and universality may be diminished. In this way, the analysis of education policy reform during the FA government confirms the expectations presented in my theoretical framework.

5.8 Conclusion

In this chapter I have provided multiple tests of my explanation of social policy reform through a cross-country and cross-temporal analysis of education reform in Chile and Uruguay during the 1990s and early 2000s. Consideration of original interview data reveals that the organizational structure of political parties in both countries contributed to the timing and content of education policy reforms. Specifically, the elite-electoral center-left parties of Chile's Concertación engaged a reform that was part of a larger macro-economic objective. Moreover, the content of the Concertación education reform prioritized fiscal responsibility and macroeconomic stability, while placing equity as a secondary goal. In Uruguay, by contrast, the

organic-mobilizing structure of the FA and its strong relationship with organized interest groups has slowed the emergence of education reform. During the FA's period in opposition, an education reform was only made possible after the two traditional parties were forced to ally because of electoral pressure and thanks to policy legacies that weakened the effect of party organization on policy outputs.

The analysis presented in this chapter sheds light on the dynamics through which policy legacies shape the policy reform process. In particular I find that the effect of policy legacies on reform outputs differs depending on the character of the party in government. Indeed, while the concentration of interests and autonomy of Anep tempered the predicted status-quo outcome of Uruguay's elite-patronage (Colorado) party, thereby making reform possible, the opposite occurred with the FA. Indeed, in the case of the FA, the concentration of interests and autonomy of Anep also weakened the impact of party structure on policy output, but the result has been the inability to enact an education reform. Having addressed education reform in both Chile and Uruguay, I now turn to an analysis of healthcare policy, providing yet another test of my theory of social policy reform.

CHAPTER 6: HEALTHCARE REFORM IN CHILE AND URUGUAY

In the last chapter I demonstrated that the timing and content of education policy reform in Chile and Uruguay during the 1990s was determined by the organizational structure of political parties in combination with policy legacies. In this chapter I analyze reform to healthcare policy in each country to further test the explanatory capacity of these variables. In particular I consider the extent to which changes in health policy have effectively expanded the quality and coverage of care to low income groups. In the first portion of the chapter I provide a brief historical overview of Chile and Uruguay's healthcare systems. This description allows me to measure the healthcare policy legacies that exist in each country. I then explain the policy initiatives that have been enacted in each country during the early 2000s, seeking to identify the achievements and shortcomings of the reforms for the well-being of the poorest sectors of society. Finally, I analyze how the organizational structure of political parties and the design of previous policies influenced healthcare reform in Chile and Uruguay.

6.2 A Historical Overview of Healthcare in Chile

Chile's healthcare system emerged, like others in the region, in a piecemeal fashion, combining both social insurance and social assistance. The country's first social insurance fund was created in 1924 during an authoritarian government. The fund was inspired by the Bismarckian model of social insurance and sought to provide old age and disability pensions as well as access to basic health services for manual workers (Lenz 2005). By the mid-1920s, then, Chile's health system was comprised of three entities: a limited number of meagerly-funded state clinics intended to serve the poor, the national workers insurance fund, and a network of hospitals

administered by a private charity organization (la Junta de Beneficiencia Pública), which received limited state subsidies (Jiménez de la Jara 2001).

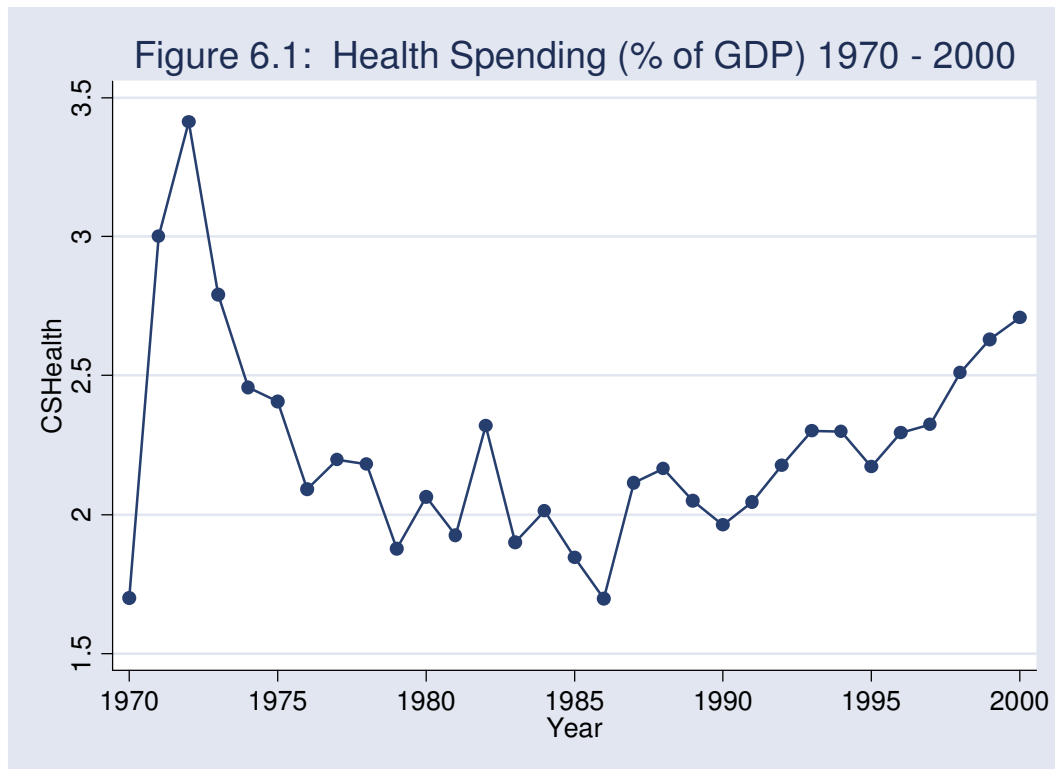
During the 1940s and '50s, these healthcare services were extended to reach a broader sector of the population. Specifically, in 1942 the National Employees' Medical Service (SERMENA) was created to provide preventive healthcare to white collar workers, and in 1952 similar rights were granted to blue collar workers with the creation of the National Health Service (SNS). The establishment of the SNS was particularly important for expanding the coverage and quality of healthcare to Chile's lower income groups, as it provided care to workers and their dependents and was funded by employer and employee contributions in combination with general revenue.

The creation of the SNS involved the merging of distinct workers' funds into one health unit. Additionally, efforts were made to expand the network of clinics and hospitals managed by the SNS into rural areas. Still, access to healthcare in Chile remained tied to participation in the labor market. Despite this limitation, coverage improved markedly between the mid 20th century and the early 1970s and it is estimated that coverage expanded from one to three million individuals (out of a total 5.2 million) (Illanes and Riesco 2007: 387). Additional evidence of the increased access to care achieved during this time period is seen in the country's impressive progress on several health indicators. While in 1925 only about 10 percent of births were attended by a skilled professional, by 1975 that number had grown to 85 percent of births (Lenz 2005: 294). Similarly, infant mortality fell from 250 deaths per 10,000 births in 1925 to 55 in 1975 (Lenz 2005: 294). Indeed, as noted by several authors, by the time of Chile's 1973 coup, the national health system provided near universal preventive and curative services (Castiglioni 2005; Barrientos 2000; Borzutzky 2006; Illanes and Riesco 2007).¹

¹ Estimates of coverage vary significantly; Borzutzky (2006) estimates that about 70 percent of the population was covered by the healthcare system in 1973. By contrast, Lenz (2005) contends that by the end of the 1970s about 80 percent of the population was covered by some form of healthcare.

The fact that both SEREMA and the SNS emerged as separate social insurance systems meant that Chilean healthcare exhibited significant segmentation between income groups. Such divisions were not unique to the Chilean case, but rather constitute a common feature in most of Latin America's advanced social security systems (Mesa-Lago 2005). The Popular Unity government of President Salvador Allende sought to unify the healthcare systems, but was unsuccessful. Instead, the government created the "servicio unico de salud," which expanded clinic and hospital coverage to underprivileged areas and promoted preventive measures in maternal and childhood health (Jiménez de la Jara 2001). State spending on health increased dramatically during the first two years of the Allende government, growing from around 2 percent of GDP to nearly 3.5 percent (Huber et al. 2008). This new spending was reflected not only in public health campaigns, but also in the construction of health infrastructure. While the Frei government had already invested in hospitals and primary care clinics, constructing 16 hospitals and 20 clinics between 1965 and 1969, the Allende government concentrated on "enfermerias" and "postas,"² building 260 between 1970 and 1972 (Livingston and Raczynski 1976). The Chilean government's record of health spending from the early 1970s through the late '90s is illustrated in figure 6.1.

² These two words are difficult to translate into English because they are specific to the organizational structure of the Chilean healthcare system. Enfermerias are primary care centers staffed by nurses rather than doctors. They carry out basic preventative measures such as vaccinations, blood tests, and re-hydration. Postas, by contrast, are Chile's public emergency rooms. Once a patient is stabilized at the posta, they are dispatched to a hospital or sent home (depending on the nature of the injury/illness).



Data from: Huber et al. (2008), compiled from ECLAC and IMF data

The military government did little with regard to healthcare during its early years in power. As illustrated by Figure 6.1, the authoritarian government did scale back health spending, reducing expenditures by about 1 percent of GDP between 1973 and 1979. Reforms to the design and operation of the country's healthcare system, however, did not come about until the late 1970s and early '80s, when General Pinochet's liberal economic team known as the "Chicago Boys" began efforts to restructure the provision of social services. The first legislative change to the healthcare sector was enacted in 1979. The decree³ extended the option of using private healthcare to workers protected by the SNS and restructured the responsibilities of the national health service. In a separate 1979 decree⁴ the military regime sought to re-organize the provision of public healthcare. Under the new system, the responsibility of primary healthcare was transferred to the local-level municipal governments. The municipalities would receive direct

³ Decreto de Ley 2575, May 1979.

⁴ Decreto de Ley 2763, August 1979.

transfers from the national government to fund the clinics and they would be responsible for administering the first level of care. The law also rearranged the provision of secondary and tertiary care, which were decentralized into 27 regional groups. The Ministry of Health, therefore, lost its responsibility for administering healthcare and was charged solely with the tasks of public health campaigns and management. In place of the Ministry, the military government created a new body, the National System of Health Services (SNSS), which was responsible for the provision of public services. A new organization named the National Health Fund (FONASA) was created to handle the financing of the system. FONASA is responsible for collecting workers' mandatory health contributions, allocating general revenue, and administering vouchers for private sector use.

General Pinochet's 1979 reforms created a bureaucratic framework that permitted yet another legislative modification to Chile's healthcare system in 1981. During that year, the military regime approved a law that permitted the entrance of private insurance companies (ISAPRES) into Chile's healthcare system. These companies were created to compete with one another and with the public sector and workers were granted the possibility to choose whether to allocate their payroll contribution to FONASA or to an ISAPRE.⁵ ISAPREs were given the option of providing their own healthcare directly or negotiating contracts with private providers. The new insurance companies enjoyed virtually no regulations. The minimum investment required to establish an ISAPRE was set at US\$64,000 and the organizations were allowed to organize themselves as for-profit or not-for-profit corporations and cooperatives (Espinosa 1999). The private insurance companies were required to cover preventive medical check-ups and maternal and childhood health programs. For all other conditions, however, the firms were free to decide what they would and would not cover. In 1985 these regulations were further reduced when the military government passed a law that relieved the insurance companies of their

⁵ While workers were only required to contribute 7 percent, private insurers offer a range of plans; many of which require a higher contribution. In fact, in 1990 the median value of contributions to ISAPRES was 7.6 percent. That value grew to 9 percent by 2002 (Lenz 2005: 321).

responsibility to pay for maternity care and benefits. The government instead established a national fund (the Family Services Fund), from which the state subsidized the cost of maternity services for individuals in the public and private sector.

The only additional regulation that the military regime placed upon the private health insurance companies was a requirement that ISAPREs provide a minimum 12 month contract. After the first year of coverage, however, the private firms were allowed to re-negotiate the contract and increase the cost of the premium. The Pinochet regime did not include any stipulations related to the cost of the healthcare premium or to the value of co-payments. Importantly, the government also omitted regulations banning the practice of discrimination based on health risk and opted to allow firms to exclude coverage for specific illnesses (Lenz 2005; Titelman 2000; Barrientos 2000; Castiglioni 2005; ECLAC 2006; Espinosa 1999).

In other words, Chile's private health insurance firms emerged in a virtually unregulated setting. This lack of regulation generated several perverse policy legacies that continue to affect the Chilean healthcare system. First, the fact that ISAPRES were permitted to engage in risk-based discrimination and that the firms were free to adjust the cost of premiums on an annual basis, created a situation in which well-to-do workers opted for private coverage during their healthy (working) years, while the poor, the sick, and the elderly used the public system. The system, therefore, drained the public sector of resources because high income earners contributed 7 percent or more of their sizable earnings to private firms during their healthy years only to pass into the public system once they reached an age for which premium payments were unmanageable. Meanwhile, lower income earners contributed 7 percent of their limited earnings to fund the poor and sick. In other words, FONASA incurred nearly all of the risk, but received small contributions to cover those risks. This placed a significant financial strain on the public sector, which came a head at the end of the 1990s and became one of the motivating factors for the healthcare reform adopted during the government of Socialist President Ricardo Lagos.

Interestingly, the lack of regulations placed on Chile's private sector providers had an additional consequence, namely that the majority of citizens continued to be affiliated with the public system. Indeed, the high premiums and costly co-payments charged by ISAPRES meant that very few Chileans could afford to use private sector care. This continued to be the case despite clear efforts by the military government to encourage affiliation with the private providers. A 1986 reform sought to increase the number of workers who opted for ISAPRE coverage by introducing a tax break for employers who voluntarily contributed 2 percent of employees' salaries toward private insurance. In this way, the regime sought to encourage lower wage workers to use the private system. In reality, however, this did little to encourage lower income workers to join ISAPRES, but it did create an important source of revenue for the private insurers (and an additional tax break for big business). At the time of the transition, only about 16 percent of Chileans were covered by private health insurance (Barrientos 2000: 97-98). This number increased slightly throughout the mid-1990s, but then declined again and by 2003 only about 16.3 percent of Chileans were affiliated with an ISAPRE, while 72.1 percent used FONASA (Lenz 2005: 288).⁶ The fact that an overwhelming majority of Chileans continued to use the public health system created a situation in which there were clear electoral incentives associated with improving public care. Unlike the case of municipal education, where only a minority of poor children used the service, Chile's public healthcare continued to serve the majority of the population, including middle income groups. This was an important motivating factor for the 2004 healthcare reform.

⁶ These numbers are misleading because another sizable group of the population is affiliated with an ISAPRE, but uses public service on a regular basis. In fact, it is estimated that in 1998 about 11 percent of surgeries carried out in public hospitals, 9 percent of births in the public system, and 4.5 percent of hospitalized days in public facilities were consumed by individuals covered by an ISAPRE (Titelman 2000: 19). This is possible because some ISAPRE affiliates are provided the option of using the public sector as a provider. The advantage of using the public sector as a provider is that the cost of services is generally much lower. In the case that a private-sector affiliate choose to use a public hospital, the ISAPRE and the individual pay the public facility for the service. The public sector, therefore, does receive payment for the service. Still, it is important to consider that the cost of the service is determined, in part, by the cross-subsidies paid by 'healthy individuals' contributing their payroll deduction to FONASA. Thus, paying for an individual service is not the same as affiliating with FONASA and contributing monthly to the public system.

In addition to introducing private insurance, the military government increased the share of the healthcare burden born by individual workers. The new system eliminated the employer contribution, while increasing the obligatory worker contribution from 4 to 6 percent in 1983, and then finally to 7 percent in 1986. A 1986 legal reform also introduced the idea of co-payments to the public sector. The law established four groups of FONASA users (A, B, C, and D).⁷ Group A is comprised of individuals living in extreme poverty who do not contribute to FONASA, but gain access through means-testing. Group B is comprised of individuals who make less than the minimum wage and who gain access to FONASA through their 7 percent payroll contribution. Both of these groups have no co-payment, but are required to use the public sector. Group C and D are divided by income (with group D earning the most). Both of these groups gain access to FONASA through their payroll contributions and are required to make a co-payment for services. For services obtained through the public sector groups C and D make a co-payment of 10 and 20 percent respectively.⁸ These two groups also have the option of using a voucher to obtain their care from private institutions. If individuals in groups C & D use this option, they are required to make co-payments that range from 50 to 75 percent.⁹ ISAPRE affiliates also typically face co-payments for services rendered in the private sector.

Perhaps somewhat unsurprisingly, then, the structure of financing for Chile's healthcare services changed dramatically following the military government's reform. The relative importance of state spending decreased, while the role of employee contributions and co-payments grew. Specifically, on the eve of the transition, the state was carrying 39 percent of the funding load, while co-payments accounted for nearly 11 percent. Since the return to democracy, the Concertación governments have reduced the burden of co-payments slightly and between

⁷ All four categories are FONASA affiliates. The previously mentioned practice of ISAPRE affiliates choosing to use the public sector as a service provider is something completely separate.

⁸ While primary healthcare has no copay, dental treatment has a higher co-payment. Groups B, C, and D pay 40 percent, 60 percent, and 90 percent respectively for dental treatments (Lenz 2005).

⁹ This option is commonly referred to as the mechanism of "libre elección" in Chile.

2000 and 2003 they accounted for 8 percent of health financing (Lenz 2005: 300). Still, the legacy of the military regime's healthcare system is that families bear a high financial burden in securing healthcare. In 2002 it was estimated that Chilean families financed 26.7 percent of the country's health spending; a figure significantly higher than the 17.8 percent of funding covered by Uruguayan families (ECLAC 2006: 85).

In summary, at the time of the transition, Chile's healthcare system was dualistic in its design with a minority group using the private sector and the majority of the population relying on public care. Due to the lack of regulations on private providers, the system concentrated risks in the public sector, while private insurers enjoyed much higher levels of financing. The public system, therefore, was significantly under-funded and had increasingly lost its ability to treat patients in an effective and timely manner. Additionally, as individual families began to shoulder more of the financial burden of healthcare costs, access to care began to constitute a potential risk for families living at or around the poverty line. Finally, the transfer of primary care from the national Ministry to local-level municipal governments had produced new inequalities in access to preventive healthcare, as smaller, poorer municipalities struggled to provide a basic package of services.

In this way, the healthcare reform enacted by the military government had produced several key policy legacies that would shape the character of future reforms. First, the healthcare sector remained less fragmented than education. Rather than dividing users between three separate types of service, Chileans were divided into two groups for health. Moreover, there was a clear majority group in this division: users of public care. Still, the introduction of private insurance providers shifted the nature of healthcare policy-making by introducing a new and powerful actor: the private sector. Importantly, the private sector had emerged in a virtually unregulated setting and with a for-profit model. These two factors influence the focus and strategy of the firms and complicate future attempts at implementing regulations. A final legacy associated with the 1981 reform involved the perverse funding dynamics that placed a significant

drain on state resources. These three factors: the continued majoritarian status of public healthcare, the existence of a powerful new private lobby accustomed to functioning without regulations and with a strong for-profit orientation, and the skewed distribution of risk and financing between the public and private sector, all contributed to the timing and content of Chile's 2004 healthcare reform.

6.3 A Historical Overview of Healthcare in Uruguay

Uruguay's healthcare system also has its roots in the late 1800s and early 20th century, but progressed in a manner quite different from Chile. Up until the late 1800s the bulk of healthcare services in Uruguay had been provided through religious and charity organizations. With the Batllista project of the early 20th century, the Uruguayan state began to take a more active role in healthcare and between 1900 and 1930, 44 hospitals, accounting for about 88 percent of country's total healthcare infrastructure, were constructed (Setaro 2005: 74). Similarly, this period witnessed the formation and expansion of maternal and childhood health programs and other preventive health campaigns (Filgueira 1995). Despite this boom in public hospitals and the high level of government expenditure, the state's role in providing health services remained overshadowed by civil society organizations known as mutual-aid societies (IAMCs) (Setaro 2005). These organizations emerged as self-organized solidarity organizations that pooled resources to provide social protection and access to health services for members of the society (Filgueira 1995). One of the first mutual aid societies founded in Uruguay was the "Española." The group was formed in 1852 by Spanish immigrants who sought assistance in overcoming the consequences of Uruguay's civil war. Following the emergence of Española, similar societies began to pop up in Montevideo and the Interior of the country (Setaro 2005).

Thus, when the Uruguayan state began to take a more active role in the healthcare sector during the early to mid 1900s, politicians encountered an arena in which institutions already existed and enjoyed quite high levels of support. This trend was further strengthened during the 1940s with the creation of a new mutual aid society: the Doctors' Union Health Assistance Center

(Centro Asistencial del Sindicato Medico del Uruguay [Casmu]) (Filgueira 1995). Casmu exhibited a new level of professionalism for the IAMC sector and the organization quickly became the country's largest private healthcare provider. Like other IAMCs, Casmu was not-for-profit. It differed from other mutual aid societies, however, in the economic profile of its members. Casmu's affiliation with the Doctors' union allowed it to attract the participation of higher income groups, which ultimately strengthened the political clout and relevance of the country's growing IAMC sector (Setaro 2005: 76).

By the 1940s, then, mutual aid societies had consolidated themselves as the primary source of healthcare for Uruguay's middle class (Filgueira 1995: 14) and in 1943 a law was passed that fully regulated the behavior of IAMCs (Setaro 2005). In 1970, the role of IAMCs as Uruguay's primary healthcare provider was institutionalized with the "obligatory insurance law," which required all workers, from both the public and private sectors, to obtain health insurance through the institutions. The coverage was funded by employee, employer, and state contributions (Filgueira 1995: 25). In this way, the Uruguayan state was able to channel the growing demand for healthcare into the private sector (Filgueira 1999). Thus, by the time of Uruguay's 1973 military coup, the country had developed a dual (public-private) system of healthcare in which all formal sector workers were covered by the private IAMC system, while the state administered services to the poor. Importantly, the private sector companies were heavily regulated by the state, which set prices, imposed a not-for-profit standing, and enforced rules related to the coverage of illnesses.

Interestingly, then, the history of healthcare in Uruguay is quite different from that of education, where the state played a key role and private providers were of little importance. In the case of healthcare, the state played a more subsidiary role, intervening where the private

mutual-aid societies fell short.¹⁰ Setaro (2005) argues that this fact weakened the capacity of the Uruguayan state to create a strong public system:

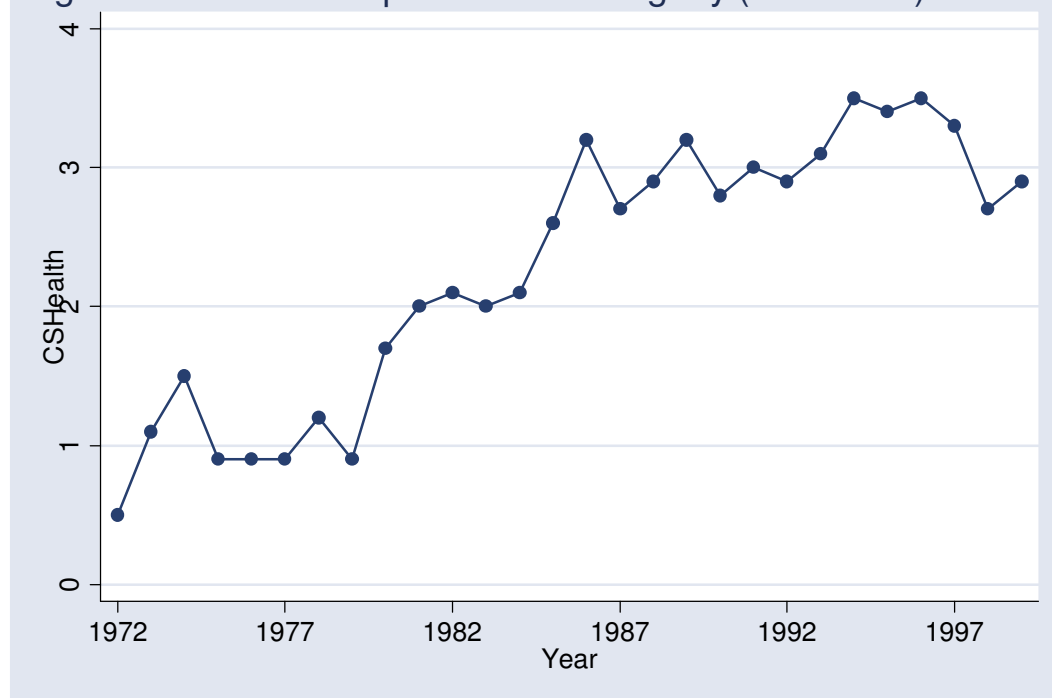
“in the evolution of healthcare, civil society played a key role, which stands in contrast to other aspects of Uruguay’s welfare system. The state played a marginal, subsidiary role, limiting itself to providing services to the poorest and most vulnerable groups... This would have consequences for the ability of the state to assume its role as a central authority with planning and regulatory capacity (Setaro 2005: 77, translation by author).

An analysis of Uruguay’s attempted healthcare reforms since the transition to democracy confirms this assertion. The policy legacy of heavy private participation and the perception of the public sector as “healthcare for the poor,” has weakened efforts aimed at improving the quality of state-provided care. Still, it is important to stress that Uruguay’s private healthcare providers (IAMCs) differ dramatically from the private ISAPREs in Chile. IAMCs operate on a non-profit basis and their services and prices are heavily regulated by the state.

Uruguay’s military regime did little to alter the basic design of the country’s healthcare system (Castiglioni 2005; Filgueira 1995). The most significant reform was carried out in 1975, when the military administration created the Health Insurance Administration Service, which unified the distinct insurance schemes into one institution (Castiglioni 2005). Under this new organization, formal sector workers could choose a IAMC to affiliate with and their contributions would be channeled to the institution by means of the Administration Office. Since the return to democracy, this institution, now known as the Social Health Insurance Office (DISSE), is administered by the state-run social security bank (BPS) (Filgueira and Moraes 1999).

¹⁰ Although the state’s role was less direct than in education, it was nonetheless important and eventually when the mutual aid societies fell upon difficult economic times, the state provided subsidies (Filgueira 1995: 27).

Figure 6.2: Health Expenditure in Uruguay (% of GDP) 1972-1999



Data from: Huber et al. (2008), compiled from ECLAC and IMF data

During the 1973-1984 military regime, Uruguayan healthcare did experience some economic setbacks, but the financial strains were less evident than in education, where the military regime had drastically cut-back spending, or in pensions and family allowances, where the value of transfers had remained untouched for several years (Filgueira and Moraes 1999). Indeed, as illustrated in Figure 6.2, healthcare spending increased slightly during the military's rule. This fact, coupled with the weak legacy of the state in the healthcare sector, helps shed light on why healthcare reform has received a low level of attention since Uruguay's return to democracy in 1984. Still, severe inequalities plague the country's healthcare system and the financial sustainability of the private sector has come under increasing duress since the mid-1990s (Moreira and Fernández 1998; Fernandez, Mitjavila, and Moreira 2000; Monteiro 2004).

Several important policy legacies exist in Uruguay's healthcare sector and have had important consequences for efforts to reform the system. First, Uruguayan healthcare is highly

fragmented between two different sectors: public and private.¹¹ Within the private sector, there are further divisions between Montevideo's large IAMCs, the capital's small private providers, and the private sector in the interior of the country. This division within the private sector is important, as it poses an obstacle for a united 'business' coalition. Additionally, the fact that Uruguay's private IAMCs were established in a heavily regulated setting as non-profit entities also has ramifications for the reform process, as investors and owners concerned about the profit margin simply do not exist. Thirdly, in contrast to Chile, where the public sector has always been the primary pillar of care for an overwhelming majority of citizens, Uruguay's public system was established to provide care to the very poorest sectors of society (Fernandez, Mitjavila, and Moreira 2000; Filgueira 1995; Setaro 2005). Historically, therefore, the private sector covered the bulk of individuals and the small public sector enjoyed very little popular support. Moreover, the state's historically weak role in the provision of health has influenced attitudes and expectations about the government's capacity to administer a system. All of these legacies have influenced the strength of the relationship between party organization and healthcare policy reform in Uruguay.

6.4 Measuring Pro-Poor Healthcare Reform

As mentioned in chapter two, health policy is an important tool for states in trying to prevent the occurrence of poverty. The effect of healthcare works through two separate channels: one related to the development of human capital and a second that is tied to the economic strains placed on families when they must pay for individual healthcare services. In other words, a poverty-alleviating healthcare system protects individuals by improving the health (human capital) of all citizens and by pooling resources and risk to reduce the individual financial burdens placed on families. Such poverty prevention, however, is made possible when the system provides

¹¹ In fact in the 1970s and '80s, a third health sector actor emerged: private (for-profit) emergency insurance companies. These companies provide emergency services and have grown in popularity among middle and upper income groups. The coverage provided by this insurance is, however, extremely limited (Filgueira 1995; Fernandez, Mitjavila, and Moreira 2000).

universal coverage and ensures that the risks affecting the lowest income sectors are covered by the system. Put simply, health policies that effectively expand the level of protection available to the lowest income groups will ensure two things: that all citizens have access to a similar standard of healthcare, and second, that the cost of obtaining this care does not push high risk households into poverty.

These are conceptual dimensions of healthcare planning that are difficult to define and measure in concrete policy terms. Still, for the purpose of comparison, it is essential to establish a basic yardstick against which policy reforms can be measured. For this analysis I have identified four dimensions of policy that are relevant for achieving pro-poor healthcare. First, a pro-poor healthcare policy must ensure that all citizens have access to health services, both primary and curative, regardless of income, ethnicity, sex, age, or risk level. By the early 1970s, both Chile and Uruguay had reached near-universal coverage. Since, however, the systems were founded in the social insurance (contributory) model, a segment of the population, namely those working outside the formal labor market, did not have direct access to the system. Interestingly, however, it was not the poorest sectors who were disadvantaged by this fact since both Chile and Uruguay provide free care for the lowest income families. Thus, those excluded from the health system in both countries tend to belong to the low-income informal sector. The challenge of covering the low-income (but often not officially poor) informal sector is not unique to Chile and Uruguay, but constitutes a problem in many middle-income Latin American countries (Baeza and Packard 2006).¹² Therefore, to assess the ability of Chile and Uruguay's healthcare reforms to effectively extended coverage to the entire population requires a consideration of whether mechanisms were adopted to encourage and require this group to participate. Policies that move in this direction could mandate a reduced contribution level for low-income informal sector

¹² Baeza and Packard (2006) argue: "The large and growing number of informal and unsalaried workers in LAC countries, a significant overlap in the incidence of informal employment and poverty, and high out-of-pocket expenditure on health make the inclusion of the informal and unsalaried sectors in risk-pooling arrangements one of the highest priorities in public health policy in the region today" (Baeza and Packard 2006: 95).

workers. Another option would be to transition away from the Bismarckian social insurance system toward a universal health system funded by general revenue. A final policy that might boost coverage among the low-income informal sector is to de-bundle contributions for health and pension programs. If a state requires workers to contribute to both healthcare and pension savings, informal sector workers may find it too much of a drain on income (Baeza and Packard 2006). By de-bundling the contribution, therefore, the state may achieve coverage for at least one of the benefits.

Ensuring universal coverage and quality in healthcare requires more than introducing mechanisms to include the informal sector. If a state seeks to ensure equal coverage and quality of care, it is essential that hospitals and clinics exist in all populated areas of the country to ensure that accessing healthcare is feasible for both rural and urban communities. Additionally, ensuring coverage may require that the state engage in proactive measures to integrate sectors of the population into the healthcare system. For example, research in Chile during the late 1990s revealed that many families living in extreme poverty did not attend local health clinics despite the fact that they were guaranteed free access. Through the 2004 program of Chile Solidario, therefore, the state created an outreach mechanism that uses social workers to encourage indigent groups to visit the local clinic. Such policies are often a necessary first step to establish relations between marginalized groups and the network of state care.¹³

Unfortunately coverage alone is insufficient for protecting against poverty if the quality of care provided to marginalized sectors is of a low standard. Indeed, the majority of Latin American countries guarantee universal coverage of healthcare in the constitution, but very few actually exhibit a system capable of preventing basic illnesses (Baeza and Packard 2006). For this reason, systems must also include mechanisms for ensuring a standard quality of care. One dimension of health policy that has clear implications for the quality of care is the level of

¹³ It should be noted that Chile Solidario is not a healthcare program per se, but rather a general social assistance system. For more information about Chile Solidario, please see the next chapter.

funding. Systems that do not receive sufficient financing will never be capable of protecting citizens against illness. Still, funds are not always invested effectively. For this reason, ensuring a good standard of care for marginalized sectors may also require the creation of a regulatory agency or actor that monitors the quality of care and through which citizens can hold the state accountable.

A third dimension that is essential for health policies aimed at protecting high risk groups from poverty is related to the epidemiological health focus of policy. At the most basic level, healthcare systems must respond to the epidemiological challenges faced by a population. The health profile of countries vary quite widely and, for example, the types of illnesses that affect a low-income country such as Guatemala are quite different from those that affect the more developed state of Canada. Indeed, the Pan-American Health Organization (PAHO) reports that the leading causes of death in Guatemala during 1999 were pneumonia and diarrhea (representing 22.3 percent and 6 percent of deaths respectively) (Pan-American Health Organization 2002: http://www.paho.org/English/DD/AIS/cp_index.htm). In Canada, by contrast, the PAHO reports that the leading causes of death in 1999 and 2000 were non-communicable diseases related to the circulatory system (Pan-American Health Organization 2002). Variation in countries' epidemiological profiles is partially determined by how far the health system has progressed. In states where primary care is well-developed with broad vaccination and maternal-childhood health programs, the illnesses that affect citizens will differ from those countries where such policies have not been enacted.

In settings of high inequality, however, variation in the epidemiological profile of a country is complicated. This is because health challenges may vary quite significantly across societal groups. While lower income groups may continue to suffer deaths from communicable illnesses, elite groups that have access to high-quality care may have a health profile more like that of advanced industrialized countries. Thus, to ensure that health policy provides protection to the poorest sectors of society, the state may wish to focus initial efforts on the illnesses that

most affect low-income groups. In particular, it is important to develop a network of primary care health facilities that administer vaccination programs, check-ups, and maternal and childhood health programs. In the area of secondary and tertiary care, states interested in providing pro-poor healthcare must focus resources on the illnesses that most affect the population and those where the cost of treatment is likely to provoke an income shock for the household. The extent to which states take this information into consideration when planning and executing a healthcare reform will influence how effective policy is at protecting low-income groups.

A final dimension of healthcare policy that is relevant for ensuring protection for the poor relates to the issue of financing. Systems in which individuals are required to make a high co-payment for the use of services or where services are so scarce that families find themselves forced to turn to private providers for care, pose a serious financial risk to low-income families (Baeza and Packard 2006). For this reason, the way in which health programs are funded has important implications for the poor. One way that the state can protect the poor from this risk is by regulating co-payments (Rosenberg and Andersson 2000). Co-payments are typically introduced as a mechanism to avoid “moral hazard,” a term economists use to explain over-use of healthcare services (Jack 2000; Economic Commission for Latin America and the Caribbean (ECLAC) 2006). Research on healthcare consumption reveals that requiring a co-payment does have a moderate effect on dissuading individuals from using services for problems that do not require care, such as a one-time headache or a minor cold (ECLAC 2006: 105). On the flip side, however, co-payments may constitute a significant deterrent against seeking care for illnesses that do require assistance for low-income individuals and households. Indeed, in a setting of scarce resources, as is the case in many Latin American households, a 10 percent co-payment can signify a large share of family income and thus individuals may choose to forgo care until the

illnesses reaches a much more advanced level.¹⁴ Such systems, therefore, discriminate against the poorest groups in society. To remedy this shortcoming, states interested in protecting the poor must regulate co-payments and/or enact a progressive system for calculating the fee.

Another mechanism through which healthcare financing affects the poor is by determining the degree to which income and risk levels are pooled. Baeza and Packard (2006) define risk pooling as “the collection and management of financial resources in a way that spreads financial risks from an individual to all pool members” (Baeza and Packard 2006: 19). Systems may pool income groups, risk groups, or both. In those health systems that pool both income and risk groups, the poorest sectors of the population and the highest risk health groups will gain access to a much better quality of care than they could have obtained without risk pooling. By contrast, systems that do not ensure risk and income pooling will place a higher burden on poor and unhealthy individuals and families. Thus, it is important to consider the extent to which recent health care reforms increase the level of income and risk pooling.

A third and final way in which healthcare financing may affect the poor is through the creation of special safety nets for catastrophic illnesses. Catastrophic illnesses are extremely expensive to treat and therefore often result in the impoverishment of low-income families (Baeza and Packard 2006). Several states in the region have adopted special protections against catastrophic illness to prevent this shortcoming. To gauge how effective recent reforms have been at protecting low-income households, it is important to determine whether insurance against catastrophic events is provided (or at the least partially covered) by the state.

Table 6.1 summarizes the conceptual dimensions of healthcare reform that I have outlined above. The table also lists concrete policies that may (or may not) be included in a healthcare reform. In the following discussion of healthcare reform in Chile and Uruguay, I

¹⁴ A study of Chile, Mexico, and Paraguay found that families in the bottom income quintile allocated 2.16, 4.22 and 6.99 percent of their income respectively toward healthcare (ECLAC 2006: 87). In all three cases the bottom income quintile allocated the largest share of income to health costs. These figures represent spending after the payroll tax.

evaluate each country's new policy on each of these four dimensions to determine the extent to which the reforms were pro-poor in their focus. In the next section I describe the contents of Chile's 2004 healthcare reform carried out by Socialist Party President Ricardo Lagos.

Table 6.1: Dimensions of Pro-Poor Healthcare Policy

Conceptual Dimensions of Health Reform that Favors Poorest Sectors	Concrete Policies
A system that guarantees universal coverage regardless of income, ethnicity, and risk level	<ul style="list-style-type: none"> (1) Access to services regardless of labor market status and risk level. (A system to cover the informal sector) (2) The construction of hospitals and primary care centers in regions/neighborhoods with no services (3) Policies aimed at reaching out to risk groups to encourage use of the healthcare system
A system that ensures a good quality of healthcare for marginalized groups	<ul style="list-style-type: none"> (1) Adequate funding for public sector care (2) Creating regulatory bodies or mechanisms to police quality standard
A health service that concentrates effort on the risks most prevalent among low income groups	<ul style="list-style-type: none"> (1) Creation of a broad primary care network with extensive preventive measures (vaccinations, maternal and childhood health, etc.) (2) Curative efforts to focus on those illnesses with the highest mortality rate and highest cost of treatment
Ease the financial burden born by individuals (income and risk pooling)	<ul style="list-style-type: none"> (1) Guaranteed coverage for catastrophic illnesses (2) Create a financing mechanism that pools income and risk (3) A progressive system of limited co-payments (or none at all).

6.5 Healthcare Reform in Chile

Changes to Chile's healthcare system were slow in the making. Indeed, while the first two governments of the Concertación increased funding for health services,¹⁵ very little was done

¹⁵ It is estimated that Chile's healthcare spending doubled between 1990 and 1999 (Titelman 2000: 16). This increase helped reduce inequalities between the public and private sectors. While per capita spending

to alter the overall structure of the system. In this way, it is safe to say that the first two governments of the new democratic era sought to administer the already existing system to the best of their ability. Just days before handing over the government to the center-left Concertación coalition, the military regime passed a law that created a regulatory agency to oversee the activity of ISAPRES. The bill, commonly referred to as the “superintendencia” law, was negotiated and accepted by the incoming President and his team (Espinosa 1999). According to Espinosa (1999), the Concertación leaders thought it was best to accept the legislation and then revise the law once in office. The bill placed almost no new regulations on the private providers, but created an official agency that would ensure the enforcement of the rules. Upon arriving in government, members of the Finance and Health ministries began to draw up a bill aimed at amending the superintendencia law. However, due to internal divisions within the Concertación between pro-market and more statist sectors, and because of resistance from the ISAPRESs, a modified version of the bill was approved, but not until 1995.¹⁶ The 1995 law¹⁷ requires ISAPRES to provide standardized information to customers and introduces minimal regulations on the pricing system for the elderly and on the practice of excluding pre-existing conditions. Still, the ISAPRES maintained their ability to set prices, provide limited coverage to pre-existing conditions, and to set upper limits on the private firms’ financial obligations.

Chile’s sluggish progress in the area of regulating private medical providers was partially the result of political decisions, but also had its origins in the fact that the early Concertación governments placed the majority of their efforts on increasing the coverage and capacity of the public sector (Espinosa 1999). In this vein, the first two governments introduced sizable funding

by the private sector ISAPRES was three times higher than that of the public sector in 1989, that figure decreased to 1.8 times higher in 1999 (Titelman 2000: 16).

¹⁶ Specifically, Espinosa (1999) finds that actors within the Ministry of Finance resisted increasing regulations. The author contends, “some members of the democratic economic team wanted to advance in the privatization of the public health system. According to one interviewee, ‘the Ministry of Finance wanted to strengthen the industry [ISAPRES]’ (Interview, 7/23/1998)” (Espinosa 1999: 78). This, therefore, provides yet another example of how the Ministry of Finance shaped the healthcare reform process in Chile.

¹⁷ Law #19,381

increases into the system. The Aylwin government created several new emergency primary care services and mandated that all primary care clinics introduce a third shift so as to extend the hours of operation (Barrientos 2000). These efforts sought to boost the ability of Chile's primary care system to respond to citizen needs (Barrientos 2000). Moreover, the Aylwin and Frei governments modified the way in which healthcare funds were allocated within the public sector. Beginning in 1994, the funding rules for primary care were changed. Since the enactment of the military-era reform that transferred responsibilities for primary care to local level governments, the Chilean state had allocated healthcare funds on the basis of services rendered. In other words, primary care clinics were paid per each service performed. This scheme, however, was subject to budget caps. The end result was that in municipalities where the demand for services outpaced government projections (a situation that regularly occurred in poor municipalities), healthcare funding was unavailable and significant inequalities began to emerge (Borzutzky 2006: 150). Moreover, the cost of running primary care facilities was extremely high in rural and unpopulated areas, where clinics found it difficult to cover their costs because of the low number of services rendered. In 1994, therefore, a new funding mechanism was introduced. Financing was allocated based on the cost of a family health plan, which included a basic basket of interventions. The cost of this basket was adjusted for demographic and epidemiological differences between communities and thus was much more effective at supporting the provision of care in poor municipalities (Titelman 2000: 22). In 1995 changes were also made to the way in which funds for secondary and tertiary care are administered. These developments, while important, were primarily aimed at increasing efficiency and thus had little to no direct effect on the coverage and quality of care (Titelman 2000).¹⁸

Despite these efforts at increasing the quality and capacity of the public sector, large inequalities continued to plague the Chilean system at the end of the 1990s. Specifically, funding

¹⁸ The effects of these changes are important in that they freed up funds to be used toward alternative purposes. However, since it is difficult to clearly establish the extent to which this new funding was used to extend the quality and coverage of services to the poor, I will not analyze this policy innovation.

shortages had produced a public sector that was infamous for overcrowding and supply shortages in primary care clinics and long waiting lists for secondary and tertiary care. In simple terms, this meant that the quality of care available to Chile's low income sectors was worsening.

Increasingly, individuals found themselves unable to obtain prompt care in the public sector and began to turn to private hospitals and clinics, where services could only be secured at the high cost of falling into debt. In this way, the financial risks associated with healthcare had grown more severe for low-income families (World Bank 2005). According to many analysts, the system's problems were largely rooted in a shortage of funding, which was aggravated by the "risk skimming"¹⁹ built into Chile's dual model (Titelman 2000; Espinosa, Tokman, and Rodríguez 2005). Indeed, since funds were not pooled between the public and private sector and because private providers could legally discriminate against an individual on the basis of risk, the public system found itself with minimal financing, but being called upon to cover the majority of risk. Thus, as the 2000 Presidential elections neared, it was clear that the situation in the healthcare sector was unsustainable and that improvement in the quality and affordability of care was an issue that was high on the public agenda.

The 2000 Presidential elections in Chile were tightly fought between Socialist Party candidate Ricardo Lagos and the rightist Alliance for Chile candidate Joaquín Lavín. Among other issues, Lagos campaigned on a pledge to reform Chile's healthcare system so as to provide quality care for all Chileans. During his time in office, President Lagos was successful in passing a reform that was approved in 2004 and is commonly referred to as AUGE (Universal Access to Guaranteed Rights). The reform proposed the creation of a set package of illnesses that the state would guarantee to cover in a timely manner. The legislation specified exact time frames during which treatment had to occur. Moreover, the reform sought to alter the system of healthcare finance and remedy the "risk skimming" practice of the private sector by requiring that a flat-rate

¹⁹ Risk skimming refers to the phenomenon described earlier in this chapter in which private companies provide coverage to individuals during the healthy years of their life, but increase premium costs to a prohibitive level once they enter a higher risk category.

proportion of all worker's healthcare contributions (to both FONASA and the ISAPREs) be contributed to a national solidarity fund that would be used to off-set the costs of covering high-risk individuals (Letelier and Morales 2002; Boeninger 2005; Dávila 2005) The reform also re-organized the management of hospitals and placed a new emphasis on primary care, mandating that access to AUGE be obtained via the network of primary care clinics (Boeninger 2005; Dávila 2005).

The final version of the reform differed from the original proposal. The law does guarantee universal coverage of 56 illnesses, but was decided that it would be applied gradually with 25 being covered by 2005, 40 by 2006, and the full 56 by 2007 (Dávila 2005: 26).²⁰ The reform stipulates a timeline for treating the illnesses and commits the state to covering the cost of treatment in the private sector if the public system is unable to provide care. Moreover, the law establishes the value (and limits) of co-payments made for the treatment of AUGE illnesses.

The dimension upon which the final version of AUGE differs significantly from the original proposal is in the structure of its financing. First, the "solidarity" fund, which would have pooled a portion of contributions from private and public users, was not approved and was replaced with an inter-ISAPRE solidarity fund. The inter-ISAPRE fund requires that 0.7 percent of each ISAPRE contributions be directed to a fund that is used to off-set the cost of covering higher risk individuals within the private sector. This is expected to end the ISAPRE practice of risk discrimination since those firms that cover higher risk individuals will receive a subsidy from the Inter-ISAPRE fund (Boeninger 2005). Still, since the fund only pools the funds of private sector affiliates, the degree of income and risk pooling is limited.

A second change to the original AUGE proposal concerns the creation of a maternity solidarity fund. In the original bill, all Chileans would have contributed a portion of their healthcare contribution to a fund that would cover the cost of maternity health and leave (Dávila

²⁰ In its original form, the guaranteed coverage of all 56 illnesses would have gone effective immediately (Dávila 2005).

2005). Those individuals earning more than 400,000 pesos per month would have contributed 0.6 percent, while the state would have subsidized the contribution for citizens earning less than 200,000 pesos. The proposal stipulated that individuals earning between 200,000 and 400,000 pesos would contribute less than 0.6 percent and that the tax would be levied in a progressive manner (Donat 2002). This fund sought to guarantee maternity care and leave for all women, but it was also introduced to remedy the regressive practice under which the Chilean state subsidizes maternity care and leave for private sector healthcare providers. Under the healthcare system that was set up during the military regime, the state was responsible for covering the cost of maternal healthcare and paid subsidies to private insurers. Since the benefit is tied to income, the subsidy was extremely regressive with low and middle income earners paying for the leave of upper-income women (as well as for their own leave).²¹ With the introduction of the Maternal Solidarity Fund, however, the state sought to transfer some of the financial burden to users of private-sector insurance. Ultimately, however, the maternal solidarity fund was rejected.

In the wake of the elimination of both solidarity funds, other financing mechanisms had to be established. The government first attempted to cover the cost of the reform with an increase in the alcohol and cigarette tax, but this too was rejected. In the end, it was decided that AUGE would be funded through a 1 percentage point increase to value added tax (VAT),²² increased efficiency in the use of health funds, through natural increases in government revenue based on growth predictions, and by introducing new co-payments (Espinosa, Tokman and Rodriguez 2005). Specifically, the Ministry of Finance's budget office estimated that 64.9 percent of the cost of AUGE would be funded by contributions to FONASA, 6.5 percent would be funded by increased co-payments, 7.6 percent would be funded by larger fiscal revenues due to economic

²¹ Lagos' Finance Minister noted that in 2001 the Chilean state spent 73 billion pesos on maternity care and that 53 billion were consumed by ISAPRES for workers who make more than 400,000 pesos a month (Letelier 2002).

²² This one percentage point increase will also go toward funding the new anti-poverty program Chile Solidario.

growth, 7.9 percent would be funded by increasing efficiency in the health system, and 13.1 percent would be covered by the VAT increase (Espinosa, Tokman, and Rodríguez 2005). Importantly, several of these funding mechanisms, namely increased co-payments and the VAT, are felt more heavily among the poor than middle and upper income families.

For the purpose of this analysis it is important to stress that several aspects of the AUGE healthcare reform are very positive and have significantly improved the level of social protection enjoyed by low-income sectors of the population. Elements that have enhanced the quality and coverage of care available to low income and high risk groups, include the fact that AUGE guarantees treatment in a timely and high quality nature for the illnesses that account for the majority of deaths in Chile (Personal Interview #63). Moreover, these illnesses are selected on the basis of prevalence and cost, thus creating a protection for low-income families against costly treatments (Personal Interview #63). Theoretically Chile's public health system already guaranteed treatment to all individuals, but since citizens had no way of holding the state accountable, services were insufficient. Thus, the fact that the AUGE reform created a regulatory agency (the Superintendencia de Salud), which is responsible for enforcing these guarantees, is an important step toward making the rhetorical commitment to universalism a practical reality.

Another pro-poor aspect of the healthcare reform is that it increases the funds available to the system due to the 1 percent increase in the VAT. These new funds will help improve the quality of public care and boost coverage among lower income groups. The 2004 AUGE reform also strengthens Chile's system of primary care by requiring that all individuals gain access to AUGE through primary care physicians. In this way, the reform strengthens a level of care that is critical for low-income groups. Finally, while AUGE does not eliminate co-payments and actually introduces new co-pays in some cases, it does place a cap on the total amount that a family can be required to pay for any given AUGE illness in any given year. These caps were formulated in a progressive manner and thus afford financial protection to low-income groups.

Still, the AUGE reform did come up short with regard to the structure of financing. The elimination of the solidarity and maternity funds means that “risk skimming” still pervades the Chilean system. For this reason, the low and middle-income users of the public sector bear a greater burden in covering risks than the private sector. Moreover, the elimination of these two funds pushed the government to enact larger co-payments, which weigh heavily in lower income groups. Finally, the mechanism through which Chileans gain access to healthcare (through work contributions or means-testing) was not changed and no measures were put in place to encourage informal sector workers who do not qualify as extremely poor to contribute to the system. Thus, there is still a small group of Chileans that remains uncovered despite the AUGE reform.

The strengths and weaknesses of the reform are summarized in table 6.2. Overall, I rank the AUGE reform as having a strong effect on increasing the quality and coverage of the system. This is notably different from the policy results obtained in education, where the effect was moderate and even negative in some regards. For this reason, I focus the analysis of Chile’s healthcare reform process around three central questions: (1) why did the healthcare reform come later than other social sector reforms? (2) why was the reform more pro-poor than the education reform, and (3) why was the government unable to pass the most pro-poor aspects of the reform (concerning financing) while the Frente Amplio in Uruguay was successful in that regard? Focusing on these questions, I demonstrate how the elite-electoral organization Chile’s center-left parties in combination with policy legacies account for the timing of the reform, the variation in outcome with regard to the country’s education reform and the variation in outcome with regard to Uruguay’s healthcare reform. Before turning to this explanation, I provide a brief overview of Uruguay’s recent healthcare reform.

Table 6.2: Healthcare Policy Reform in Chile

Conceptual Dimensions of Health Reform that Favors Poorest Sectors	Concrete Policies in Chilean Reform
A system that guarantees universal coverage regardless of income, ethnicity, and risk level	<ul style="list-style-type: none"> • System remains tied to labor market status or means-testing. Small group not covered • Territory completely covered by primary care and hospital network is good. • AUGE in combination with Chile Solidario seeks to bring indigent into network • AUGE limits risk discrimination within the private sector <p>STRONGLY PRO-POOR</p>
A system that ensures a good quality of healthcare for marginalized groups	<ul style="list-style-type: none"> • More funds available to public sector. • AUGE creates system of clear timelines and treatments and a way for citizens to hold providers accountable <p>MODERATELY PRO-POOR</p>
A health service that concentrates effort on the risks most prevalent among low income groups	<ul style="list-style-type: none"> • AUGE requires that all patients pass through primary care first, strengthening the “family care” model. Moreover, the Concertación adjusted the funding of primary care in a way that allocated more for the high-risk and low-income municipalities. • AUGE illnesses selected on the basis of incidence of mortality and cost of treatment. <p>STRONGLY PRO-POOR</p>
Ease the financial burden born by individuals (income and risk pooling)	<ul style="list-style-type: none"> • Funding source improved with the introduction of 1% VAT increase, but still no attempt to require employer contribution. • Chile has guaranteed coverage for catastrophic illnesses. AUGE further sets upper limit of what an individual family can be required to pay in one year. • AUGE attempts to create a financing mechanism that pools income and risk, but comes up short. Still, does involve

	<p>partial pooling (within public sector and within private sector, but not between the two).</p> <ul style="list-style-type: none"> • Co-payments in the public sector are set in a progressive manner, but are rather significant in size. For AUGE illnesses, however, there is a cap on what an individual family can be required to pay. <p>MODERATELY PRO-POOR</p>
OVERALL ABILITY TO INCREASE QUALITY AND COVERAGE OF HEALTHCARE AMONG THE POOR	STRONGLY PRO-POOR

6.6 Healthcare Reform in Uruguay

Changes to healthcare policy in Uruguay were all but non-existent prior to the FA's arrival in government in 2005. Indeed, while the Colorado and Blanco administrations of Julio Sanguinetti and Luis Alberto Lacalle did increase spending on health (see Figure 6.2), this trend was reversed in the late 1990s, as an economic downturn began to take hold. The first democratic administrations did make moves to decentralize the administration of public hospitals with the 1987 creation of the State Healthcare Administration Service (ASSE). The 1987 reform began as an ambitious effort to create an integrated national healthcare service, but was quickly derailed and ultimately emerged as a new de-centralized institution that was charged with administering public care and worked under the direction of the Health Ministry (Setaro 2005; Piotti 2002; Filgueira and Moraes 1999). Under this new configuration, the state would reduce its direct role in the provision of care and assume the tasks of financing and oversight. The goal of the reform was to transfer some health responsibilities to regional and provincial governments. Filgueira and Moraes (1999) note that the end result was quite the opposite and ASSE continued to control around 90 percent of health units (Filgueira and Moraes 1999: 29). Indeed, while the 1987 reform produced a slight decentralization of control at the administrative level, financing and affiliation rules remained untouched (Filgueira and Moraes 1999).

The second presidency of Julio Sanguinetti made moves to further decentralize healthcare administration with a 1995 proposal that sought to re-organize the Ministry. According to the proposal, ASSE would be transformed into an organism responsible for regulating and supervising the quality of service provided by hospitals, while the Ministry would be responsible for formulating policy and coordinating relations between the public and private sectors. The 1995 proposal also sought to increase efficiency by tightening the means-testing used to determine if a citizen is eligible to use public care. Finally, the proposed Sanguinetti reform would have introduced competition into the system, allowing citizens to choose between the public and private sector when selecting a plan. The World Bank played an important role the proposed reform by financing a project entitled “Institutional Strengthening of the Health Sector” (FISS) (Fernandez, Mitjavila, and Moreira 2000). The Bank outlined three objectives for the FISS: to increase the efficiency of health spending, the achieve universal coverage, and cost-containment (Fernandez, Mitjavila and Moreira 2000: 14). Interestingly, these objectives also constituted the core focus of the proposed 1995 healthcare reform.

Sanguinetti’s proposed healthcare reform was introduced in the 1995 budget law, employing a strategy similar to that used to pass the education reform. Unlike in the case of education, however, the healthcare initiative was rejected after fierce opposition was voiced by representatives of the private sector and medical workers’ unions (Moreira and Fernández 1998). In particular, the Medical Federation of the Interior (FEMI), a group that represents IAMCs outside of Montevideo, strongly opposed the 1995 reform. FEMI resisted the measure because it would have allowed workers with insurance to direct their contribution to the public sector if they decided they did not want private care. This marked a great change, as previously all formal sector workers and those individuals paying for their own coverage were required to affiliate with a private-sector IAMC. In some regions of Uruguay’s interior, the public sector offers better coverage than the IAMCs and some analysts argue that this fact threatened FEMI, who worried about losing affiliates (Filgueira and Moraes 1999). Moreover, the reform included funding

provisions for the construction of local hospitals, which FEMI also perceived as a move by the state to infringe upon their territory. The organization, therefore, mobilized resistance to the 1995 initiative and thanks in large part to its good relations with Representatives and Senators, the group effectively blocked the attempted healthcare reform (Filgueira and Moraes 1999; Moreira and Fernández 1998; Setaro 2005; Piotti 2002).

Thus, during the first three administrations of the democratic period, very little changed in the area of healthcare. However, following the devastating financial crisis in 2002 the solvency of the country's private sector IAMCs became increasingly questionable. Moreover, with the sudden increase in poverty levels and soaring unemployment, Uruguay's public healthcare sector began to take on greater responsibilities with regard to the number of individuals relying on the service for coverage. It is of little surprise, therefore, that in the 2004 presidential election, the FA set healthcare reform as one of its primary issues, committing the party to pushing through a radical reform. Since arriving in government in 2005, President Vázquez' administration has moved forward with a plan to create an integrated national healthcare service. The FA reform seeks to reformulate how healthcare is financed, delivered, and regulated. It aims to strengthen the public sector, improve the financial sustainability of private providers, and shift the focus of care from its expensive curative character toward a preventive system with a strong network of primary care clinics.

The FA proposal is generally pro-poor in its focus. The new system guarantees healthcare coverage for all citizens regardless of income, ethnicity, sex, age, and risk level. Individuals will gain access to the system through a payroll tax adjusted for income level and family status (whether the contributing worker has children under the age of 18). Those individuals who do not have formal sector employment will gain access to the system through their low-income status (by means-testing). In this way, the system continues to exclude a key group: low-income, but not officially poor informal sector workers. According to a 2006 household survey, approximately 3 percent of Uruguayans, the majority of whom are young, do

not have any form of health coverage (Robaina 2007). Since the Uruguayan reform does very little to extend coverage to this group, the new plan, like that of Chile, falls short with regard to its general progress in the area of coverage. The new system will, however, make an important step forward in covering one age group that was previously exposed to quite high levels of risk: children and teenagers. Previous to the FA reform, workers enrolled their children in a IAMC through a separate process from their own contribution. Because the service was costly, coverage among children was quite low, with many families opting to use partial emergency insurance rather than obtaining IAMC services (Fernandez, Mitjavila, and Moreira 2000). Thus, the fact that the new system requires workers with children to make a larger contribution, automatically providing coverage, should improve children's access to healthcare, thereby boosting the poverty reducing effect of the reform.²³

The FA proposal is quite strong with regard to improving the quality of healthcare available to marginalized groups (dimension two in table 6.1). First, the new system provides a significant increase in funding for public healthcare, which will allow for the construction of clinics and hospitals in locations that were previously underserved. This increase in financing has been achieved through several mechanisms. First, the 2005 budget law allocated higher levels of general revenue for health expenditure, increasing the state's effort by US\$180 million over three years (La Republica 2007). Second, the new system requires all workers, both public and private, to contribute to the National Healthcare Fund (Fonasa). Previously, worker and employer contributions for healthcare were channeled directly to private IAMCs. Under the new system, by contrast, healthcare contributions will be paid into a unified health fund, with the contribution rate based on income and family status. In this way, higher income earners individuals with children will pay more than the poor and those with small families. Specifically,

²³ Evidence of how this reform increased coverage among children is made abundantly clear by the fact that in the first two days of the reform's implementation (January 2 and 3, 2008), nearly 70,000 children were enrolled in the system. Of these children, 18,000 had previously had no coverage, while others had partial coverage (El Observador 2008).

worker contributions will vary from a low of three percent to a high of six percent (Republic of Uruguay 2007).²⁴ All contributors will be allowed to choose between affiliating with the public healthcare system or with a private-sector IAMC. Once this decision has been made, FONASA will issue per-capita payments to the chosen provider. These payments will vary across users based on the individual's risk profile. The risk profile considers both the age and sex of the person to be covered. In this way, the new system will provide more funding to those institutions that cover the riskiest individuals and boost funding to the public system.²⁵ For those individuals who are unable to contribute to FONASA because of their low-income (or unemployed) status, the Uruguayan state will subsidize their affiliation cost.

Previously, the disparity between per capita funding to the public and private sectors was immense, with the private sector spending approximately 900 pesos per month on each member, while the public sector spends 280 pesos per person (Garat 2006).²⁶ The new system should partially remedy this problem, creating a set rate per risk profile regardless of whether or not the payment is issued to the public or private sector. This, in turn, should provide a higher level of

²⁴ Private sector workers will pay 6 percent of their income if they have children under 18 years of age. Workers without children who earn more than 2.5 'bases de prestaciones y contribuciones' will pay 4.5 percent of income, while those workers who earn less than 2.5 'bases de prestaciones y contribuciones' and do not have children will pay 3 percent of taxable income (Republic of Uruguay 2007). The 'base de prestaciones y contribuciones' in February of 2008 was just over US\$77 (Instituto Nacional de Estadística 2008).

²⁵ A Doctor and consultant for the World Health Organization told me that one problem with the reform is that the new system of "per capita" payments is calculated using information from the private sector. "So, for example, the cost of treating kids in the private system is quite different from those in the public system. If a child is born to a mother who has pre-natal care, who can feed it, who gets the immunizations, who doesn't smoke, etc. etc., then that child will not need much and the per capita payment can be small. The same is not true for a child born underweight to a mother who is malnourished and smokes and doesn't have a home" (Personal Interview #61). The law does not adjust the "per capita" payment for these types of risk.

²⁶ This figure represents spending levels when the FA came to government in 2005. Health Ministry official Daniel Oleskar estimated that by January of 2007 the state would have increased spending in the public sector to 410 pesos per person (Garat 2006: 17).

funding for the public sector, thereby diminishing large inequalities in the quality of care provided to Uruguayans from different income groups.²⁷

The FA reform also calls for the creation of a new autonomous organization charged with monitoring the quality of healthcare provided in the country. This body, which is called the National Healthcare Committee, will be responsible for overseeing the system and ensuring that the standards created by the reform are upheld. The Committee will be comprised of two members of the Ministry of Health, one member of the Finance Ministry, one member of the Social Insurance Bank (BPS), one representative from the IAMC community, and one representative of healthcare users (Republic of Uruguay 2007). Reformers hope that the new committee will ensure a higher standard of care by creating an organization that is capable of holding the state and private insurance companies accountable for their services. As it currently stands, however, no formal mechanisms have been established to ensure that such accountability exists.

The Uruguayan reform is also pro-poor in that it seeks to shift the focus of the health system away from tertiary care toward preventive measures. As part of this effort, the FA government has constructed 18 new clinics in an around Montevideo, representing a 19 percent increase (Muñoz 2006). Additionally, the government has built 10 new laboratories for blood and specimen collections and 15 new pharmacies for public healthcare users (Muñoz 2006). A similar process has been carried out in the rest of the country and the new network of primary care will consist of 207 primary care clinics distributed throughout the country (Muñoz 2006). The new policy, therefore, should create a solid system of primary care, which is a service of special important for low-income individuals.

²⁷ The public sector provides an important level of coverage to young children and the elderly. Indeed, according to the 2006 household survey, about 70 percent of youth under 20 years and 40 percent of individuals over 60 use the public health services (Robaina 2007). One study presented during debate over the healthcare reform found that of the 130,000 retirees who were eligible to choose between the public and private sector, only 50,000 opted to use private IAMCs. The report found that the low level of private sector affiliation resulted from high co-payments for services (El Observador 2007).

The final dimension of healthcare reform that is relevant for assessing the pro-poor character of policy is the degree to which the new program eases the financial burden born by individuals and families. One way that a state can reduce the financial pressure felt by individual citizens is to guarantee coverage of costly catastrophic illnesses. Since 1980, Uruguay has offered such protection through the National Resource Fund (FNR). The FNR is financed by contributions from IAMCs and the public sector and provides treatment for a number of high-technology and high-cost procedures. The fund has been praised for its ability to protect individuals from the expenses associated with some catastrophic illnesses, but has also received sharp criticism because of its high cost (Fernandez, Mitjavila, and Moreira 2000). In particular, because of the nature of the illnesses and procedures covered by the FNR, the fund is overwhelmingly used by the elderly. Since poverty in Uruguay is concentrated among children, some have suggested that the funds could be used more effectively. Still, I contend that this should not diminish the importance of the fact that the FNR exists and eases the financial burden shouldered by individuals and families by covering the cost of expensive medical procedures.

Another tool that helps reduce the financial stress placed on the poor due to high healthcare costs has to do with the way in which health is financed and whether the system pools income and health risks. As explained previously, the FA reform creates a universal healthcare fund that *both* private and public affiliates will pay into. Moreover, individuals' contributions are to be calculated in a progressive manner, with high-income earners paying more than low-income families. Additionally, the way in which the fund then distributes funds to healthcare providers will take into account the risk profile of an individual (ie: sex and age). In this way, the new financing system does a very good job at pooling income and risk. Moreover, the fact that the law prohibits private providers (IAMCs) from rejecting an individual for coverage and from

providing partial coverage, means that individuals with pre-existing conditions and/or a high-risk profile will not be discriminated against (Republic of Uruguay 2007).²⁸

A final measure that is important for protecting poor families from the financial burdens imposed by healthcare is to limit co-payments to a minimum and/or charge the payments in a progressive manner. The Uruguayan state has always regulated the cost of IAMC premiums and co-payments. During the late 1990s and early 2000s, however, as the financial situation of many private IAMCs grew precarious, the state eased restrictions on co-payments, allowing them to increase the fees as a means of generating revenue for the private sector. The result was a steady decrease in the use of services (Moreira and Fernández 1998; Portillo, Buglioli, and Lazarov 2001). Portillo, Buglioli, and Lazarov (2001) find that the costs of co-payments more than doubled between 1991 and 1998 (Portillo, Buglioli, and Lazarov 2001: 18). During that same period, non-urgent medical visits decreased by 6.1 percent, with low income families cutting back even more dramatically (Portillo, Buglioli, and Lazarov 2001: 18-19).

In simple terms, during the governments of Julio Sanguinetti (Colorado), Luis Alberto Lacalle (Blanco), and Jorge Batlle (Colorado), the situation of co-payments worsened. The FA government, by contrast, has made an explicit effort to reverse this trend by reducing the value of co-payments and increasing regulations on the services IAMCs must provide free of co-pay. Specifically, in August of 2007 the BPS signed an agreement with all IAMCs that will participate in the new Integrated National Healthcare System. The contract requires IAMCs to provide certain services to children, the elderly, and pregnant women without co-payments. In the case of the elderly, senior citizens will be granted three co-payment waivers each month. If the waivers are not used, they can be employed at any time during the following twelve months. The agreement also guarantees two semi-annual check-ups and one x-ray for seniors without any co-payment. Pregnant women and young children enjoy similar guarantees (Campodónico 2007).

²⁸ Article 58 of this bill states: “healthcare providers who participate in the integrated national health system cannot reject any user... nor limit the services included in the integral health plan approved by the Ministry of Health” (Republic of Uruguay 2007: Article 58).

The agreement between the state and participating IAMCs also imposes deadlines for the length of time that any individual will wait for services ranging from visiting a specialist to surgery (Campodónico 2007). In this way, the reform has helped ease the financial burden felt by low income families and high risk groups by setting new limits on the use of co-payments.²⁹

The strengths and weaknesses of the Uruguayan healthcare reform are summarized in table 6.3. Overall, I rank the FA's reform as having a strong effect on increasing the quality and coverage of the system among the poor. The effectiveness of the FA healthcare reform stands in contrast to the government's slow progress in the education sector and a comparison of the two initiatives sheds light on how policy legacies can work to strengthen or weaken the impact of party system organization on policy reform. Interestingly, one of the most 'pro-poor' characteristics of Uruguay's reform, the creation of a national healthcare fund that pools income and risk between the public and private sectors, was rejected in Chile. A comparison of the two countries reveals how the organization of the center-left parties and policy legacies help account for this difference. In light of these points of contrast, I structure the analysis of Uruguay's healthcare reform around three questions: (1) why was no progress made in healthcare during the first four governments of the new democratic era? (2) why was the FA able to act more ambitiously in healthcare than in education, and (3) why was the FA government able to pass a strongly pro-poor financing mechanism while a similar tool was rejected in Chile? To address these questions, I now turn to an analysis of the healthcare reform processes in Chile and Uruguay, highlighting how the organizational structure of political parties and policy legacies have shaped the timing and content of reform in both cases.

²⁹ In Uruguay's 2006 household survey, 80 percent of individuals who reported having fallen ill during the year said that they sought medical attention. However, just over 8 percent of those who saw a doctor did not obtain the prescribed medication. Of those who did not obtain medication, about 20 percent said it was due to the high cost, while the remaining group said the medicine was not available in the public pharmacies (Robaina 2007).

Table 6.3: Healthcare Policy Reform in Uruguay

Conceptual Dimensions of Health Reform that Favors Poorest Sectors	Concrete Policies in Uruguayan Reform
A system that guarantees universal coverage regardless of income, ethnicity, and risk level	<ul style="list-style-type: none"> • Access still tied to labor market. • Increases coverage among children and dependents. • New clinics and primary care facilities constructed in the interior and periphery of Montevideo • No outreach policies in place <p>STRONGLY PRO-POOR</p>
A system that ensures a good quality of healthcare for marginalized groups	<ul style="list-style-type: none"> • Increased funding to the public sector from general revenue, larger contributions, and per-capita subsidy that is based on age and sex rather than the public/private divide. • Creation of National Healthcare Committee <p>STRONGLY PRO-POOR</p>
A health service that concentrates effort on the risks most prevalent among low income groups	<ul style="list-style-type: none"> • Bill includes regulations aimed at shifting focus toward primary care. New primary clinics and service centers are built in interior and Montevideo. <p>MODERATELY PRO-POOR</p>
Ease the financial burden born by individuals (income and risk pooling)	<ul style="list-style-type: none"> • National Resource Fund (FNR) continues to operate although age distortions not addressed. • National Healthcare Fund (Fonasa) pools all contributions [for both public and private users] and pools income and risk levels. • Regulations in place that prohibit companies from denying or limiting coverage. • Co-payments are reduced. <p>VERY STRONGLY PRO-POOR</p>
OVERALL ABILITY TO INCREASE QUALITY AND COVERAGE OF HEALTHCARE AMONG THE POOR	STRONGLY PRO-POOR

6.7 Explaining Healthcare Reform Outcomes in Chile and Uruguay

I focus my analysis of Chile's 2004 healthcare reform around three questions: (1) why did the healthcare reform come later than other social sector reforms? (2) why was the reform more pro-poor than the education reform, and (3) why was the government unable to pass the most pro-poor aspect of the reform (the solidarity and maternity funds) while the FA was able to pool income and health risks into one unified fund? I contend that these questions are answered by my two variables of interest: the organizational structure of political parties and policy legacies.

Chile: Center-Left Party Organization

The elite-electoral structure of Chile's center-left parties helps explain two crucial aspects of the country's recent healthcare reform. First, it explains why, despite significant resistance from the medical corporation, the Lagos government was able to push through a reform that guaranteed coverage for a subset of illnesses; something that the Doctors' union (CM) and other organized interest groups in the medical sector were opposed to. Second, the elite-electoral character of the Concertación parties, in combination with the strength of the right and policy legacies, also explains why the Fondo Solidario and Maternal health fund were rejected.

As mentioned previously, the key achievement of the AUGE healthcare reform is that it guarantees coverage for a set number of illnesses in a timely and high quality manner. The Doctors' union (CM) opposed this aspect of the reform. It claimed that selecting a group of illnesses was unethical and that if funded properly, the public sector could provide coverage of all illnesses. A former Health Minister and member of the CM told me, "this law [AUGE] is totally illegitimate from an ethical perspective... the new policy only covers some illnesses; can you imagine what it's like to be a doctor and tell people that their illness isn't in AUGE? I'll tell you, it's horrible" (Personal Interview #9). Similarly, a high official from the CM told me that the idea of limiting coverage to a "package" of illnesses was strongly opposed by the union. "We were horrified by the fact that the selection of AUGE illnesses would clearly result in a

discrimination against non-AUGE illnesses. We found this ethically unacceptable. In the end, it's unfair because the politicians make the decision, but we doctors are the ones who have to tell sick people, 'sorry, you don't get to go in the AUGE line and your treatment is going to take a long time,'" (Villena 2006). Other healthcare workers' organizations, such as the Consejo de Gremios de la Salud (Congress), which groups distinct health sector unions, also opposed the reform. In a newspaper interview about AUGE, the president of the Congress, Juan Díaz, said, "it's a list of selective treatments that excludes many health problems that the population faces and for that reason we have made a resolution to oppose the reform. It is an attack against the health of the population. If someone is sick from something not included in the list who will take care of it?" (Durán 2002).³⁰

Indeed, one of the primary points of opposition for the healthcare workers' unions was the effort by the state to identify a package of illnesses³¹ and guarantee set treatments.³² In the early period of the reform, the CM, the Congress, and the local healthcare workers' union (Confusam) staged strikes and work stoppages to protest the proposal (Durán 2002; Dávila 2005). Still, despite this vocal resistance, the Lagos administration was able to proceed with the reform. According to a representative from Confusam, this was possible because the Concertación parties do not rely on the mobilizing capacity of unions like Confusam. He said the group had encountered significant barriers for accessing and influencing Concertación politicians. The problem was particularly acute, he said, among the 'market-friendly' sector of the center-left

³⁰ Translation by author.

³¹ At the time AUGE was introduced some actors, particularly inside the Health Ministry, were pushing for a fully-universal reform that covered all illnesses for all individuals. This was resisted by the Finance Ministry because of concerns about the cost of such a project. This point is discussed in greater detail later in this section.

³² Certainly other concerns also played into the CM and Congress' opposition. The organizations complained that the issue of funding was being overlooked and demanded larger investments in the sector (and presumably, therefore, in their wages). In interviews with members of the reform team I was also told that the unions were opposed to the government regulating the work of doctors (determining which treatment course would be mandated for AUGE illnesses, etc) (Personal Interviews #62, 63, 64).

parties (Personal Interview #77).³³ The Confusam official told me that the unwillingness of the ‘market-friendly’ sector to reach out to his organization was likely tied to its general concern about mobilization.

An official from the CM also stressed the Concertación’s reluctance to promote mobilization among organized interest groups.

“In the 1980s Chile was full of strong and organized social groups... Beginning in 1990, however, all of that changed because the *Concertación* worked to demobilize and disarticulate these groups. This process of demobilization was achieved by bringing people into the bureaucratic apparatus, but also by ensuring the political parties cut off all relations with social groups and didn’t help such organizations extend their power... The political parties in this country aren’t concerned with strengthening organization and mobilization” (Personal Interview #65).

The CM representative told me that when the Lagos administration began to draw up the reform plan, the Minister of Health came to meet with the CM and informed the organization that the government would not solicit union participation in the planning meetings. “She [the Health Minister] gave a presentation and said the government didn’t want unions to participate in the commission because they would contaminate the technical process with their self interest” (Personal Interview #65). This decision not to involve the union in decision-making would not have been possible if the Concertación relied on a mobilizing linkage mechanism, like that seen in Uruguay’s FA.³⁴

While not using these exact terms, President Lagos also told me that his reform team was not interested in cooperating with the CM because of their generally conservative approach to change (Personal Interview #66). In the end, the reform planning team was comprised of representatives from the Ministries of Health, Labor, Finance, and the Presidency, but no social organizations were invited to participate. The ability of the Concertación to by-pass participation with the medical unions was made possible by the elite-electoral structure of the parties and the

³³ He defined this sector as the ‘third way’ group.

³⁴ In fact, as discussed in the next section, the Uruguayan reform involved broad consultation with unions and other organizations

fact that they do not rely on mobilization to garner electoral support. Indeed, a representative from the CM told me that while the organization was able to participate in Congressional committee hearings, they were unable to gain access to the inner circle of reform planning. This, he said, was because the organization enjoyed little to no ties with parties. Once the reform reached the floor of the Congress, only a select number of Representatives, who were Doctors by profession and are commonly referred to as the “*bancada medica*,” represented the concerns of the CM. In this way, the absence of a relationship between organized interests that had historically been represented (and mobilized) by Chile’s center-left parties and the political organizations, was key in permitting the passage of AUGE.

While the elite-organized nature of the Concertación parties helped secure the passage of the packet of illnesses, it undermined the ability of the Lagos administration to pass the “Fondo Solidario” and the “Maternity Fund.” Both of these funds would have contributed toward strengthening the public sector and low-to-middle income groups. Moreover, the funds were supported by the CM and other healthcare unions (Dávila 2005). When the funds came under fire by the more economically-liberal sector of the Concertación, the Right, and the private insurance industry, the sectors of the Concertación parties that supported the funds had no source of power to defend the mechanisms.

The position of different sectors within the Concertación on the issue of the solidarity fund and the maternity fund reveals yet again the existence of a state-market divide inside the center-left parties. A former director of FONASA and participant in the AUGE reform planning process told me that the division within the Concertación with regard to healthcare reform was not between parties, but rather between sectors that spanned the parties. “The division was basically between the more technical or technocratic groups and the rest... the technocrats were more liberal. For instance, one might consider Doctors technical as well, but they fell on a totally different side of issue. These were the managerial technocrats – we were the economists, the

engineers, managers” (Personal Interview #63). One of the Health Ministers during the reform echoed this comment telling me that,

“there was a major division within the Concertación as to what should be done with model [of healthcare]. On the one hand, there was a group that thought we should just finish what Pinochet started and move toward an individual and heavily privatized system. Then there was a second group that felt the opposite... the divides crossed parties; there were more and less liberal individuals in all of the parties” (Personal Interview #67).

In other words, the same division that was evident in the education reform process – that between the more liberal/technocratic sector of the Concertación and the more statist sector – also affected the healthcare reform. Much like in education, the statist sector, which in this case supported the formation of the solidarity and maternity funds, was disadvantaged by the fact that it enjoyed no mobilizing capacity due to the elitist organization of the parties. Meanwhile, the more liberal/technocratic sectors were strengthened by the policy-making process, which involved deliberation among a small group of highly skilled technocrats; the exact type of policy-making arena that empowered the liberal sector of the Concertación. A high official from Lagos’ Health Ministry told me: “it [the inter-ministerial committee in charge of designing the reform] was made up of representatives from Finance, Labor, the Presidency, Health, and the President himself... this committee provided a special area that existed to allow the *tecnicos* to converse” (Personal Interview #62).³⁵

In an analysis of the reform process, Dávila (2005) argues that Chile’s labor unions were largely absent from the AUGE debate because of their low technical, political, and organizational capacity. I contend that this problem goes even deeper and has to do with the organization of the country’s center-left parties. Clearly, the primary policy resource enjoyed by unions is their ability to mobilize and since the Concertación has severed the ties with these organizations, their

³⁵ This was the general model used for policy formation during the Lagos administration. As one of Lagos’ closest advisors put it: “The way we put together our policy reforms was to invite a group of academic technical experts and sometimes engineers. We’d sit around the table drinking tea and talking to the president. The President really participated in these conversations very actively and inside this small group we came up with proposals” (Personal Interview #68).

“comparative advantage” has become increasingly irrelevant. Rather, the highly technical and isolated policy-making arena empowers those actors whose comparative advantage is technical in nature, which is predominant in the more economically-liberal sectors of the Concertación parties. The ability of these actors to “thrive” in this policy-making arena is evidenced by the fact that the Finance Ministry’s representative to the healthcare reform committee and President Lagos were the only two members of the commission who were involved with the reform from start to finish (Personal Interview #21).

In a somewhat ironic twist, therefore, the elite-organized nature of the Concertación and the policy-making model preferred by the center-left parties had two distinct effects on the AUGE reform. On the one hand, the organizational style allowed the center-left parties to distance themselves from the CM and other health sector unions so that the government could effectively pass a reform that guaranteed coverage of a subset of illnesses. This disconnect between the social organizations and the party, however, simultaneously undermined the efforts by the Lagos administration to create a solidarity and maternity fund. This was because the sectors of the Concertación parties that supported the two funds enjoyed no means for mobilizing support for policy.³⁶ This ironic twist underscores the benefits and limitations that an elite-electoral party structure implies. Specifically, the organizational structure does protect the policy-making arena from certain forms of rent-seeking; from the consolidation of special privileges for well-organized entities, which do not always represent the poorest sectors of society. Still, the organizational structure inhibits the power of the party sectors that seek to enact highly re-distributive and pro-poor policy because they enjoy no allies.

In the end, the organizational structure of the Concertación parties empowered the more liberal/technocratic sector, headed up by the Christian Democratic Senators and former Ministers Edgardo Boeninger and Alejandro Foxley, to re-negotiate the bill without the two solidarity funds.

³⁶ In other words, although the solidarity fund was included in the original proposal, the Concertación lacked the needed power (and mobilization) to defend the fund against attacks from the right, market-friendly members of the coalition, and the private insurance companies.

The demand to eliminate the two funds was also issued by the parties of the right and the private insurance sector, which further strengthened the opposition to the funds. The Boeninger and Foxley legislation did away with the two solidarity funds and required that the coverage of AUGE illnesses be adopted in a gradual manner between 2005 and 2007. The proposal also included the provision of a “voucher system,” which would have provided the A and B groups in FONASA with the option of using their subsidy for treatment in the private sector (Boeninger 2005).³⁷

While the role of Boeninger and Foxley in re-writing the healthcare reform bill and the voting record in the House and Senate has been interpreted by some as representing a distinction between the PDC and other parties of the Concertación (Boeninger 2005; Dávila 2005), I contend that the elimination reflected the interests of a broader group within the coalition: the economically liberal sector.³⁸ I base this conclusion on data gathered in interviews, in which participants in the reform team noted that the primary divide was not between parties, but between sectors of the parties. Moreover, while it was two Christian Democrats (Boeninger and Foxley) who re-negotiated the bill, the members of the reform commission approved the change and evidence from my interviews suggests that removing the solidarity fund was not resisted by that group. A Finance Ministry representative to the reform team told me, “we didn’t get the fund in its original form. Instead, we got the inter-ISAPRE fund. For the purpose of reducing risk discrimination, however, this was the most important step” (Personal Interview #21). Another member of the reform team and a high official from the Health Ministry concurred with this point, noting: “another issue that Finance was worried about was the Fondo Solidario, but once they did the math and realized that it was more of a symbolic issue than an important financial pillar, they

³⁷ This “portability” mechanism was eventually rejected and does not constitute part of AUGE.

³⁸ Although it is true that in Congressional deliberation it was the PDC, PPD, and rightist parties that voted to eliminate the solidarity fund (Dávila 2005), the only votes explicitly *against* eliminating the fund also came from the PDC and PPD (Dávila 2005). The PS, by contrast, abstained from voting on the solidarity fund.

lost their concern... once they saw that the finances were there and that we could afford it, they let go” (Personal Interview #62). In other words, within the more liberal/technocratic sectors of the Concertación, who comprised the bulk of the reform planning team, the commitment to the solidarity and maternity fund was based on a concern about public finances and fiscal discipline rather than equity. Once this concern was eliminated, so too was their commitment to including such risk pooling mechanisms in the reform. Thus, while the two members of the Concertación most associated with the elimination of the solidarity fund are Christian Democrats, elites from other parties in the Concertación also played a role. Moreover, some Christian Democrats, such as the Health Minister at the time the reform was introduced, Osvaldo Artaza, were extremely committed to the solidarity fund and fought for its inclusion. I contend, therefore, that the elimination of the fund does not represent a general difference in orientation between the PS and PDC,³⁹ but underscores the broader state-market divide that spans all of the Concertación parties.⁴⁰

The organizational structure of the Concertación parties, which places no emphasis on mobilization, grants a comparative advantage to the liberal/technocratic sector of the party when it comes to policy-making. The power of this group is further bolstered by the important power granted to Chile’s Finance Ministry. As mentioned previously, the significant role of the Finance Minister in prompting and shaping social policy reform is a side-effect of the elite-electoral organization of the Concertación parties. In the case of the AUGE healthcare reform, the Finance Ministry was highly influential in shaping the timing of the policy initiative and certain aspects of its content. In all of my interviews with the healthcare reform team, I was told that the growing

³⁹ As mentioned in chapter four, several studies reveal differences between the three parties with respect to their “average” ideological position (Luna 2005). Still, I contend that those ‘averages’ mask important divisions within each of the three major parties.

⁴⁰ A former PDC Health Minister told me, “within the PDC there were different and conflictive visions about healthcare. Some were more statist and some more neoliberal. These divisions were particularly stinging at the transition. Now the divides are so diverse that there’s no consensus about how to change the system so we keep the status quo” (Personal Interview #9).

instability of healthcare financing and concern within the Finance Ministry about the sustainability of spending were crucial factors in prompting the reform. This is not to say that financial concerns were the only motivating force, but simply that economic efficiency helped put healthcare reform on the agenda. Interviewees said the economic concerns emerged because despite the fact that Chile's first two democratic governments increased healthcare expenditure significantly, by 2000 the system remained plagued by problems. One member of the reform team told me,

“it was becoming increasingly clear that we were dealing with a healthcare system that had an enormous design problem... this problem was related to the way that risk discrimination was generating financial strains in the public sector. This is because ISAPREs offer fairly bad coverage... This is further complicated by the fact that the ISAPREs could discriminate by risk so risky people either paid more or ended up in the public system. All of this amounted to quite a significant drain on the public system” (Personal Interview #21).

A high official from the Health Ministry stressed the role of financial concerns in precipitating the reform incident. He said,

“I think the clearest interest or concern [that motivated the reform] was a financial one that came out of the Ministry of Finance. Expenditure in healthcare was increasing on average by about 12 percent a year, but growth was only at 5 percent. This lack of balance generated a lot of concern on the party of the Ministry of Finance, who was unsure how we could sustain the situation” (Personal Interview #67).

An official from the Frei government and consultant to the AUGÉ reform team echoed this point, telling me that there was an increasing concern about the expansion in spending and a growing sense that the system, as designed, was unsustainable (Personal Interview #63).

Further evidence about how the Ministry of Finance determined the timing of the reform was offered by Ministers of Health from the Aylwin and Frei governments. One former Minister told me that his desire to enact change to the healthcare system was stifled by the Finance Ministry: “you might say that the Health Minister is like the undersecretary of Finance. They [the Finance Ministry] have quite a bit of power” (Personal Interview #9). Another former Minister told me that despite a political interest to reform the sector, the Finance Ministry resisted because

they did not want the state to increase its fiscal burden. “They [the Finance Ministry] were very committed to the municipalization of primary care and resisted our attempts to talk about reform” (Personal Interview #14). Interestingly, a high-ranking member of the health team during the Frei government told me that a healthcare reform plan had been drawn up, but that the effort was called off because the President and his Finance advisors didn’t think it was wise to take on more than one reform (Personal Interview #63).⁴¹ In other words, although there were groups interested in reforming Chile’s healthcare sector during the first two governments of Concertación, their voices and interests did not gain representation until the Finance Ministry also came on board. This suggests that because of the strong role of Finance within Concertación governments, a successful policy coalition must enjoy the support of that Ministry. Other factors will influence whether the issue gets play, but ultimately a reform is only made possible once the support of the Finance Ministry has been achieved.

The importance of Finance Ministry in the Concertación policy-making process also explains two aspects of AUGE’s contents: why the reform didn’t include mechanisms to boost coverage of the informal sector and why the reform opted to guarantee a “package” of illnesses instead of an across-the-board commitment. As mentioned previously, the AUGE healthcare reform guaranteed coverage for a subset of illnesses, but did nothing to modify the way in which Chileans gain access to care: through payroll contributions or means-testing. For this reason, the reform left a notable group uncovered: non-indigent informal sector workers. Such workers typically work in service industries like taxi drivers and make an income that omits them from the means-tested program, but do not earn enough to cover the cost of private insurance. During the reform design period, members of the Health Ministry and some members of the more statist sectors of the Concertación proposed that the new system should allow independent workers to make a 7 percent contribution to FONASA without being required to contribute to a private

⁴¹ The Frei government passed Chile’s full-school-day reform, which involved a sizable financial commitment from the state to expand educational infrastructure. See the previous chapter for a more detailed explanation of that reform.

pension fund. As it stands currently, workers who are unable to cover both the pension and the health contribution, which arrives at approximately 17-20 percent of taxable income,⁴² must purchase private health insurance if they desire coverage. By “de-bundling” the pension and health contributions, representatives in the Health Ministry hoped to make the tax more accessible and achieve universal coverage.

According to a high-ranking Health Ministry official, the issue of covering this group emerged early in the negotiations, and after some debate, the Health Ministry and the Social Insurance Superintendent agreed that informal sector workers should be permitted to contribute to FONASA. The Ministry of Finance, however, surprised the reform team by vetoing the idea:

“we never understood why the Ministry of Finance didn’t want them to contribute. I think it was basically because they didn’t want to include a group that represents about 6 percent of the population and potentially would increase the cost of the reform. It would have been an unplanned cost and they didn’t want to expose themselves to an unexpected cost” (Personal Interview #62).

A representative from the Finance Ministry confirmed the Minister’s position, saying that he and other officials did in fact veto the attempt to allow informal sector workers to contribute to FONASA, noting,

“those ‘huevones’⁴³ in the Health Ministry don’t know anything. They have really good intentions and want to help everyone and they have no idea what they’re talking about or how to help people. There were many different ways to deal with this problem, but the truth of the matter is that the system is not created for people who don’t have stable contract jobs. Our system is very Bismarckian and that works great when most everyone has a job, but that’s not the situation here. If we really wanted to cover all of those people we should have scrapped the payroll contribution and funded the system out of general revenue” (Personal Interview #21).

⁴² Chile’s privatized pension system requires a minimum contribution of 10 percent of taxable income plus approximately 3 percent for disability and survivors insurance (Castiglioni 2005). Additionally, the required healthcare contribution is 7 percent. This accounts for the 17-20 percent contribution level for combined health and social security contributions.

⁴³ The use of the word “huevon” or “huevones” is common in Chilean Spanish, but very difficult to translate. Most commonly the term is used in a derogatory tone to indicate that someone is stupid or foolish. In some cases it is used among friends as a playful nickname. In this passage it can be interpreted as an insult to officials in the Health Ministry. I choose to include the use of the term, as I believe it reflects the low esteem that the Finance Ministry generally has for other sectors of the state.

The Finance Ministry representative told me that the reason they opposed the effort to de-bundle health and pension contributions was because doing so would have decreased incentives for workers to save for social security. He said that because health concerns are unpredictable, individuals are inclined to pursue health coverage. Old age income security, however, was long-term in nature and often individuals don't see a need to contribute while young. Thus, by linking the requirement of health contributions to social security contributions, the government increased the likelihood that individuals would contribute toward a pension fund. Moreover, he argued that permitting independent workers to contribute a smaller amount of their pay would encourage migration to the informal sector. For this reason, the Finance Ministry insisted that rules regarding the rights of independent workers should not be altered. The result is a system that still does not afford coverage to the entire population.

The power of the Finance Ministry within the Concertación governments also accounts for a second aspect of the AUGE's contents: the decision to guarantee coverage for a set number of illnesses. My interviews reveal that part of the reason why the reform limited coverage to a "packet" of illnesses was tied to the Finance Ministry's concern over the financial sustainability of the reform. One member of the reform team and representative of the Finance Ministry told me, "we were aware that we couldn't offer 100 percent coverage of 100 percent of illnesses. That just wasn't feasible in economic terms. So we needed to define a list of priorities; we needed to decide what illnesses we could reasonably cover at a good price and offering good services" (Personal Interview #21). A high official from Lagos' Health Ministry told me that he and other health officials had pushed for a broader reform and an accompanying tax to fund a universal system. Due to the cost and the issue of tax increases, however, the Finance Ministry resisted. "Eyzaguirre [the Finance Minister] really didn't like that [the expanded proposal] and he let

everyone know that there wouldn't be a tax reform" (Personal Interview #67).⁴⁴ An under-secretary of Health during the reform era confirmed this fact, arguing that the Ministry of Finance played a "cost-containing" role during the reform planning process (Personal Interview #62).

The creation of a "package" of covered illnesses was criticized by the CM and the extra-parliamentary left for limiting social protection. Others, however, have noted that the decision to limit the scope of guarantees has ensured that the law will be upheld and creates a sustainable financial base for the program (Personal Interview #63). Additionally the design of AUGE and the fact that included illnesses are re-considered every two years provides the Chilean state with an effective tool for responding to changes in the epidemiological profile of the country, thus ensuring that guarantees respond to the healthcare needs of citizens (Personal Interview #63). Still, the decision to limit coverage to a subset of illnesses and to use "technical" criteria to select those illnesses reflects the 'efficiency' goals of the Finance Ministry. While this may ensure the financial sustainability of the reform, it could impose constraints upon politicians or health advocates who seek to introduce coverage for illnesses that are not common in Chile or for which treatments have mixed success rates because including such coverage might be deemed 'inefficient.'

An example of such a limitation emerged in late 2007 when Socialist Party President Michelle Bachelet proposed the inclusion of six new illnesses in AUGE; a move that would raise total coverage to 62 ailments. The six illnesses were childhood arthritis, adult asthma, adult epilepsy, Gaucher's disease, Parkinsons, and adult hernias. The Ministry of Health's advising committee, however, questioned the inclusion of some of these illnesses, arguing "[the Ministry] shouldn't include health problems for which there is no clear evidence about the cost-effectiveness of treatment" (Olivares 2007). In particular, the committee recommended that cystic fibrosis not be included because "the treatment is not cost effective, is often unsuccessful,

⁴⁴ Ultimately the Congress approved a one percentage point increase in the VAT. Still, in interviews with officials from the Health Ministry, I was told that they and others had proposed a broader tax reform to fund a fully universal health system that guaranteed coverage for *all* illnesses among *all* age groups.

and the universe of cases in the population is small” (quoted in: Olivares 2007). Although this commission does not have final say in whether or not an illness is included in AUGE, it is clear that the original ‘efficiency’ focus of the reform has long term consequences for the way in which future extensions will be handled.

Chile: Right Party Organizaiton

In a democratic setting it is important to consider not only the role of the party in government, but also the impact of opposition parties. As mentioned in chapter four, the organizational structure of Chile’s right-wing parties also has implications for the timing and content of policy reform. Interestingly, in the case of AUGE, the constraining role of the right is much more notable than that which occurred in the case of education and non-contributory social assistance reforms. For this reason, a comparison across the distinct sectors sheds light on how the power of Chile’s right-win parties matter for social policy reform.

Dávila (2005) finds that rightist parties in Chile constrained the scope of the healthcare reform, prompting the removal of the solidarity and maternity funds. In interviews with members of the reform team, including President Lagos himself, I was told that the conservative parties did influence AUGE’s contents (Personal Interviews #62, 64, 66, 67). Still, the fact that the right-wing parties emerge as an important variable in explaining healthcare reform, but appear less important in the case of education and non-contributory social assistance suggests that the right’s role, while important, is triggered by something more than the party’s share of seats in the House and Senate. I argue that to understand why the parties of the right were successful in blocking aspects of the Concertación healthcare reform, but less so in other sectors, is related to the organizational structure of the party and its close relationship with big business.

A key characteristic of Chile’s right-wing parties is the strong and institutionalized relationship with a united business sector, which in chapter four I describe as a ‘coordinating’ party structure. Several authors have underscored this feature of the right-wing parties, noting how the actors provide a direct channel for representation of business interests (Luna 2005) and

serve as an important advisory force in the formation of party issue positions (Fairfield 2007). Fairfield (2007) argues that in the area of tax policy, the right-wing parties and business groups act in tandem, making it difficult to determine which is the driving force behind policy change. The alliance between business and the right places the Concertación parties in a particularly difficult position because, as Fairfield (2007) contends, Chile's center-left parties have prioritized their skill in managing the macroeconomy and ability to promote growth, and therefore, they are particularly reticent to come into conflict with the business community. Of course, not all policy issues are of interest to the business community. Indeed, topics involving political or moral considerations may not exhibit the "dual alliance" phenomenon that Fairfield (2007) describes in her analysis of tax reform. In the absence of this "dual alliance," I contend that right-wing parties will not exert the same degree of power in blocking legislative reforms. In other words, I hypothesize that for issues in which opposition to legislation is motivated by *both* the right and the business community, the power of the conservative parties will be stronger than in those areas where concerns do not involve business groups.

In the case of education, healthcare, and non-contributory social assistance reforms, this hypothesis is confirmed. Indeed, in the instance of the AUGE reform, private-sector insurance companies had a clear and direct interest in blocking the change. The firms felt threatened by the possibility of new regulations and the creation of a national healthcare fund, which would have reduced profits (Personal Interview #24). Evidence that the right-wing parties and the private insurance companies worked in close coordination during the healthcare reform was provided by a high official from the Association of ISAPREs, an interest group representing the private companies. The director said, "we work with politicians. You know, this proposal wasn't a surprise. It didn't suddenly emerge and we all started fighting. Many elements were resolved and worked out beforehand" (Personal Interview #24). Although the director resisted naming a particular party ally, the walls of his office were filled with pictures of high-ranking UDI and RN politicians, himself, and other members of the organization in official events (observation during

personal interview). Moreover, the right-wing parties' think tanks, "Libertad y Desarrollo" and "Libertad," worked closely with the Association of ISAPREs to produce research aimed at reducing support for AUGE (Dávila 2005).

In contrast to the situation of AUGE, Chile's education reform and the non-contributory assistance program Chile Solidario, were less affected by right party opposition. Importantly, the points of debate raised by the right-wing parties related to political concerns rather than business interests and thus had less of an impact on altering the course of the reform projects. For example, in the case of Frei's full-school-day education reform. The rightist "Alliance for Chile" resisted approving the law that mandated a full-school day, arguing that the decision should be optional and decided upon by school leaders. The conservative parties also sought to increase the autonomy of municipalities in the administration of education and called to limit the reform to primary schools so as to contain costs and decrease the VAT.⁴⁵ A final demand issued by the rightist party block, and the only issue that did make its way into the legislation, was a call for a new tax break for private firms that made donations to schools. This measure was strongly supported by the business community because it provided added relief from the corporate income tax. Interestingly, then, the only issue of the education reform for which the right-wing parties were able to impose their will on the Concertación related to a topic that directly affected the business community. This suggests that the power of Chile's conservative parties works in combination with the nature of the issue area, namely whether or not the reform in question directly affects the business community. In other words, to fully understand the power of Chile's right-wing parties, it is important to analyze whether the reform in question brings together the "dual alliance" of business and the right. In situations where the two actors are united, the right will be able to take advantage of its 'coordinating' party structure and will wield greater veto power than in areas where the business community is not directly affected.

⁴⁵ This is based on a review of news articles about the education reform process during 1994-1997.

Chile: Policy Legacies

Policy legacies in Chile's healthcare sector influenced the strength of the relationship between party structure and policy reform. In particular, the design of previous policies had fragmented the provision of care into a dualistic (public-private) system. Still, the fragmentation in healthcare was less than that in the education sector, which segmented users into three groups (public, subsidized private, and fully-private). Moreover, while the division of users in education did not generate a "majority" group, the situation was different in healthcare, where the bulk of Chileans continued to receive service from the public sector. As of 2003 about 72.1 percent of Chileans relied on public healthcare (Lenz 2005). The fact that the country's public sector remained the primary source of care was crucial for allowing a reform that expanded the role of the state. A high official from the Lagos Health Ministry told me, "I think the fact that public health was still alive and well was also an issue [in explaining the nature of the reform]" (Personal Interview #62).

One of the authors of the reform also stressed this point. He said the reform commission was aware that expanding the state's role in healthcare would be popular because it would benefit a majority of Chileans. Interestingly, this individual had studied the failed attempt of U.S. President Bill Clinton to pass a healthcare reform in the mid-1990s and traveled to Washington to meet with former members of the Clinton team. One of the primary lessons he learned during those meetings, he said, was that "I needed to engage in a reform that would be for all Chileans to ensure that we would have a support base" (Personal Interview #64). The reformer told me that to ensure this occurred with the Chilean reform, the Lagos administration monitored public opinion to be certain that they had a 'majority coalition': "we carried out regular polls to establish what people's opinion was of the reform. You know that no matter what happened, 70 percent of the population consistently supported the idea of guaranteed care" (Personal Interview #64). It is interesting to note that according to these government polls, support for the reform hovered around nearly the exact same level as the share of the population enrolled in the public health

system. This suggests that this support was likely shaped by the fact that the individuals in question still relied on public sector care. Several members of the reform team noted that maintaining majority support was crucial for the success of the reform (Personal Interviews #63, 67, 69). Thus, the legacy of a majority public system made the AUGE reform feasible. The use of opinion polls to gauge public support for the healthcare reform is interesting as it underscores how pro-welfare coalitions in an elite-electoral party system need not be vocal or mobilized. Indeed, it seems that in parties that downplay the role of mobilization, polling and passive public support is important. This affirms that democracy does matter for policy-making even in the absence of a mass-mobilizing party structure because, as demonstrated by AUGE, policy-makers can find themselves inclined to advance a reform even in the absence of vocal political support.

While policy legacies helped sustain the commitment of Concertación politicians to improving the quality of care in the public sector (thereby weakening the relationship between the organizational structure of the center-left parties and policy output), they also had a constraining effect on the reform. The fact that previous policy, namely the reform enacted by the military regime, had created a private market for healthcare with little to no government regulation of the sector raised significant barriers to the goal of pooling risk between public and private users. Clearly during the more than 20 years that ISAPREs developed, the companies came to enjoy significant economic power, establishing an organization to represent their interests and constructing strong ties with the political parties of the right. Moreover, the private firms and their owners and managers grew accustomed to a large profit margin and committed to ensuring that the state did not impose new and costly regulations on their operations. A high-ranking representative from the inter-ISAPRE organization that represents private insurance interests told me that the firms would not have accepted any reform that imposed new regulations on their activity (Personal Interview #24). This policy stance and the political clout wielded by the ISAPREs meant that AUGE reform would not likely introduce significant changes to the private sector. This fact was confirmed by a high official from the Lagos Health Ministry, who told me

that some officials had sought to pursue a broader reform, but that advisors to the President insisted that infringements on the private sector would never be approved (Personal Interview #62).

The impact of a for-profit private actor on constraining the AUGÉ reform is extremely important and underscores a general trend among social policy reforms in the current era. In systems where private firms have entered the market and have been permitted to compete for profit, the nature of the reform process changes dramatically, as politicians are forced to balance the interests of a strong and politically-powerful private sector with those of the most vulnerable citizens.⁴⁶ As one of Lagos' advisors put it, "in many areas it was simply politically unfeasible to go back. In privatization [referring broadly about social services and public companies], for example, the economic interests and the people who had made money and gotten rich and powerful from the privatization never would have allowed us to go back" (Personal Interview #68). In other words, once private services are introduced, the playing field for policy reform is forever altered.

Interestingly, Chile's 2004 healthcare reform also reveals the importance of policy legacies because of the explicit attempts by politicians to re-construct healthcare policy in way that generated new legacies that favored further improvement in the public sector. In interviews with members of the reform team I was told that the idea behind guaranteeing a set number of illnesses was, in part, that it would pave the way for a further extension of rights. In other words, policy-makers were banking on the fact that once granted rights, Chilean citizens would be empowered to demand further improvements. One reformer told me:

"We were keenly aware of the fact that one of the big problems with the reform was that we didn't have the money. But what we did have was a good system with a long history... So, we said, ok, if we don't have the money, let's create the rights and the money will follow.... We knew that we didn't need money to have rights and that once there were rights there would be a massive feedback and no one would be able to turn against those rights" (Personal Interview #64).

⁴⁶ This is especially true if parties of the right have a business-coordinating structure.

In other words, the AUGE reform sought both to improve the quality of care, but also to generate new legacies that would empower citizens to demand additional rights. This idea was shared by other members of the reform team as well (Personal Interviews #62, 66, 67). The fact that politicians were seeking to construct new policy legacies lends support to the fact that such legacies do influence policy makers' room for maneuver when reforming social programs.

In summary, Chile's AUGE healthcare reform provides an example of an instance in which policy legacies worked to weaken the effect of the Concertación parties' structure on policy output. Although AUGE was not fully 'universalistic' in scope, it was much more so than the education reform. This is because while the education policy legacies strengthened the fiscal focus of the Concertación policies, healthcare policy legacies weakened that tendency. Specifically, the fact that the majority of Chileans rely on public healthcare generated electoral incentives for a more 'statist' reform, thereby weakening the parties' tendency to favor fiscal discipline over equity. In the case of the right-wing parties, healthcare policy legacies worked in the opposite direction, strengthening the effect of the conservative force on policy output. Indeed, the fact that previous policies had introduced a for-profit private sector that enjoyed limited regulations and high profit margins meant that the AUGE reform sparked the interest and concern of Chilean big business. This, in turn, strengthened the power and ability of the right to constrain the Concertación's policy proposal and resulted in the elimination of the solidarity and maternal health funds.

As mentioned previously, the analysis of Uruguay's healthcare reform during the FA administration is structured around three central questions: (1) why was no progress made in healthcare during the first four governments of the new democratic era? (2) why was FA able to act more ambitiously in healthcare than in education? (3) why was the government able to pass some pro-poor financing mechanisms that were rejected in the Chilean reform experience? I contend that these questions are answered by two key variables: the organizational structure of political parties and policy legacies. In the remainder of this section, I explain the Uruguayan

reform paying particular attention to these two variables and to the three previously mentioned questions

Uruguay: Political Party Structure

Uruguay's center-left party, the FA, differs from those of Chile with regard to the organizational structure of the party. In Chile the Concertación parties are elite-organized with little to no mechanism for consultation between party elites and the base. In Uruguay, by contrast, the center-left FA is a mass-mobilizing organization and its fractionalized structure provides a setting of intense competition between party leaders for support from the base. This mass mobilizing linkage structure has important consequences for the nature of policy-making in the country and for the content of such reforms. In the case of healthcare, the impact of the Frente Amplio's mass-mobilizing structure helps to explain two aspects of the reform process: (1) its timing (why modifications were not made during the first four governments of the democratic era); and (2) why the current FA reform includes a financing mechanism that is significantly more pro-poor than that included in Chile's AUGE reform.

The mobilizing linkage that ties the FA to its base was forged during the party's experience in opposition, as mass-mobilization was the primary tool used by the center-left party to expand its following and boost its electoral performance. Natural allies in this process were organized interest groups such as unions and federations, and the party quickly pieced together a broad base made up of such associations. Worker organizations representing doctors and other professionals in the medical sector have historically been strong in Uruguay and provided one possible avenue of support to the mass-mobilizing party. However, the relationship between the center-left party and the Doctor's Union (SMU) and other professional medical organizations is much weaker than the tie that links the left party to unions that represent blue-collar workers.⁴⁷

⁴⁷ This is to be expected in light of the unique character of the SMU and other medical-professional groups. Since these organizations represent, for the most part, a more privileged sector of society, they did not develop a strong kinship with the FA. Importantly, these groups also do not enjoy strong ties to the

Indeed, while the SMU and other medical sector interest groups remain powerful actors in the policy-making arena, they exhibit a high level of political diversity, with several leadership posts belonging to militants of the traditional Colorado and Blanco parties. In fact, during the most recent SMU election in June 2007, a Blanco militant, Alfredo Toledo, was elected President (Cuenca 2007). Such political diversity is not found inside other organized interest groups such as the Teachers' Unions. Moreover, the fact that the Doctors' Union is not affiliated with Central PIT-CNT means that its relationship to the FA was less critical in the Frente's mobilizing strategy than other organizations. This is because the PIT-CNT is the primary mobilizing engine for the FA. The fact that the ties between the FA and healthcare organizations are weaker than in other sectors is crucial for understanding the ability of the center-left party to pursue an aggressive healthcare reform despite resistance from organizations within the health sector.

This should not suggest that the SMU and other medical sector organizations do not have power, but rather that they exercise their power in ways that differ significantly from other unions. Indeed, medical sector organizations have traditionally controlled a significant level of power in Uruguay (Setaro 2005; Filgueira and Moraes 1999; Fernandez, Mitjavila, and Moreira 2000). Setaro (2005) attributes this strength to the secular character of Uruguayan society and the high regard paid to science and medical professionals. Other scholars note that medical doctors, particularly in the interior of the country, have secured this power by working their way into political life, assuming posts in the Congress (Setaro 2005; Filgueira and Moraes 1999; Castiglioni 2005). A doctor and consultant for the World Health Organization told me, "the ability of doctors to get their way and have their interests heard isn't so much about the power of the Doctors' Union as it is about the fact that there are more doctors in the parliament than any other profession" (Personal Interview #61). In this way, the power of the medical sector is different from that of the teachers' unions or the labor movement. Whereas those organizations

traditional parties. Rather, as is explained in the remainder of this section, they obtained representation through more direct channels of influence.

rely heavily on parties, and the FA in particular, to channel their political demands, the SMU and other medical organizations exert influence only partially by means of parties, pursuing, instead, more direct relationships with Representatives and Senators. An officer from the non-doctor medical workers' union (FUS) confirmed this fact, noting:

“if you speak with the doctors at the SMU they have the impression that they have no power. I always tell them, give me a break; you have all the power. You control the Presidency, Ministers, Senators, and other posts... It is the doctors who have many informal channels to power because there are other doctors in so many important positions” (Personal Interview #70).

More evidence of this fact is offered by Castiglioni (2005), who quotes a member of FEMI as saying,

“you will always find legislators who also happen to be doctors, because physicians tend to have this habit of getting involved in politics... and if they are in the countryside they belong to FEMI. So FEMI has a very important connection to legislators from the countryside. This, at any given moment, might facilitate dialogue, or might help us get access to a [legislative] commission, or the like” (quoted in: Castiglioni 2005: 81)

All of my interviews with members of the medical sector unions confirmed the fact that these groups tend to access power through informal relationships rather than official ties to parties.

When I asked a former President of the Doctors' Union how the organization made its voice heard during political debate he said,

“we're no experts in lobby, but generally we look for someone who is in a relevant position on the committee [legislative]. We have good relations and we take our problems to them with proposed solutions. These are not formal channels. They are personal contacts... The relationships of power and influence are infinite. It is all very personal and informal” (Personal Interview #71).

Another high official from the organization told me, “the channels through which we access power are vague. This is a small country and we know each other. So, we might just talk about these issues over a meal. There are paths through which we communicate and they work well” (Personal Interview #72). Similarly, a representative from the interest group that represents IAMCs in Montevideo, the Plenario, said that his group was not tied to a political party, but used other avenues of influence (Personal Interview #73). The same is true for FEMI and Castiglioni

(2005) reports that Enrique Pintado, a FA Deputy, said Sanguinetti's 1995 attempt at a healthcare reform failed because FEMI found representation in all three parties: "[the reform] failed because the lobby of the physicians from the countryside pervaded all political parties, including our beloved left" (Pintado, quoted in: Castiglioni 2005: 89).

In other words, although the SMU, the Plenario, FEMI, and other healthcare organizations have traditionally been strong in Uruguay, their relationships with political parties, and with the FA in particular, are of a different nature than those between the center left party and teachers' and trade unions. This is because the ties are not as direct and are not based on a mobilizing strategy. Rather, the organizations have access to all three parties and exert power in a subtle manner.⁴⁸ This means that the power of the sector is not concentrated within the FA. Interestingly, this power dispersion has had mixed results on policy output depending on the color of the party in government. In the case of the FA, the fact that the ties between the party and the SMU, Plenario, and FEMI are not as strong as those with other organizations and the fact that the relationship is less based on a mobilizing strategy, means that the party's elites enjoy more freedom in drawing up reform plans. In this way, several FA leaders noted that policy activity in healthcare was easier than in education or social security (Personal Interviews #48, 59). The fact that reform was made easier in a sector where the mobilizing ties between the FA and interest organizations are relatively weak, reveals the importance of the center-left party's linkage mechanism in shaping the possibilities for reform. While the FA is able to engage in an ambitious healthcare policy reform because the weaker nature of ties to healthcare organizations, in other sectors such as education, where the ties between the party and interest organizations are strong and mobilizing, reform options are slowed because of internal party dissent.

The fact that the relationship between medical sector corporations and the FA is weak compared to those between the party and other organizations also had policy implications during

⁴⁸ Interestingly, the Blancos issued calls for a referendum over the healthcare reform during July and August of 2007, but were unable to mobilize FEMI, the Plenario, and other organizations (Gutiérrez 2007).

the traditional party governments. The fact that the Blancos and Colorados never completely lost their standing within the SMU, the Plenario, and FEMI was no minor fact; particularly as it became increasingly clear that the FA was making important strides in the electoral arena. Indeed, since these organizations were one of the few areas where the traditional parties still enjoyed political influence, healthcare became an especially difficult sector for the Colorados and Blancos to reform. Evidence of the political value placed on maintaining positive relations with the medical sector corporations is offered in a comment from the 1995 Minister of Health, Alfredo Solari, who oversaw Sanguinetti's brief attempt at healthcare reform. In an interview with Castiglioni (2007), Solari said: "As long as this [healthcare project] would have advanced with a relatively low political cost, it would have been successful. But Sanguinetti was not willing to pay a very very high political cost [for healthcare]" (quoted in: Castiglioni 2005: 77). In other words, the Sanguinetti government was only interested in reforming healthcare if it could be done without alienating organized interest groups. This choice reflected the political importance of maintaining a foothold among those organizations. Further evidence of this fact is provided by the fact that the 1995 coalition government between Uruguay's two traditional parties provided for policy agreements in a number of areas, including education and social security, but did not come to an agreement about healthcare. Clearly, then, the fact that the medical sector corporations were not clearly allied with the FA imposed a unique constraint upon the policy behavior of the traditional parties. Whereas the parties were ready to face battles with the teachers unions (in the education reform), the pensioners' movement, and central trade union (in the social security reform), the same was not true in healthcare, where the parties still enjoyed some degree of influence.

The traditional parties' resistance to alienating healthcare unions is unsurprising if one considers Uruguay's political landscape during the 1990s. This was a period of growing political competition; a time in which the FA was increasingly mobilizing large sectors of the population and augmenting its share of the vote. Thus, the potential threat posed by the idea of the SMU and

other medical sector organizations turning to the FA to find voice was sufficient to tie the hands of politicians in the country's traditional (Colorado and Blanco) parties. This *political* blockade against healthcare reform was further strengthened by policy legacies that created a situation in which any change that sought to strengthen the public sector would provide benefits to users who were likely loyal to FA, while imposing costs on the private IAMCs, with whom the traditional parties still held some control.⁴⁹ The combination of these two factors worked to decrease the likelihood of healthcare reform during the traditional party governments of the 1980s and '90s. The role of competition and the threat imposed by the growing power of the FA was expressed by a high-ranking Colorado Deputy who told me it was hard to engage in a healthcare reform because "it is a very competitive political game here [in Uruguay] and one way to get support is to spend. On top of it, you have pressure groups who really aren't interested in saving... they want to protect their interests" (Personal Interview #50).

In summary, the fact that the SMU and other medical sector organizations do not have strong mobilizing ties to the FA explains the timing of healthcare reform. In particular, the lack of strong ties sheds light on why the Sanguinetti, Lacalle, and Batlle governments never carried out a healthcare reform and why the FA has moved far in healthcare relative to other social sectors such as education and social security. In addition to the timing, the linkage mechanism that ties party elites in the FA to its base explains the content of the party's current healthcare reform and the changes that were made to the bill during Congressional debate. In particular, the party structure boosted the power enjoyed by sectors of the party, such as the trade unions and pensioners' movement, which support a unified healthcare fund that combines funds for the public and private sectors. It also helps to explain why the new system will include mechanisms to pool income and health risks and why the contribution rates and the rules governing contributions were adjusted at several points during the course of legislative debate. These three attributes of the Uruguayan reform differ significantly from Plan AUGE in Chile and a

⁴⁹ This point is discussed in greater detail in the section about policy legacies in Uruguay.

comparison of the reform process reveals how variation in the structure of the Concertación parties and that of the FA explain a portion of this variance.

The FA formulated its healthcare reform immediately arriving in office in 2005. One member of the reform team explained that while the party's platform contained a commitment to changing the system, a detailed proposal did not exist. "We worked with what the SMU and FEMI had drawn up. The medical workers' (non-Doctor) union had also put together a proposal and there were resolutions and documents from the PIT-CNT [central labor union]" (Personal Interview #74). Indeed, the reform bill was drawn up following an extensive process of consultation with organized interest groups and party militants. These meetings, called 'consultative councils,' sought input from a range of actors. A Health Ministry official told me:

"The consultative council meetings were held with representatives from different groups tied to the healthcare sector... The government did have a general plan, but many things were decided in those discussions and in the bi-lateral meetings between the Minister and organizations. It was a very important process of debate. It helped create a space in which different power groups inside the system could confront one another and discuss their different perspectives" (Personal Interview #74).

This process of consultation was created in part to bolster support for the reform among users of the public healthcare system. One of the authors of the bill told me that by consulting with broad sectors of the population, the reform team hoped to grant a voice to the potential 'winners' of the reform.

"We have been working really hard with [public] healthcare users... We realize that people in the mutualista or social security system are strong because they are organized by groups unrelated to the type of healthcare they use. They are organized in unions and such and this gives them power. In the public system, by contrast, the same is not true" (Personal Interview #75).

To remedy this disequilibrium in the balance of power, this reformer said the FA had supported the creation of users' organizations tied to neighborhood groups. The formation of these groups sought to grant power and mobilize a sector that otherwise might not have been represented in the debate. This, in turn, helped to strengthen those within the reform team who were pushing for the creation of a universal healthcare fund. "We want to universalize or homogenize the quality of service. We're not adding new things, but we want to be sure that everyone has access to the

same baseline... By creating users groups, we had a powerful new voice to defend this reform” (Personal Interview #75).

It is important to stress that in creating this “consultative” policy-making process that brought in healthcare users, the FA was able to move focus away from the issue of salaries. Indeed, since a wide spectrum of actors were involved with the process, the SMU was unsuccessful in placing the issue of salaries at the top of the reform agenda. In fact, the FA government held firm during a series of Doctors’ strikes in August and September of 2007, using emergency powers to keep health centers staffed and eventually undermined the efforts by the SMU to introduce the topic of salaries into the reform process.

Interestingly, then, the FA’s mobilizing structure did not result in “corporate control” of policy making in the area of healthcare. This is explained partially by the character of organized interests in the healthcare sector (ie: that they exercise power differently and are fragmented into distinct groups), but also by the fact that the party’s broad base can be mobilized to balance the interests of corporate sectors by incorporating other groups into the debate. This underscores a key aspect about the effect of party character on policy output. The impact of the variable on policy output depends on the nature of the sector in question; specifically on the character of organized interest groups tied to the sector. In policy arenas where organized interests are unified and are an active part of the FA’s mobilizing apparatus, reform will be slow and the outcome will place high priority on ‘corporate’ demands (as was demonstrated in the case of education). In sectors where organized interests are fragmented and do not constitute a crucial piece of the FA’s mobilizing structure (ie: private medical sector interests and the SMU), reform will be easier to pursue and will balance corporate and citizen interests. In other words, policy legacies mediate the impact of party structure on policy output.

The consultative process of healthcare policy-making adopted by the FA is a natural result of the party’s organic and mobilizing structure. It stands in stark contrast to the Chilean policy-making arena and helps to explain why Concertación politicians interested in creating a

universal healthcare fund found themselves stripped of the necessary power to advance the reform. This is because the absence of relationships between organized interests and party militants in Chile's center-left parties undermined the power of those sectors within the Concertación parties that were committed to the solidarity fund. By contrast, the mobilizing character of the FA provided power to those groups interested in moving the healthcare system in a more universal direction and in pooling income and health risks, thus bolstering support for a solidarity fund.

The organic-mobilizing structure of the FA sheds light on one final aspect of the healthcare reform process: why the article on healthcare contribution levels sparked contentious debate and underwent significant revision during the reform process. The original reform proposal required that all workers to pay six percent of their taxable income toward healthcare. The rate was significantly higher from that which existed previously (3 percent) and made no distinction between income levels and family structure (age and the presence of children under 18). In August and September of 2007 debate emerged from within the FA regarding this aspect of the reform. Later, sectors inside the FA with ties to the unions voiced concerns about the high contribution levels and the negative consequences for low-income individuals. Initially, the Minister of Economics and Finance, together with his more economically-liberal fraction, Asamblea Uruguay, resisted the calls to curb the contribution level. They argued that maintaining the universal contribution rate was essential to ensure the fiscal sustainability of the reform (Zubillaga 2007). In the end, however, the concerns mobilized within the party base, which were strongly supported by the central union (PIT-CNT), overrode the interests of the Economics and Finance Ministry and a progressive system of contributions based on income and family structure was agreed upon.

This incident reveals that the mobilizing structure of the FA provides a level of power and influence to party militants and organized interest groups that simply does not exist in Chile. Indeed, whereas in Chile fiscal concerns dominated the reform agenda, in Uruguay those worries

were subdued by the need to negotiate between different sectors of the party base. Interestingly, the negotiation process also underscores how the FA's party structure produces a more balanced distribution of power across government Ministries. This differs from Chile, where the Minister of Finance wields special power. Unlike in Chile, where Plan AUGE was drawn up by an inter-Ministerial group in which the only permanent members were the President and the Finance representative, Uruguay's reform plan was drafted inside the Ministry of Health after a long process of consultation with interest groups, party militants, and advisors to the President. One of the primary authors of the reform said that the participation of the Economics and Finance Ministry (MEF) did not extend beyond questions of funding and that macroeconomic goals were largely absent from the agenda during the consultation period (Personal Interview #75). Rather, he said, the primary focus was on equity and healthcare goals (Personal Interview #75). This differs from the comments of Chilean policy-makers, who stressed the important role of economic concerns for placing healthcare on the agenda and determining the content of reform.

The fact that the Ministry of Economic and Finance did not enjoy special power in Uruguay's healthcare reform process is reflected in two aspects of the new system. As mentioned in the previous section, the Economics and Finance Minister was in disagreement with the decision to adjust contribution rules to account for variation in income level and family structure. The Ministry of Economics and Finance maintained that such a policy might undermine the long-term financial sustainability of the system. The concern on the part of the Finance Ministry about issues of fiscal discipline is to be expected from the state office charged with the task of overseeing the economy. Other social sectors, however, have distinct priorities, ranging from public health concerns, to poverty levels, to pedagogical philosophy. Uruguay's state structure tends to weigh these distinct concerns equally, whereas the Chilean state favors the interests of the Finance Ministry. The fact that macroeconomic and fiscal concerns stand on equal footing with other interests does not necessarily mean that policies will be unsustainable, but simply that they will combine interests. In the case of Uruguay's healthcare reform, the new contribution

rules will provide sufficient funding for the system while strengthening the priority granted to equity. Such a dual focus would have been difficult to achieve within a policy-making arena like that of Chile, where the macroeconomic and fiscal goals of the Finance Ministry weigh heavier than those of other sectors.

The fact that concerns about public health issues and equality enjoy equal standing as the Finance Ministry's goals of macroeconomic performance and fiscal restraint also explains the distinct motivations that brought the issue of healthcare to the top of the agenda in each of the two countries. As mentioned previously, one of the key concerns that motivated Chilean policy-makers to reform the country's healthcare system was the economic inefficiency that had been built into the public-private mix. In Uruguay shortages of funding and economic inefficiency were also points of concern. In particular, it is widely acknowledged that in recent years a growing number of IAMC affiliates have chosen not to use their private coverage because of high co-payments and instead have turned to the public system, obtaining care illegally (Fernandez, Mitjavila, and Moreira 2000). Moreover, state finances have been transferred to the private sector during recent years to avoid the financial collapse of some IAMCs. Still, when asked about the motivations for the reform, no FA policy-makers cited economic and fiscal concerns as important motivating factors. Rather, participants in the policy debate pointed toward issues of equality and poverty (Personal Interviews #48, 74, 75, 76). Paraphrasing information that was echoed in subsequent interviews, one FA legislator said,

“we are all aware that Uruguayan society is currently extremely fragmented and broken and if we want to fix it, we have to go through education and health... Without health and education they [Uruguayans] don't have anything and if you deny people that, you are putting their entire existence in jeopardy. Nearly 50 percent of Uruguayan children are poor... If we want to reverse this, we must fix health and education” (Personal Interview #76).

The fact that the healthcare reform has a primary focus of improving life chances for the poor, and for young children in particular, while placing efficiency goals second on the agenda has consequences for policy content. Indeed, the creation of a unified healthcare fund that pools

income and health risks was the natural result of the reform's equity focus. Second, the fact that efficiency is not the primary concern helps to explain why the Uruguayan reform did not specify a sub-set of illnesses for which coverage is guaranteed, as was the case with the AUGE reform. The Uruguayan reform does guarantee certain preventive procedures to citizens and creates mechanisms for holding healthcare providers accountable through the national healthcare committee, but there was never any debate about limiting guarantees to a subset of illnesses for certain populations, as is the case with AUGE.⁵⁰

In other words, the fact that Uruguay's MEF was unable to prioritize its goals above those of other Ministries meant that the Uruguayan reform is more equity-focused than Plan AUGE in Chile, which prioritized economic efficiency over equity. In the long-run, it remains to be seen whether the fiscal sustainability of Uruguay's reform will suffer as a result.⁵¹ This, however, is not the focus of this chapter. Rather, I seek to explain why center-left governments in Chile and Uruguay prioritized the goals of equity and efficiency in different ways. The evidence presented thus far suggests that organizational structure of the FA was decisive in determining this process. Still, to fully understand why Chile and Uruguay produced such distinct reform packages it is important to consider the role of an additional variable: policy legacies.

Uruguay: Policy Legacies

Policy legacies contributed to the nature and timing of Uruguay's healthcare reform by strengthening the relationship between party organization and policy outcome. Uruguay's healthcare policy legacies are characterized by the existence of a strong private sector and, historically, a weaker subsidiary role for the state. However, this division of responsibility has

⁵⁰ See above for the full discussion of how goals of economic efficiency shaped the Chilean healthcare reform.

⁵¹ Indeed, a concern voiced by some members of the opposition and even by some dissenting voices in the FA has to do with the financial solvency of the country's private sector institutions. Still, the reform involved a significant increase in the level of contribution made by independent workers. Whereas workers previously contributed 3 percent of income for health, they will now contribute anywhere between 3 and 6 percent. In this way, the new healthcare system was not passed without supporting finances.

shifted in recent years and according to the government's 2006 household survey, just over half of Uruguayans (50.8 percent) currently rely on the public system for care, while 45.7 are affiliated with a private-sector IAMC (Robaina 2007). Prior to the 2001 economic crisis, those numbers were reversed with just over 50 percent of the population using the private sector. Thus, while policy legacies in Uruguay historically involved the private sector covering the majority of citizens, the trend in recent years has seen a shift toward a system in which the state provides the majority of care. The increased use of public health services between 2001 and 2005 did not coincide with spending increases, which placed a downward pressure on the quality of care available in public hospitals and generated a new impetus for reform. In this way, the design of Uruguay's healthcare sector in combination with the economic crisis at the beginning of the decade created a setting in which a majority of the population would benefit from a reform seeking to strengthen the public sector

The legacy of Uruguay's peculiar mix of public and private care also facilitated the passage of the FA reform, which sought to continue with this dual model, while strengthening the public sector. By maintaining the public-private system of care, the FA was able to identify clear winners (public sector users), while avoiding the creation of a "losing" group. Indeed, since the IAMC system was maintained and because under the new framework an even higher number of individuals (children, handicapped dependents, and public sector workers) would enter the system thereby providing more business for the private sector, there was no clear threat to the overall stability of IAMCs. Importantly two sub-groups of IAMCs, a handful of small Montevideo providers and those represented by FEMI in the interior of the country, did self-identify as potential losers from the reform. Still, the fact that the overall IAMC community did not feel threatened meant that a full-force opposition movement never emerged.

Moreover, the small Montevideo IAMCs and those represented by FEMI differed in their opinion of which aspects of the legislation should be changed. As a member of the Plenario (the group representing small Montevideo IAMCs) told me, "in the private sector there are really three

distinct realities. First, there are the cooperative providers in the interior, then there are the large institutions in Montevideo. These are the institutions that have at least 120,000 users. Finally, there are the small institutions in Montevideo” (Personal Interview #73). Further, he said, since each of these three groups faces different constraints, their interests are not always aligned (Personal Interview #73). In the case of the FA healthcare reform, the small IAMCs from Montevideo opposed one specific element of the reform: the new system of per-capita payments. They opposed this system because of the potential negative financial consequences it might generate for small firms that cover predominantly young workers. Under the new system of per capita payments, the lowest level of funding will be granted for young male workers since they are the lowest risk health profile. Since most of the Plenario IAMCs specialize in covering this group, they will receive lower levels of financing than they did under the previous regime. This, they say, will force many IAMCs into bankruptcy. In the Senate’s joint finance and health committee hearings, a representative from the Plenario told Deputies, “I want to reaffirm our maximum worry in this moment, which is based on the fact that there are several institutions [IAMCs] that will lose out as a result of the new system [of per capita payments]... this worries us because it will harm primarily the institutions represented by the Plenario.” (Debate on Healthcare Reform 2007). Similarly, a member of the organization told me,

“we cover low-income young people. Since those people will now be worth a ‘lower per capita,’ we estimate that our institutions will lose more than 1 million pesos per month... I don’t know if it’s fair to take six to eight percent of someone’s pay and pass it onto ASSE. What is clear, though, is that if this reform passes our institutions will go into the red within half a year” (Personal Interview #73).

Clearly, then, the concern for small IAMCs in Montevideo was related to the issue of “per capita” payments.

The opposition from private sector providers in the interior of the country – those represented by FEMI – was tied to a different aspect of the healthcare reform. Specifically, FEMI opposed the portion of the bill related to “free choice,” or competition between the public and

private sectors. As mentioned earlier, FEMI was concerned that introducing such competition might undermine business in the interior, where public hospitals are often better located and staffed than private institutions. Since the concerns of the Plenario and FEMI differed, and because the private sector in general and more specifically the large IAMCs in Montevideo seemed to benefit from the reform, private healthcare providers found themselves fragmented and unable to forge an alliance.⁵²

In this way, policy legacies in the health sector, which created a dual system in which private providers varied systematically in their interests and concerns, fostered a situation in which a reform that strengthened the public sector, but continued to support private care would identify clear winners (users of the public health system), but disparate losers. Moreover, the fragmented “losing” groups were opposed to different aspects of the bill, but supported other articles, which acted to undermine their ability to coordinate opposition and helped protect the reform from a potential veto coalition. Thus, the fragmentation of the private sector that was generated by policy legacies helped to strengthen the FA’s tendency to pursue equity-enhancing policies.

This is not to say that policy legacies uniformly facilitated reform. In fact, in interview after interview, policy-makers in Uruguay acknowledged a constraining effect of past policy as well. Specifically, policy-makers noted that the presence of private sector providers ruled out all possibilities to pursue a single-payer, strictly public healthcare system. A member of the reform

⁵² A further source of fragmentation is provided by the fact that some IAMCs, particularly CASMU, is expected to benefit greatly from the reform. CASMU is the largest IAMC in Uruguay and covers the bulk of the elderly population. In recent years the company has fallen upon difficult financial times and is extremely indebted. The fact that organizations providing coverage to the elderly will receive a larger per capita transfer from the national health fund will, therefore, boost the funds available to CASMU and help the organization to pay off its debt. A former President of the SMU told me, “Clearly because of their relationship with CASMU, many people [in the SMU] might support this reform because it will help bring CASMU out of its debt-ridden situation” (Personal Interview #71). A representative from the Plenario also stressed this point, arguing that the new system of financing “will likely increase their income [of CASMU and the Espanola] by half a million pesos each month. This increase will allow those institutions to pay off their debt, but will force other smaller institutions [like his own] into debt” (Personal Interview #73). He argued that the government opted for this system because the “SMU is dominated by the interest of Casmu and the Espanola and they will benefit” (Personal Interview #73). This, he said, ensured that the proposed bill would receive support from the Doctors’ Unions and the two largest IAMCs.

team told me, “in the end we’ve decided to go with a proposal for an integrated system. We understand that it is the most feasible reform. We recognize that in Uruguay people have a long memory about their relationship with the IAMCs. It would be difficult to break that. This path makes good sense in political terms” (Personal Interview #74). Indeed, both within and outside of the political world, there was a clear recognition that that existence of a long and positive history of private sector healthcare required the new system to integrate public and private rather than impose a unified state-led system. A representative from the FUS told me, “we realize that we need a national healthcare system. We also believe, however, that we are not beginning at zero. We already have a system in Uruguay and while it’s not perfect, there are certain logics that are at play and these create the basis upon which change must occur” (Personal Interview #70). Put differently, the fact that a private sector existed in Uruguay and that there were economic interests and public opinion supporting that sector meant that the Uruguayan reform would maintain a dual (public-private) model of care. In this way, the effect of policy legacies in Uruguay was somewhat similar to that of Chile. Still, one key difference between the two cases sheds light on exactly how policy legacies influence subsequent choices. Although the two countries had a strong private sectors at the time of reform, the ISAPRES of Chile had emerged in a setting of very few regulations and were free to operate on a for-profit basis. During the military regime, Chile’s private providers had enjoyed nearly free range to provide the level of coverage they deemed profitable. In Uruguay, by contrast, the situation was different. IAMCs in Uruguay are legally not-for-profit organizations and the state regulates prices and imposes rules about what the organizations must cover. These two characteristics (a non-profit focus and high levels of existing regulation) helps to explain why the FA was able to create a solidarity fund, while in Chile that mechanism was eliminated following resistance from ISAPRES, the Right, and sectors of the Concertación.

Interestingly, in Uruguay, while the solidarity fund did not pose a threat to the private sector IAMCs, the policy provision that provides workers with the option of choosing between

public and private care was hotly contested. Previously in Uruguay all workers were required to use the private system. Under the FA reform, individuals will be given the option to choose. The country's IAMCs, especially those located in the country's interior, have resisted this aspect of the reform because of concerns about losing affiliates. The issue of a "grace period" during which IAMCs can prepare for potential competition is still under negotiation and at the outset of the reform in January of 2008, only new users will have the freedom to choose between public and private providers. By contrast, those already affiliated with a IAMC will have to stay with their service during a waiting period. Government officials estimate that by mid-year 2008 that waiting period will be lifted and all users will be free to change providers (El Observador 2008). Because IAMC services in the interior of the country are often of lower quality than public care, this limit on the ability of individuals to shift providers has a negative effect on the equity outcomes promoted by the reform.

The different points of reform that were resisted by Chile and Uruguay's private sector healthcare providers highlights just exactly how policy legacies work. The existence of regulations (or the lack thereof in the Chilean case), combined with the fact that the Chilean system is for-profit and the Uruguayan system is non-profit, fostered distinct concerns among private sector actors. Specifically, the fact that Uruguay's private firms were non-profit organizations meant that there were no 'investors' and 'owners' who might resist regulations that affected their profit margins. In Chile, by contrast, private firms are acutely aware of the negative impact that state regulations might have for investor returns. Thus, since the Uruguayan state had already imposed significant regulations upon the private sector IAMCs, and because those organizations are by law non-profit in nature, the proposal to create a solidarity fund posed little threat and was politically feasible. In Chile, by contrast, the opposite was the case. In the Chilean context, however, the fact that AUGE allows citizens to choose between public and private providers was not controversial, as this competition already existed prior to the reform.

To sum up, then, the nature of Chile's right-wing parties, namely their business-coordinating structure, encourages veto action on policy reforms that could potentially infringe upon the interests of big-business. This characteristic, in combination with policy legacies in the country's healthcare sector that created loosely regulated and highly profitable firms, intensified the effect of the right parties' organizational structure on policy outputs and undermined the passage of the solidarity fund. In Uruguay, by contrast, the mobilizing link that ties FA elites to voters disperses power among distinct sectors of the party, thereby prioritizing distinct goals depending on the nature of organized interests. This fact in combination with policy legacies that raised no barriers to the creation of a solidarity fund paved the way for the creation of a risk pooling device. In both cases, therefore, policy legacies worked to intensify the likely outcome predicted by the organizational structure of the parties.

A final healthcare policy legacy also played a role in structuring the content of the Uruguayan reform. This legacy relates to special healthcare privileges that existed for certain public sector workers prior to the FA reform. Historically in Uruguay some public sector workers have had access to a 'corporatist' form of health service. These services were created to cover certain public offices and/or Ministries. Workers from those offices did not contribute a payroll tax, but rather, the service was included as one of the employment benefits associated with their position.⁵³ The legacy of this semi-corporatist structure helps to explain one curious element of the Uruguayan healthcare reform, namely that certain public sector workers are not required to contribute at the same level as their private counterparts.

Under the first law associated with the new integrated healthcare system,⁵⁴ most public sector workers from offices that previously had their own system of care, are required contribute to the national fund, but the tax will increase gradually over time until it meets the same level

⁵³ While in some cases these were separate services, in others agreements were signed with IAMCs to provide care.

⁵⁴ Law number 18.131 passed on 18 May 2007

paid by private sector workers.⁵⁵ Contributions from these workers will increase at the same rate as salaries, so that the public sector workers will not experience a sudden reduction in income. Interestingly, this same concession has not been made for private sector workers, many of whom will face a higher tax than before. In this way, private sector workers, on average, will bear a greater individual burden for the cost of healthcare than protected public sector offices.⁵⁶ Since the bulk of the formally-employed poor are found in the private sector, this fact undermines some of the equity in the healthcare reform. This is not to say that the reform is regressive, but rather that it is not as progressive as it might otherwise have been. An even greater concession was made to workers in the Defense Ministry, the Ministry of the Interior, and the Public Health Ministry, who will continue to use their own systems of care and will not contribute to the national healthcare fund.

These exceptions, which undermine the equity-enhancing elements of the reform, are tied to historical privileges granted to state workers and the use of such benefits for political purposes.

One of the authors of the healthcare reform told me:

“the biggest challenge is posed by incorporating those who previously had a different service [certain public sector employees]... In order to effectively bring those workers into the system, we have to ensure that they can maintain the same level of service and that will be a little expensive for the state because it will have to make up the difference... Still, we cannot reduce the quality of these people’s

⁵⁵ In Congressional committee hearings Daniel Oleskar, one of the primary authors of the reform said: “a third group of public workers does have health coverage, but not through the contributory system. Rather, the state organization pays the premium... or general revenues are sent to the BPS to pay the premium... What article nine does is to allow the Executive to replace those employees’ existing healthcare with a direct payment made by the workers and employer – five percent for the employer and three percent for the worker. This will be carried out, as specified in article 10, with the funds that those organizations already use for healthcare costs. In other words, this will be achieved without an additional fiscal cost and without reducing the salary paid to the worker because the three percent paid by the employee will come from the organization” (Debate on Healthcare Reform 2007)

⁵⁶ Two groups of workers from autonomous state agencies (the electricity company and the national telecommunications company) were forced to participate in the new healthcare system on the same terms as private sector workers. Interestingly, in February of 2008, unions representing these workers notified the government that they were evaluating the possibility of taking the state to trial for ‘violating workers’ rights’ because of the new healthcare system. They contend that the new cost of their healthcare contribution, and the subsequent decrease in take-home income, violates contractual labor rights (Cerchari 2008).

services unless we want to face a massive strike like something out of the movies” (Personal Interview #75).

In other words, the treatment of certain categories of public sector workers reveals how policy legacies that grant special privileges to specific groups, constrain the room of maneuver enjoyed by policy makers during subsequent reform incidents.

In summary, it is clear that policy legacies influenced both the timing and content of Uruguay’s healthcare reform. By fragmenting private sector providers, the previous design of health policies served to diffuse opposition to this reform. Thanks to these legacies, then, the FA faced a situation in which the reform produced clear “winners” (the users of public sector care) and isolated “losers.” This, in turn, helped to intensify the effect of party organization on policy output. Moreover, the fact that the Uruguayan state had already heavily regulated the private IAMCs combined with the explicitly non-profit nature of the companies meant that the creation of a national healthcare fund that pools income and risk received very little opposition. For those points where dispute did exist, the fact policy legacies had fragmented the medical sector interest groups prevented the formation of a strong business alliance, thereby reducing the veto power of professional organizations. Finally, the legacy of corporatist healthcare provision, or the existence of parallel “special” services had a negative effect on the equity focus of the reform, shedding light on why certain protections continue to exist for privileged public sector groups. In other words, distinct policy legacies worked to strengthen the relationship between party organization and policy output in some instances (ie: passage of the solidarity fund) and weaken the relationship in other regards (ie: exempting some categories of public sector workers). The overall result of policy legacies, however, was to bolster the effect of party structure on policy output, fostering a strongly pro-poor healthcare reform.

6.9 Conclusion

This chapter presents and analysis of healthcare reform in Chile and Uruguay during the early 2000s. I find that, much like in education, the organizational character of political parties

and policy legacies were key factors in determining the timing and content of health policy formation. The chapter illustrates how these two variables contributed to putting healthcare on the reform agenda, making the changes politically feasible, and how they shaped the priorities and content of the two countries' reforms. In the next chapter, I analyze the creation of non-contributory social assistance programs in Chile and Uruguay to provide a final test of the explanatory power of these variables.

CHAPTER 7: NON-CONTRIBUTORY SOCIAL ASSISTANCE POLICY IN CHILE AND URUGUAY

This chapter presents a final test of my explanation of social policy reform, analyzing the creation and adaptation of non-contributory social assistance policies in Chile and Uruguay. In particular I consider the extent to which changes in non-contributory social assistance policy have effectively expanded the quality and coverage of care to low income groups. Since non-contributory social assistance is a relatively broad category of policy, I focus on two programs in particular: social assistance pensions and non-contributory family income supplements.

In the first portion of the chapter I provide a brief historical overview of Chile and Uruguay's non-contributory old-age and disability pensions as well as family income subsidies. This description allows me to measure policy legacies that exist in each country. Non-contributory social assistance is quite different from the education and healthcare policies analyzed in the preceding chapters because, with the exception of Uruguay's non-contributory pension system, general social assistance subsidies are relatively new policy instruments. The programs emerged following a realization among decision-makers that significant coverage gaps existed in contributory programs because informal sector workers do not have access to the benefits. For this reason, the policy initiatives analyzed in this chapter (the creation of Chile Solidario, the creation of Uruguay's social emergency program [PANES], and the consolidation of Plan Equidad in Uruguay) are most appropriately described as program *creation* rather than policy *reform*. This is an important distinction because policy creation, policy recapitulation, and policy retrenchment involve distinct political processes (Pierson 2001). Indeed, while policy retrenchment and recapitulation involve reforming already existing programs, and thus provoke a reaction from constituencies with vested interests in the existing system, the creation of new

programs does not necessarily inspire a reaction from organized interests. This is largely because new programs by definition do not have policy legacies. Due to this absence of policy legacies, the analysis of non-contributory social assistance policy presented in this chapter provides unique insight into the nature of the direct relationship between party organization and policy formation, illustrating how the causal link works in its unmediated form.

In the next section I describe the state of non-contributory social assistance pensions and family income subsidies at the time of the democratic transitions in Chile and Uruguay. I then move to the question of how each country adapted their system of protection to respond to growing gaps in the coverage of informal sector workers. To this end, I evaluate to what extent Chile and Uruguay's new social assistance policies have effectively increased the quality and coverage of programs to the poorest sector of the population, focusing on the creation of Chile Solidario in Chile; reform to Uruguay's family allowance system between 1995 and 2004; the creation of the social emergency program (PANES) during Uruguay's FA government; and finally, the FA's creation of 'Plan Equidad.' I identify the achievements and shortcomings of these policies for the well-being of the poorest sectors of society and analyze how the organization of Chile and Uruguay's political parties shaped the policy outputs.

7.2 A History of Non-Contributory Social Assistance Policies in Chile & Uruguay

Non-contributory social assistance policies come in a variety of forms ranging from old-age poverty pensions, to school feeding programs, to targeted income supplements. The programs seek to provide income supplements to low-income individuals and households through direct transfer payments and subsidies. Non-contributory assistance differs from social insurance in both its financing and eligibility requirements. Specifically, social assistance policies are funded out of general revenue, while social insurance is typically financed with a combination of worker contributions and state revenue. Moreover, social assistance and social insurance programs differ in how they are distributed. While social insurance provides access to

individuals working in the formal labor market, individuals receiving social assistance are usually selected using some form of means-testing (or proxy-means testing).

In a study of Latin American social spending, ECLAC (2005) found evidence that non-contributory social assistance is particularly effective at reducing poverty. Specifically, ECLAC (2005) finds that about 54 percent of the Argentine government's general social assistance funds are received by the bottom income quintile. In Costa Rica about 38 percent of such spending is consumed by the bottom 20 percent of income earners, while in Brazil, Colombia, Peru, and Uruguay about 29 percent of such funds are received by the bottom quintile (ECLAC 2005: 158). In other words, there is significant evidence to suggest that non-contributory social assistance is more effective than social insurance at protecting Latin America's poor. In light of this fact, this chapter focuses specifically on the issue of non-contributory social assistance, leaving aside contribution-based benefits such as pensions, traditional family allowances, and unemployment insurance.

Chile and Uruguay both administer non-contributory social assistance policies. While Uruguay's old-age and disability social assistance pensions have a relatively long history, many non-contributory forms of protection are relatively new and have shallow roots and weak legacies. Indeed, throughout the 20th century a large share of non-contributory social assistance programs were instituted by individual Presidents and rotated in and out of service based on who held the executive office. Because of the short-term nature of these programs, policy legacies are relatively weak in the area of non-contributory social assistance. Nonetheless, in the next section I provide a brief overview of non-contributory pension and family assistance policies in Chile and Uruguay prior to each country's return to democracy.

Non-Contributory Social Assistance in Chile

Non-contributory social assistance pensions emerged relatively late in Chile. The program, commonly known as PASIS, was created in 1975 by the military regime and provides for a subsidy payment to poor individuals aged 65 years or older and disabled individuals older

than 18 (Gana Cornejo 2002).¹ In 1987 the government extended this benefit to mentally handicapped individuals regardless of age. Thus, PASIS is available to the elderly poor, the disabled poor, and the mentally handicapped poor. PASIS is administered to individuals who qualify based on their score on the national Ficha CAS means-test. When it was first introduced, PASIS provided for a pension that was equal to one-third of the value of the minimum pension. In 1987, however, this was changed and a fixed value for the pension was created with a system specifying the process for annual re-adjustments (Gana Cornejo 2002: 130).

Although it was the military regime that established PASIS, the Concertación governments have worked to increase the value of the benefit. Indeed, while the center-left governments have done little to alter the basic infrastructure of the pension system, they managed to increase the real value of PASIS pensions by 86 percent between 1990 and 2000, bringing the pension to more than 50 percent the value of the country's minimum pension (Gana Cornejo 2002: 130-131).² Still, the value of Chile's PASIS pensions are relatively low. Specifically, Huber and Stephens (2007) find that in Argentina, Chile, and Costa Rica the social assistance pension left individuals below the poverty line, while in Uruguay it lifted recipients just above the line.

Coverage of the PASIS pensions increased steadily from 1975 onwards, growing from 27,784 beneficiaries in 1975 to an estimated 358,813 in 2000 (Gana Cornejo 2002: 140). Expansion of the benefit's coverage was particularly notable during the Concertación governments (Gana Cornejo 2002: 141). Still, prior to a 2006 reform, PASIS coverage fell short of universality because of the Chilean practice of setting annual quotas for new benefits. Prior to 2006, the Chilean state would annually establish a set number (or quota) of new benefits rather

¹ The system was set up by Decreto Ley #869.

² In Uruguay, by contrast, the social assistance pension was equal to nearly 60 percent of the average contributory pension (Bertranou, Solorio and van Ginneken 2002: 20). The Uruguayan estimate is based on the value of the social assistance pension relative to average contributory pensions, while the Chilean case is the value of the social assistance pension relative to the minimum pension. Thus, the difference between the two states with regard to the generosity of their social assistance pensions is likely much greater than that suggested by these values (Bertranou, Solorio, and Van Ginneken 2002).

than providing the pension based on demand (or need). This quota was determined by three government offices: the Undersecretary of Social Protection, the Social Security Superintendent, and the Ministry of Finance's Budgeting Office (Gana Cornejo 2002: 157). Importantly, however, the quota of new pensions was determined principally by the funding forecast issued by the Ministry of Finance with a secondary focus on the projected demand for the PASIS (Gana Cornejo 2002: 157). This sometimes meant that shortages existed and people scoring 550 points and below on the means-test (the cut-off for the PASIS) were denied the benefit. Chile's non-contributory pension system, therefore, contained an important barrier against universal access up until 2006, when President Michelle Bachelet approved a law granting all individuals scoring 550 points or less on the means test access to PASIS. While the 2006 law did guarantee coverage to all individuals scoring less than 550 points, it did not ensure that all low-income families would receive the benefit. This is because Chile's Ficha CAS means-test is extremely strict and thus individuals with scores above 550 points could be poor despite their score. One worker in the Santiago Regional PASIS office told me: "that [the Bachelet law] doesn't mean the system is perfect. Many people are left out even though they're poor. There's really very little difference between someone who has 550 and 551 points." (Personal Interview #78). Thus, despite the important role that social assistance pensions play in protecting the elderly, disabled, and mentally handicapped poor in Chile, the universality and generosity of the system has remained limited since the country's transition to democracy. Indeed, while the Concertación governments have steadily increased the value of the benefit and coverage, barriers continued to hold back universal aims until 2008.³

³ In January of 2008 the Chilean Congress approved a pension reform that establishes a "basic universal pension" available to the bottom 60 percent of the income distribution. The pension will replace PASIS and the minimum pension, thereby eliminating the distinction between formal and informal sector workers. In the new system, individuals who did not contribute to a private and fund and have no other source of pension income would be granted a 75,000 peso (US\$150) per month benefit (El Mercurio 2008). For those individuals who did contribute to a fund during their working life, but who have accumulated very little, the state will subsidize their pension benefit up to a maximum of 255,000 pesos (US\$510) per month (El Mercurio 2008).

A second important source of non-contributory protection in Chile is the means-tested family subsidy (SUF).⁴ Chile's SUF was created in 1981 during the Pinochet dictatorship and provides targeted income assistance to families who are not eligible for contributory family allowances because of their labor market status. The benefit was originally intended for families with children under six years of age living in extreme poverty (Schkolnik and Salamanca 1997). The policy was subsequently expanded to cover families with children under 18 years of age. Much like the case with PASIS, the Concertación governments have increased the value and coverage of the SUF since arriving in office. Importantly, however, the Concertación has opted to maintain the SUF separate from the general family allowance system. In this way, low-income formal sector workers and those in the informal sector are segmented into separate programs, thus dividing a potential political coalition.⁵

In summary, both PASIS and the SUF were established during Chile's military regime to provide targeted assistance to the very poorest sectors of society. They were designed to exist as separate programs and do not have a universalistic aim. The policies provide a small cash benefit and use strict means-testing. In this way, the limited policy legacies that do exist in the area of social assistance pensions and the SUF tend to disperse users, undermining the likelihood of a strong political coalition dedicated to defending and expanding the benefits. Moreover, both systems have served to strengthen commitment to a stratified system of means-tested social protection, raising barriers to the formation of a more universalistic program.⁶

⁴ Chile also provides a contributory family allowance.

⁵ The value of the SUF and Family Allowance benefits also differ in a way that privileges formal sector workers.

⁶ Interestingly, the Concertación governments have been especially slow at enacting change to subsidiary social assistance policies. Arellano (2004) notes that while government expenditure on health and education grew between 1990 and 2001, spending on subsidies held constant at about 0.6 percent of GDP (Arellano 2004: 47).

Non-Contributory Social Assistance in Uruguay

In Uruguay, social assistance pensions for the elderly and disabled poor along with family allowances, which were universalized during the early 2000s, make up the bulk of non-contributory spending. Non-contributory old-age and disability pensions were introduced in Uruguay through a 1914 executive decree and were later written into law in February of 1919 (Saldain and Lorenzelli 2002). Although the coverage was quite good from the outset, the program expanded significantly in the mid-1940s with the passage of law 10.530, which guaranteed receipt of the non-contributory pension to all individuals 60 and older who were not covered by another system (Saldain and Lorenzelli 2002: 222). In this way, the Uruguayan system was from the outset much more universal in scope because access to the non-contributory pension is not limited by quotas imposed by the Ministry of Finance or another government office. Even in the wake of the 1995 pension reform, the non-contributory pillar of Uruguay's system remained relatively unchanged. The most important modification was the increase of the age limitation for the benefit, which was raised to 70 years (Saldain and Lorenzelli 2002).⁷ Another important difference between Chile and Uruguay's non-contributory pension programs is that the value of the Uruguayan social assistance pension is somewhat higher than that of Chile (Huber and Stephens 2007).

In summary, Uruguay's non-contributory social assistance pensions have deeper historical roots than the same program in Chile because the system was set up in early 1900s. Moreover, coverage of the benefit is less restricted, thereby boosting the pool of individuals with an interest in maintaining and expanding the program. Finally, the value of the benefit has historically been quite high relative to that of the average pension, thus setting a standard of a pension for the poor rather than a poor pension. These three legacies are important to keep in mind when evaluating the creation of the FA's 'Equity Plan.'

⁷ Saldain and Lorenzelli (2002) note that during the late 1990s and first years of the 21st century, new restrictions were placed on access to non-contributory disability pensions.

A second non-contributory social assistance program that has important poverty reducing effects in Uruguay is the family allowance. Family allowances were first established in Uruguay in 1943 (law 10.449) and sought to provide an income supplement to workers with children (Vigorito 2006). In this way, Uruguay's original family allowance system was contributory in nature and therefore excluded informal sector workers. In the late 1990s and early 2000s, however, the policy was reformed to cover all low-income families regardless of their labor market status (Vigorito 2006).⁸ Thus, according to Vigorito (2006), as of 2005, Uruguay's family allowance system combined a means-tested contributory benefit for formal sector workers who earn less than 10 times the minimum wage with a non-contributory means-tested benefit for households earning less than three times the minimum wage (Vigorito 2006: 18-19). Despite these important extensions in the coverage of family allowances in Uruguay, the value of the benefit has remained extremely small. Indeed, between 1986 and 1995 the real value of the family allowance declined precipitously (Bucheli 1997). Following the 1995 reform, the value of family allowances grew,⁹ but remained small compared to the value of non-contributory pensions (Katzman and Filgueira 2001). A recent study of Uruguayan transfer policy confirms this fact, revealing that the median value of family allowance benefits is significantly lower than that of non-contributory pensions and that of the PANES income supplement (Arim and Vigorito 2007). Thus, while the traditional Colorado and Blanco governments were able to expand coverage of the family allowance system, they did little to improve the size of the benefit, thereby limiting the poverty-reducing power of the policy.

In the remainder of this chapter I analyze the expansion of family allowances in Uruguay. I also consider the FA's creation of a temporary social emergency program (PANES) and the

⁸ Vigorito (2006) notes that these changes were adopted between 1995 and 2004 in three laws (16.597; 17.139; and 17.758) (Vigorito 2006: 18)

⁹ Bucheli (1997) notes that the value of the family allowance increased from 8 percent of minimum wage to 16 percent. Thus, during the second half of 1995, the amount spent per benefit in real terms increased 80 percent compared to 1994 (Bucheli 1997: 10).

formation of the longer-term ‘Plan Equidad’ (Equity Plan). I demonstrate how these initiatives, like the creation of Chile Solidario, were heavily influenced by the nature of political parties in each country. The analysis of these programs is particularly interesting because the role of policy legacies in mediating the strength of the relationship between party organization and policy output is weak. Before turning to the analysis of policy formation, I provide a brief discussion of the strengths and benefits of the two countries’ social assistance programs.

7.3 Measuring the Effectiveness of Non-Contributory Social Assistance

Social assistance policies seek to provide income support to high risk households and individuals. The programs, therefore, are important tools for protecting the very poorest sectors of society. Social assistance policies are often delivered in the form of direct cash transfers, but can also involve subsidies to cover the cost of food, energy, water, and other living expenses. Historically, transfer spending has been the largest category of social spending in the region (Huber, Mustillo, and Stephens Forthcoming; Mesa-Lago 1989).¹⁰ The bulk of this spending, however, has not been allocated in the form of social assistance, but rather as social insurance (Mesa-Lago 1989).

A growing body of research on Latin American political economy has found that contributory social insurance programs are not the most effective policy tool for reducing poverty and income inequality (Lindert, Skoufias, and Shapiro 2006; Economic Commission on Latin America and the Caribbean 2005; Uthoff 2006). The inability of Latin America’s social insurance schemes to effectively protect the most vulnerable groups in society is related to the contributory nature of these programs. In particular, the nature of Latin America’s labor market, namely that formal sector employment is limited in scope, means that social programs linked to

¹⁰ Huber et al. (2008) estimate that, on average, Latin American states allocated 5.24 percent of GDP to social security and welfare spending in 1999-2000. By contrast, countries in the region allocated 3.98 percent of GDP and 2.86 percent of GDP respectively to education and healthcare spending in 1999-2000 (calculations by author). It should be noted that these averages mask wide variation across the region. For example, Guatemala allocated just under 1 percent of GDP to social security and welfare programs in 1998, while Uruguay spent 19.2 percent of GDP on such programs in 1999 (Huber et al. 2008).

payroll contributions leave a large share of the population unprotected. Since workers in the informal sector have lower earnings on average, and because the nature of informal sector work is inherently more precarious, the exclusion of these individuals means that it is precisely poorest and most vulnerable sectors of society that are left out of contributory social insurance programs.¹¹ In light of this coverage gap, my policy analysis takes into account to what extent these new programs universalize access to the benefit, thereby eliminating individuals' reliance on the labor market and/or means-testing to gain access to social assistance. To evaluate whether states have 'universalized' benefits I consider: (1) whether or not access remains tied to payroll contributions, (2) whether means-test restrictions leave out a segment of high-risk households, and (3) whether the government creates a unique "basic universal"¹² benefit available to all needy households.

In contrast to the skewed character of contributory social insurance, recent research suggests that non-contributory social assistance is especially effective at protecting the poorest sectors of society (Lindert, Skoufias, and Shapiro 2006; Vigorito 2006; Uthoff 2006; Bertranou, Solorio, and Van Ginneken 2002). Despite the effectiveness of non-contributory social assistance at protecting the poor, it makes up only a minimal share of social spending in Latin America. Lindert et al. (2006) report that for a sample of 8 countries, spending on non-contributory social assistance as a share of total social spending in 2000 was about 7.7 percent (calculations by authors using data from Lindert et al. 2006). This is even less impressive if one considers this

¹¹ Specifically, ECLAC (2005) finds that only 12 percent of social security spending in Costa Rica is received by the bottom income quintile, while 45 percent of funds are allocated to the top 20 percent of the income distribution (ECLAC 2005: 144). This same study reveals that the top quintile in Brazil and Uruguay receive about 50 percent of total social security expenditure. The skewed nature of spending is even more dramatic in the region's less-developed social policy regimes. In Colombia, for example, 80 percent of social security expenditure is delivered to individuals in the top income quintile (ECLAC 2005: 146).

¹² Filgueira et al. (2006) define basic universalism as a system that guarantees universal coverage of a group of essential services and transfers. They contend that the state must play a central role in guaranteeing access to and the effective usage of these services and transfers (Filgueira et al. 2006). Moreover, the same quality of benefits would be provided to all citizens. Policy proposals that would fulfill the goals of basic universalism include a flat-rate citizenship pension (Huber 2006) and a minimum citizenship income (Isuani 2006)

category of spending as a share of GDP. Indeed, within the sample of 8 countries, Peru allocated the smallest amount to social assistance program, spending just 0.4 percent of GDP on such policies. The highest social assistance spender was Argentina, which allocated 1.2 percent of GDP to such programs. While Argentina's spending is notably higher than that of Peru, it is still significantly lower than state expenditure on social insurance (8.9 percent of GDP) (Lindert et al. 2006: 86).¹³ For this reason my framework for analyzing the pro-poor character non-contributory social assistance policies considers to what extent new policies increased spending on this form of benefit. In addition to overall state funding, I argue that it is important to consider the size of the benefit provided to low-income households and individuals. Specifically, I contend that benefits must adequately address the costs that families face in order to provide meaningful protection to the poor. Thus, to assess the relative "pro-poor" focus of a non-contributory social assistance program, I argue that one must consider: (1) whether the state has provided sufficient funding for the program, (2) whether the transfer is of an appropriate size to protect poor families, and (3) if the transfer is adjusted for the risk profile of the individual and/or household. This evaluation scheme is summarized in table 7.1.

Since the mid-1990s a new kind of social assistance program has taken root in countries around Latin America. These new programs, commonly referred to as conditional cash transfers (CCTs) provide an income supplement to individuals or households that agree to uphold certain established conditions, such as enrolling children in school and assuring attendance, or visiting the local health clinic. The programs, therefore, combine income support with strategies to improve the human capital endowments of the poorest sectors of society.¹⁴ In a study of transfer programs, Lindert et al. (2006) find that non-contributory social assistance programs are, on average, more effective than social insurance policies at protecting the poor. Moreover, the

¹³ That same year Peru spent 3.1 percent of GDP on social insurance (Lindert et al. 2006: 110)

¹⁴ A study by Villatoro (2004) of five CCT programs in Latin America found that while the actual cash transfer in some programs was insufficient to bring households above the poverty line, the schooling and healthcare requirements had important effects for long-term poverty prevention (Villatoro 2004).

authors note CCT programs provide the most progressive outcomes (Lindert et. al 2006). The effectiveness of CCT programs in reducing poverty is likely tied to the multi-dimensional scope of the projects. Indeed, policies like Mexico's "Oportunidades" or Chile's "Chile Solidario" target several aspects of poverty, seeking not only to provide income support, but to encourage the use of healthcare clinics, education services, and job training programs. Morán, Castañeda, and Aldaz-Carroll (2003) argue that CCTs are important policy tools because they help to break the inter-generational transfer of poverty by linking income support for adults to the situation of their children. For this reason, this analysis of non-contributory social assistance policies will analyze to what extent new programs and reformed policies effectively respond to the multi-dimensional character of poverty and seek to break the inter-generational cycle of poverty that pervades the region.

The criteria used to evaluate the pro-poor character of non-contributory social policy formation in Chile and Uruguay are presented in table 7.1. The left-hand column presents conceptual dimensions of reform that are particularly important for ensuring that non-contributory social assistance policies are pro-poor in their focus. These conceptual dimensions include: universal access to benefits; the extent to which benefits are of a sufficient value to boost life chances; and whether the policy addresses multiple dimensions of poverty. In the right-hand column, I provide possible concrete policy options that respond to these dimensions. In the next section of this chapter I classify the policy initiatives in Chile and Uruguay using this framework. Specifically, I analyze the creation of Chile Solidario, the reform the Uruguay's family allowance system, the FA creation of PANES, and the FA creation of 'Plan Equidad.'

Table 7.1: Non-Contributory Social Assistance Policy Creation and Reform

Conceptual Dimensions of Non-Contributory Social Assistance Policies That Favor Poorest	Concrete Policies
A system that guarantees universal coverage among all low-income individuals	<ul style="list-style-type: none"> (1) Ensure access is not tied to formal labor market status. (2) Ensure that means-testing does not leave out high-risk groups. (3) Creates a ‘basic universal’ benefit.
A system that provides benefits of sufficient value to make a difference in life chances.	<ul style="list-style-type: none"> (1) Increased funding of non-contributory programs. (2) Benefit addresses key elements of risk profile (ie: number of children, single parent household, employment status).
Addresses multi-dimensional character of poverty.	<ul style="list-style-type: none"> (1) Benefit linked to other services to boost use of education and healthcare (2) Addresses gender bias in poverty. (3) Addresses inter-generational character of poverty

7.4 New Social Assistance Policies in Chile and Uruguay

Chile Solidario

In 2004 Chilean President Ricardo Lagos signed a law that created a social assistance program that extends new protection to the country’s indigent population. Although the previous Concertación Presidents Patricio Aylwin and Eduardo Frei had introduced several anti-poverty programs, neither formally institutionalized a social assistance system. Rather, Aylwin and Frei had promoted short-term targeted programs that addressed the needs of special groups, such as women, the indigenous, and the homeless. Chile Solidario, by contrast, is slightly more general in its focus. The program provides income support to families living in extreme poverty as well as counseling and guidance from state social workers (Serrano and Raczynski 2004). The new social assistance program seeks to establish an integrated system of protection that combines psychological counseling from social workers, a small cash benefit, and access to state subsidies, such as the SUF, PASIS, and water subsidy (SAP) (Ruz and Palma 2004). Families participating

in Chile Solidario enjoy preferential status for entrance into public pre-school, employment programs, and drug and alcohol rehabilitation services. Households that enroll in the program must fulfill several commitments outlined in a social contract. These requirements include visiting the health clinic, going through family counseling, and ensuring that children attend school (Rodriguez 2003). The cash benefit paid to Chile Solidario families is quite small, totaling approximately US\$21 for the first six months, US\$16 for months 7-12, and US\$11 for months 13-18 (Government of Chile 2007).¹⁵

Chile Solidario emerged out of an interest on the part President Lagos to address the lingering problem of extreme poverty (Personal Interviews #66, 68, 69, 79, 80, 81). Between 1996 and 2000 the share of individuals living in extreme poverty in Chile had remained constant, while overall poverty levels continued to decline. Government research suggested that this stagnation resulted from the social alienation of those living in extreme poverty and the fact that the needy families did not know how to access existing social programs for which they qualified (Palma and Urzúa 2005; Personal Interview #79). Thus, policy makers involved in the creation of Chile Solidario focused their efforts on creating a system that would link indigent families to the existing network of services and transfers rather than creating a new subsidy (Personal Interviews #79, 80, 82).

I rank Chile Solidario as having a moderate effect on increasing protection to low-income households. The system is not universal in its aim, but instead introduces a separate program targeted at the country's extremely poor. While access to Chile Solidario is not dependent on one's labor market status, the means-testing limitations are extremely strict, thereby reducing the scope of the policy. In this way, Chile Solidario further segments the country's non-contributory network of benefits, undermining overall access. Instead of unifying benefits into a program that provides a common transfer payment to all low-income families, Chile Solidario creates yet another "category" of protection. Still, the new program does extend a cash benefit and special

¹⁵ This is based on an exchange rate of 500 pesos to the U.S. Dollar.

assistance to the country's poorest and most vulnerable families, namely those living in extreme poverty. The policy, therefore, does mark a step forward with regard to protecting the poor. For this reason, I rate the policy as "moderate" in its ability to universalize protection.

For the second dimension of evaluation – that related to the value of the Chile Solidario benefit – I rank the program as weakly pro-poor. This because Chile Solidario's cash benefit is extremely small and cannot possibly sustain a family living in extreme poverty. Still, participating families are also linked to other programs offered by the state, including the SUF, the SAP, and PASIS, thereby boosting the support provided to low-income households.¹⁶ In addition to its small size, the Chile Solidario subsidy does not adjust the value of the benefit for characteristics of each family's risk structure. In this way, the family income support is uniform across all households regardless of the number of children, age of the children, civil status of the head of household, and the employment status of adults in the family. The benefit, therefore, provides especially weak support to higher risk households, thereby curbing the poverty-alleviating effects of the policy. For this reason, I rank the program as weakly pro-poor.

The final dimension presented in table 7.2 relates to the question of whether the policy addresses the multi-dimensional character of poverty, seeking to break its negative inter-generational characteristics. Like many of the new conditional cash transfer programs, Chile Solidario does involve requirements for children's school attendance and use of medical services. The program also grants preferential access to preschool programs and health and nutrition programs. In this way, Chile Solidario makes an important step forward in ensuring that non-contributory benefits have a medium to long-term effect by encouraging families to invest in the human capital of their children. Moreover, the fact that Chile Solidario provides limited access to work training programs addresses yet another dimension of poverty: barriers of entry to the labor market. All of these factors have important effects for the ability of the policy to protect the poor

¹⁶ These benefits, however, are also relatively small. As mentioned previously, the PASIS does not lift families above the poverty line. Meanwhile, the SUF pays a mere 10 dollars per child.

and curb the incidence of inter-generational poverty. I, therefore, rank Chile Solidario as strongly pro-poor on this dimension. A summary of this evaluation is presented in table 7.2.

Table 7.2: Pro-Poor Character of Chile Solidario

Conceptual Dimensions of Non-Contributory Social Assistance Policies That Favor Poorest	Concrete Policies
A system that guarantees universal coverage among all low-income individuals	<ul style="list-style-type: none"> • Access is not tied to labor market status. • Means test is very strict, limiting to only the extremely poor. • Not a basic universal benefit. <p>MODERATELY PRO-POOR</p>
A system that provides benefits of sufficient value to make a difference in life chances.	<ul style="list-style-type: none"> • Creates new subsidy, but very small. • Benefit is not adjusted relative to key aspects of risk profile (ie: number of children, single parent household, employment status). <p>WEAKLY PRO-POOR</p>
Addresses multi-dimensional character of poverty.	<ul style="list-style-type: none"> • Benefit linked to other services to boost use of education and healthcare. • Addresses gender bias in poverty by focusing on female-headed households. • Addresses inter-generational character of poverty by requiring school and healthcare attendance for children. <p>STRONGLY PRO-POOR</p>
OVERALL CHARACTER	MODERATELY PRO-POOR

I rank Chile Solidario as having an overall moderate effect on extending the quality and coverage of non-contributory social assistance policies to the poorest sectors of society. While the new policy provides needed support to Chile's indigent population, it does little to universalize non-contributory income support to all low-income families and households. Moreover, the cash transfer is small and the policy falls short in addressing the unique risks faced by large households, single-parent households, and unemployed households. The targeted focus of Chile Solidario and the fact that the first three governments of the Concertación did little to shift the provision of non-contributory social assistance in a more universalistic direction points

to an important question: why has the Concertación pursued a non-contributory social assistance strategy that promotes several segmented programs rather than one or two “basic universal” benefits?¹⁷ This question is particularly interesting in light of the FA’s recent adoption of the Equity Plan and highlights an interesting puzzle: why have the center-left governments in Chile and Uruguay pursued separate paths with regard to social assistance? In section four of this chapter I analyze this question, illustrating how differences in the structure of the Concertación parties and of the FA account for this variation. Before moving to that analysis, however, I now turn to an explanation of the non-contributory social assistance policy reforms carried out in Uruguay since the mid-1990s.

Uruguay: Family Allowances, PANES, and ‘Plan Equidad’

As mentioned earlier in this chapter, a series of important reforms to Uruguay’s family allowance system were enacted in the mid-1990s through the early 2000s. These changes, which sought to universalize the system, were passed in a series of three separate laws. The first law, passed in 1995, increased the value of family allowances, fixing the benefit at 16 percent of the minimum wage rather than 8 percent (Vigorito 2006; Bucheli 1997). Moreover, the law stipulated a progressive system of allocation, granting larger payments to lower-income households. It also eliminated payment of the family allowance benefit to households that earn more than 10 times the minimum wage (Vigorito 2006). In 1999 the system was further reformed to create a non-contributory version of the family allowance for individuals who did not participate in the formal labor market. The 1999 law prioritized the extension of this benefit to families who were not receiving unemployment insurance and households headed by women (Vigorito 2006). Finally, in 2004 President Batlle enacted a law that extended family allowances to all citizens that had not yet gained access to the program.

¹⁷ This is especially curious in light of the Concertación’s focus on program ‘efficiency.’ There are high bureaucratic costs associated with administering several distinct programs and engaging in annual means tests. Thus, streamlining the projects into one universalistic benefit is likely more ‘efficient.’

Uruguay's family allowance system, therefore, was universalized in 2004, providing access to all needy families. Prior to the 2004 reform, Vigorito (2006) estimates that about 2/3 of poor families and an even greater share of the extremely poor did not have access to family allowances. In this way, the new system marked a dramatic expansion in coverage among low-income households. Still, the value of the benefit remained quite small relative to other transfer policies. For these reasons, I rank the Uruguayan family allowance reforms as strongly pro-poor on the dimension of access, but only moderately pro-poor on the dimension of value. Finally, as regards the ability of the policy to address the multi-dimensional character of poverty, I rank the program as "moderately pro-poor" because recipients of the subsidy must ensure that their children attend school, but there is no mechanism for enforcing this rule (Vigorito 2006).

Table 7.3: Pro-Poor Character of the Uruguayan Family Allowance Reforms

Conceptual Dimensions of Non-Contributory Social Assistance Policies That Favor Poorest	Concrete Policies
A system that guarantees universal coverage among all low-income individuals	<ul style="list-style-type: none"> • Gradually all poor households incorporated (but not until 2004). • Means-testing is somewhat restrictive. • Benefit is not tied to labor market participation. <p>STRONGLY PRO-POOR</p>
A system that provides benefits of sufficient value to make a difference in life chances.	<ul style="list-style-type: none"> • Slight increase in value of family allowance. • Benefit is adjusted progressively, but informal sector workers receive smaller payment because of contributory difference. • contributing and non-contributing families receive different benefit levels. <p>MODERATELY PRO-POOR</p>
Addresses multi-dimensional character of poverty.	<ul style="list-style-type: none"> • Benefit linked to children's school attendance. <p>MODERATELY PRO-POOR</p>
OVERALL CHARACTER	MODERATELY-STRONG PRO-POOR

Since assuming office in 2005, Uruguay's center-left FA government has made important progress in the area of non-contributory social assistance policy. In fact, one of the first laws passed by the Vázquez administration created a 'social emergency plan,' commonly referred to as PANES. PANES was established to provide a small income supplement and several social services to indigent families. In addition to income support, which totaled approximately US\$65 per month (Government of Uruguay 2005), PANES involved the administration of a national nutrition program, an emergency healthcare program, education in critical contexts, a transitory employment program, assistance for squatters and others living in precarious homes, and a placement program for the homeless (Courtoisie and Da Costa 2005: 31). PANES was established by law to exist for only two years. Following the two-year emergency plan, the FA was committed to creating a long-term system of social protection (Personal Interviews #83, 84). The program was available to any household living in extreme poverty. The definition of extreme poverty was a household with an income lower than the value of the basic nutritional basket as of March 1, 2005 (Government of Uruguay 2005).

During 2006, PANES grew to cover 400,000 individuals in 91,000 households and enjoyed significant success and support (Chasquetti 2007). In 2007 it continued to thrive as poverty levels declined. In contrast to Chile, however, PANES was not established as a permanent program. Rather it was perceived as 'emergency' assistance put in place to lift the neediest families out of extreme poverty, but with the ultimate aim of creating a broad and universal system of social protection. To this end, in September of 2007 the Vázquez government introduced a proposal for 'Plan Equidad,' or the 'Equity Plan,' which will replace PANES with a broad system of social protection. The Equity Plan includes several benefits, but of particular importance for this analysis, it called for two immediate legislative innovations: one to increase the value of the family allowance and another that decreased the minimum age for social assistance pensions. In December of 2007 the FA government passed both of these laws.

In accordance with the new family allowance law, the income subsidy was increased from US\$13 per child to US\$35 for children up until 12 years of age, and from US\$13 to US\$50 for children aged 13 to 18 (El Observador 2007; Republic of Uruguay 2007).¹⁸ This increase seeks to remedy the lingering problem of the benefit's low value.¹⁹ The family allowances are available to all low-income households and it is estimated that the new law will serve around 1 million citizens, about one-third of the country's population (Campodónico 2007). Indeed, the new plan is even more universal in its scope than the previous (unified) family allowance system. This is because while the previous system provided different benefits to those workers who had contributed toward the system, the new program provides a set benefit regardless of whether one gains access to the subsidy through a contributory or non-contributory channel.²⁰

The FA's 'Equity Plan' also introduced a change to the law that regulates the payment of non-contributory social assistance pensions. Previously, these pensions were available to individuals aged 70 and older, but under the new law, the benefit can be accessed by low-income individuals aged 65 and above (Campodónico 2007; Republic of Uruguay 2007).²¹ This fills a gap in the coverage of non-contributory pensions, providing assistance to those individuals who are unable to participate in the labor market, but who are not yet 70 years of age. Both reforms – to family allowances and to the non-contributory pension system – mark an important step forward in creating a universal system of protection, and therefore, I rank the FA's social assistance policy as strongly pro-poor on the first dimension in table 7.4.

The 'Equity Plan' is also strongly pro-poor in its multidimensional approach to the challenge of poverty. Indeed, as was the case under the previous system, payment of the family

¹⁸ In Uruguayan pesos the increase was from 260 to 700 and 260 to 1000.

¹⁹ Moreover, by not indexing the value of the family allowance to the minimum wage, the new program breaks the dependence of needy families on the minimum wage. This is particularly important in Uruguay, where the minimum wage has declined steadily since the 1970s.

²⁰ Article 12 of law #18.227 states that the cost of the new system will be covered by general revenue (Republic of Uruguay 2007).

²¹ Law #18.241

allowance is conditional upon children's attendance in school. The new program also calls for the further expansion of preschool and provides incentives for families to ensure that their children do not drop out of secondary school.²² Additionally, the FA's 'Equity Plan' provides subsidies to private firms that contract unemployed members of poor households,²³ expands the use of nutrition cards that provide households with between US\$15 and US\$35 worth of food credit per month,²⁴ and subsidizes electricity and water costs (Cuenca 2007; El Observador 2007).²⁵ In other words, the new program marks an attempt to build an integrated system of social protection that provides a safeguard against several risks that low-income households face. For this reason, I rank the new program as strongly pro-poor on dimension three in table 7.4.

²² School abandonment is perhaps the greatest challenge facing the Uruguayan education system. See chapter six for a full discussion of this issue.

²³ Mariela Mazzotti, the government's director of citizen development, told the *El Observador* newspaper that the Equity Plan will provide two separate programs. The first program, called "Employment Objective," will provide subsidies to private firms for 3,000 jobs. Interestingly, the state will subsidize 60 percent of the salary for men who are hired and 80 percent for women. Subsidies will only be provided for new positions. The second program, "Uruguay Works," will employ and train 3,000 individuals (Ferrero 2008).

²⁴ Between 300 and 700 Uruguayan pesos.

²⁵ The 'Equity Plan' is extensive. It builds on other reforms already enacted by the FA (the tax reform, the healthcare reform, and wage policy) and calls for advancement in the area of education reform and housing policy. A core focus of the plan is on the challenge of reducing poverty among children. It, therefore, includes several policies aimed at families with children and teens and proposals for changes to education policy. Since the focus of this chapter is on non-contributory social assistance, I choose to analyze to specific elements of the reform: the extension of family allowances and the change to non-contributory social assistance pensions.

Table 7.4: Pro-Poor Character of PANES and the Equity Plan

Conceptual Dimensions of Non-Contributory Social Assistance Policies That Favor Poorest	Concrete Policies
A system that guarantees universal coverage among all low-income individuals	<ul style="list-style-type: none"> • All low-income households are granted access to family allowances regardless of labor-market status. • Means-testing is less restrictive than Chile; an estimated 30 percent of the population will have access. • Creates a ‘basic universal’ benefit that is paid based on risk profile (number of children and income) rather than labor market status. • Decreases age requirement on non-contributory pension, expanding coverage to groups of the elderly poor (65-70) who were previously uncovered <p>STRONGLY PRO-POOR</p>
A system that provides benefits of sufficient value to make a difference in life chances.	<ul style="list-style-type: none"> • Increases value of family allowance. • Benefit addresses key elements of risk profile (ie: paid per age of child and number of children). <p>STRONGLY PRO-POOR</p>
Addresses multi-dimensional character of poverty.	<ul style="list-style-type: none"> • Benefit linked to school attendance. • Includes incentives for parents to protect against secondary school abandonment. • Addresses employment and nutrition aspects of poverty. <p>STRONGLY PRO-POOR</p>
OVERALL CHARACTER	STRONGLY PRO-POOR

In summary, while the governments of Chile’s Ricardo Lagos and Uruguay’s FA are similar in that they both pursued reforms aimed at increasing the coverage and value of transfer programs, they differ in the scope of their efforts. Indeed, while Chile Solidario is a program aimed only at extremely poor families, the FA has transitioned from a “social emergency” program targeted at the extremely poor to a broader social protection system that seeks to

incorporate all Uruguayans into a “basic universal” program.²⁶ The universality of Uruguay’s plan coupled with the increased benefit values and policies aimed at addressing the education, work, and nutrition-related aspects of poverty, all contribute to making the FA plan strongly pro-poor in its focus, while Chile’s program remains more limited. As mentioned previously, this points to an interesting question: why have Chile and Uruguay varied with regard to the degree of universality and magnitude of the benefit incorporated into recent non-contributory social policy initiatives?²⁷ In the following section I address this puzzle, analyzing the timing and content of program creation in Chile and Uruguay. I argue that the organizational structure of the two countries’ center-left parties explains the variation in policy output.

7.5 Explaining Social Assistance Policy Outcomes in Chile and Uruguay

Chile: Elite-Electoral and Coordinating-Business Parties

Chile Solidario was created to address the challenges and needs of indigent families and was established separately from other forms of non-contributory social assistance, relying heavily on means-testing. In many ways, the program is the prototypical policy output of an elite-electoral party (like those of the Concertación). The direct relationship between party organization and the character of Chile Solidario is understandable because the social assistance program was new, and therefore, policy legacies played no role in mediating the strength of the causal link between party structure and policy content. In this way, the creation of Chile Solidario provides a clear illustration of how elite-electoral party organization influences policy formation.

²⁶ The Chilean state offers several programs in addition to Chile Solidario. Poor households can qualify for the SUF (a non-contributory form of family allowance), a water subsidy (SAP), and/or a social assistance pension (PASIS). The primary difference from Uruguay is that these programs are created separately and are, in some cases, capped as to the number of individuals who can receive benefits each year. President Bachelet campaigned on a promise to integrate these programs into a “social protection system,” but thus far the only concrete policy achievement has been in the area of pensions.

²⁷ Even after summing the SUF and the Chile Solidario income subsidy, Uruguay’s new family allowance is still larger. The value of the Chilean SUF is approximately 10 dollars per healthy child or 20 dollars per handicapped child. Moreover, the Chilean state does not adjust the value of the benefit per the age of child (as is the case with the new Uruguayan system).

A key question regarding the creation of Chile Solidario is why the Lagos administration chose to limit the scope of the program. Importantly, the President was not the first to adopt a conservative approach to creating a broad system of social assistance. The first two Concertación governments were also slow to change the underlying logic of non-contributory social assistance policy. According to a Concertación mayor of a low-income municipality, the reason behind this reluctance to adopt a universal system is tied to the fact that the liberal sector of the center-left parties remains disconnected from the party base because of the organizational structure of the parties. Thus, according to the mayor, policies like Chile Solidario are drawn up by technocrats who are experts on national statistics, but who know little about political interests and demands:

“The problem is that the government doesn’t want to improve things; they’re not committed to these programs [a system of social protection] and to protecting people... And they’re so far away from the people and isolated from any sort of response or implication from the policy. There’s no possible way for them to feel the response to the policy. This set-up means that a feedback effect is impossible. Even if we do go and tell them things, and we do try and share the reality, it’s just not the same as when you hear things from someone else as when you live them yourself and you deal with people every day. There is a brutal deafness at the national level” (Personal Interview #33)

A former Vice-President of the PDC also pointed to the lack of connection between the party elite and base as a source of the Concertación’s conservative approach to broad social protection:

“There isn’t much space for discussing the problems that we face and policy decisions are made in isolation from the public sphere. You know, there are groups within parties that work on public policy ideas and proposals, but the elite politicians housed in the state apparatus won’t let those groups participate. They say that everything is working and we don’t need to change it” (Personal Interview #7).

A former Minister of Mideplan told me that the Concertación never pursued a broader project because of heavy influence of the Finance Minister in the policy-making process. As mentioned in chapter four, the heavy role played by the Minister of Finance in the Concertación governments is, to some extent, a side-effect of the elite-electoral party structure. This involvement, however, has consequences for the focus of policy and the former Mideplan Minister said, “the Finance Ministry’s role in policy-making is one of the reasons why there is

this lack of coherence [lack of a broader-more universal system]... They keep us thinking in a short-term manner and focused on isolated programs” (Personal Interview #85).

In fact, the role of the Ministry of Finance in resisting the creation of a broader more universalistic system of protection stretches back to before Chile Solidario. During the first Concertación government of PDC President Patricio Aylwin, there were calls to create a strong social development ministry charged with creating a new system of social assistance. A high official from Aylwin’s Mideplan explained that the Minister and his team sought to create a government office that could coordinate social policy and create an integrated and universalistic system of protection:

“We would create a social plan. Then, similarly, in the same way that the Minister of Finance has to go before the Congress and talk about the economic health of the nation, the Minister of Mideplan would be called upon to give briefings about the social well-being of the country. So, I proposed the idea, but in a meeting with Foxley [the Finance Minister] and Boeninger [the General Secretary of the Presidency], they told me that they were a bit nervous about the plan. They told me that they thought it made sense, but that it scared them. That they didn’t like to think about all of those social policies and all of that money being concentrated in one Ministry. They said that it would be too powerful and that it would be hard to control” (Personal Interview #86)

In other words, resistance to the idea of a broad system of social protection began well before Chile Solidario and was facilitated by the elite-electoral structure of the Concertación parties, which empowers the market-friendly sector of the coalition, while weakening the more traditional representatives of the center-left. The special power wielded by the market-friendly sector of the parties produces social policies that favor macroeconomic stability and fiscal discipline over equity. The above quote reveals that, in fact, the primary concern that kept decision-makers inside the Aylwin government from pursuing a more universalistic system of social protection was precisely related to worry about public finances and populist spending demands.

A former high official from the Ministry of Labor also referred to the Concertación parties’ concern about populist demands, telling me that the center-left coalition’s social assistance policy sought to “help people but not bring them together” (Personal Interview #20).

Specifically, the official said that the Concertación governments were interested in protecting the poor, but did not want to feed a populist movement that could compromise fiscal goals (Personal Interview #20). In other words, the focus on fiscal discipline enabled by the elite-electoral party structure fed the desire to maintain a system of non-contributory social assistance that was segmented into small and separate social programs; Chile Solidario was yet another of such policies. A member of the Lagos administration and participant in the policy planning for Chile Solidario told me, “this [Chile Solidario] does not have anything to do with solidarity or opportunity networks. It’s super individual” (Personal Interview #81)

Chile Solidario emerged in 2002 following the presentation of government research that identified a stagnation in the reduction of extreme poverty. The study inspired concern among bureaucrats in the Finance and Social Development Ministry about the effectiveness of social spending. In this way, the program responds not to a consensus within the party base about a need for a new policy, but rather reflects the careful process of analysis, inquiry, and personal commitment that guides policy-making in elite-electoral parties. In fact, one of President Lagos’ advisors explained the motivation behind Chile Solidario in very technical terms:

“we realized that poverty had decreased significantly from 1990 onwards and that only about 20 percent of that decrease was due to public policy. The rest was the result of good growth. So, we knew that we needed to combine economic dynamism with policy in order to reduce basic poverty. The situation is different, however, for extreme poverty. In extreme poverty, growth is irrelevant because it never gets to those people... At the time we enacted Chile Solidario, we were in a period of slow growth, so we knew it was an ideal time to help the indigents; in fact, that was the only sector where we could really make a difference in terms of social gains” (Personal Interview #69)

Thus, according to the President’s advisor, the motivation behind Chile Solidario had little to do with a programmatic commitment and more about economic and political calculations about the potential returns on distinct reforms. Another participant in the reform team also stressed the role of economic factors in determining the emergence of the new program, saying: “it was really a moment of several things coming together at once. The economy was in a downturn,

unemployment was high, and we knew that extreme poverty didn't seem to be moving too far"(Personal Interview #87).

Clearly, then, the economy and other technical considerations were the driving force in determining the timing of Chile Solidario's emergence. As mentioned previously in this analysis, the elite-electoral party structure tends to favor economic considerations when promoting policy formation and change. This is because the parties need not consult with the party base about government programs, but instead organize activities in response to technical considerations often made by a small group of political elites. An extension of this fact is that the Ministry of Finance tends to be a key reform actor in such systems. The creation of Chile Solidario lends additional evidence to this fact, revealing yet another social policy initiative that was pushed forward thanks to interest and concern from the Finance Ministry. A bureaucrat from Mideplan and one of the key authors of Chile Solidario told me "it [Chile Solidario] had more to do with improving the political supply than actual political demands from below" (Personal Interview #79). Specifically, she said that the Ministry of Finance was interested in creating a new program because of a growing worry about system efficiency: "Finance was worried because the 'other' category of spending was increasing, but the results were few and far between; the real effect of the spending was under doubt" (Personal Interview #79). A Finance Ministry official involved in the creation of Chile Solidario confirmed this point telling me "we realized that extreme poverty was 'stuck' and subsidies weren't getting to the bottom decile. This reform was to fix that problem, not create a new subsidy" (Personal Interview #80). In other words, as in the case of education and healthcare reform, the Finance Ministry was crucial in advancing the Chile Solidario reform and shaping its content. This sheds light on why the efficiency of spending and not equity was a key motivating force in the reform.

Elite-electoral parties tend to isolate the policy-making process, relying on a small group of skilled technocrats rather than invoking party consultation. This was certainly the case with Chile Solidario, as the project proposal was drawn up by a group of 21 technocrats and involved

no consultation with base organizations (Personal Interview #81). A member of the policy-making team told me, “in March or April President Lagos called together a group of experts; really mostly technical people instead of politicians” (Personal Interview #87). One of President Lagos’ advisors also stressed the technical character of the decision-making process, noting that the government explicitly sought to avoid political influence from parties: “that’s the exact logic that we wanted to get rid of; the idea that whoever shouts the loudest gets what he wants is a bad idea... no president can govern above parties, but he [Lagos] definitely wanted to maintain autonomy. He didn’t want to be reliant on them” (Personal Interview #69).²⁸

This desire to formulate policy ‘above’ the party is enabled by an elite-electoral party structure, which insulates elites from the party base. A high official working in Mideplan during the debate over Chile Solidario confirmed that the creation of the program was very much top-down, saying: “outside of the planning group virtually nothing was known about the proposal” (Personal Interview #27). The official said that the policy reflected a combination of two separate intellectual projects: one being carried out by economists at the United Nations’ Economic Commission on Latin America and the Caribbean and a group of economists inside the Ministry of Finance who were working on a study for the World Bank (Personal Interview #27).

It seems, therefore, that the elite-electoral structure of the Concertación parties helps explain why Chile Solidario emerged when it did and why the program did not include mechanisms aimed at creating a universal system of social protection. One final aspect of the policy, the small size of the cash benefits, is also explained by the structure of the parties. One of President Lagos’ advisors explained that the small cash benefit was decided upon because the problem faced by families living in extreme poverty was not related to a shortage of subsidies. “[W]e realized that the situation of indigent people in Chile was such that we couldn’t help them by simply increasing the value of subsidies. Instead, we need to increase their ability and

²⁸ The quote came in response to the question: ‘what motivated the Chile Solidario reform since there were no mobilized citizen demands for the program?’

capacity to use these programs. That's where the idea of a 'bridge' emerged;²⁹ a bridge to connect people to the state" (Personal Interview #68). Interestingly, however, a Concertación mayor from one of Santiago's poorest municipalities contradicted this point, saying that the benefit was simply insufficient to lift individuals out of poverty. "it's this two year affair during which time a social worker is supposed to bring a family out of extreme poverty and fix everything for them. The thing is, though that it is totally out of touch [with financial and socio-cultural needs of families]"(Girardi 2006). The mayor stressed that the inadequacy of the subsidy resulted from the insulated policy process that exists in elite-electoral policies. She added:

"the other problem is that the cut-off on the Ficha CAS [means-test] is something like 503 points, but you know the Ficha is totally unfair to begin with and sometimes the people who administer it make mistakes, so you could end up with a situation in which someone doesn't get the benefit because of a couple of points... we could do so much more" (Personal Interview #33).

In other words, the elite-electoral structure of the Concertación and the subsequent barriers that exist between elites and the voting base also sheds light on why Chile Solidario involved only a slight increase in the value of the subsidy.

Another interesting aspect associated with the creation of Chile Solidario is related to the relatively weak role played by the parties of the center-right. Indeed, while the UDI and RN were strongly opposed to one aspect of the bill – the fact that the program was administered at the national rather than the municipal level – they were unable to exert a veto power similar to that witnessed in the AUGE reform. The law, therefore, was passed with the centralizing provision. I contend that the inability of the right to extract its desired outcome results from the organizational structure of the right parties, which I have classified as "coordinating-business," and their subsequent reliance on the mobilization of big business to effectively veto Concertación policy. As explained earlier, coordinating-business parties work in cooperation with big business, but do not sacrifice the hierarchical organization of the party as a result. Rather, this coordination occurs through informal channels (a revolving door between the political and business world) and

²⁹ The pilot version of Chile Solidario was called "Puente," which in English means bridge.

through the two parties' think tanks. For this reason, the primary source of power for 'coordinating-business' parties of the right is their ability to tap the financial and mobilizing resources of the national business community. This means that for issues that directly affect big business, 'coordinating-business' parties are able to exercise a solid veto coalition. In the case of Chile Solidario, however, the concern voiced by parties of the right was primarily political and had no real ramifications for the business world. For this reason, the parties of the right were unsuccessful in altering the legislation. This stands in contrast to outcomes achieved in the healthcare sector, where the UDI and RN were able to significantly alter the policy.

As explained by the RN's social policy expert, "our main interest was to see the program de-centralized. We pushed for municipal control and participation" (Personal Interview #93). The UDI was also committed to transferring responsibility for Chile Solidario to the municipal level, where coincidentally, they exerted significant political control during that time period. Immediately after the project was introduced, UDI Deputy Cristián Leay told reporters that the primary problem with the project was that it centralized power in Mideplan and marginalized the municipalities "who are the actors that are most knowledgeable about where extreme poverty is and what those families need" (quoted in: (La Segunda 2002), translation by author). In House debate, UDI Deputy Julio Dittborn made this point in even more straightforward terms, calling for a system that would have likely led to increased patronage and clientelism.³⁰ "mayors, city council members, and social action departments in the municipalities should have an important decision-making power, which should be established by law, both to hire the social workers and select the beneficiaries" (Congressional Debate in House of Deputies 2002).

The Minister of Mideplan during the Congressional debate over Chile Solidario told me that the issue of municipal control was the only real point of difference between the government and the opposition. "In 2001 the right was over-represented at the municipal level, so they

³⁰ Interestingly, the most common criticism that the right-wing parties leveled against Chile Solidario during my interviews was that the program fosters "clientelism."

wanted to have their mayors control the program. The government, though, didn't want the UDI taking credit for the program" (Personal Interview #27). In the end, despite issuing policy briefs and drawing attention to the issue through the media, the parties of the right were unable to obtain the modification to the bill. Presently, Chile Solidario is administered at the local level, but all selection and personnel decisions are made through the national government, specifically within Mideplan. This is a clear example of how 'coordinating-business' parties of the right are most powerful when the issue at play directly affects the business community. For other issues, however, their power is greatly weakened. Thus, the Concertación was able to pass the Chile Solidario legislation without adopting the changes proposed by the right because the character of the policy did not provoke the interest and concern of the business community.

In summary, the organizational structure of the Concertación parties helps explain both the timing and content of Chile Solidario. The policy emerged following research by the Finance Ministry, the World Bank, and Mideplan that revealed a stagnation in the poverty-reducing effects of state spending. In this way, it was concern among a small group of political elites, with heavy influence from the Finance Ministry, that spurred the program, not political consensus within the parties. The way in which the plan was drawn up, involving a small group of technical elites, is also a format favored by elite-electoral parties. This isolated form of policy-making helps explain why the program did not seek to create a broader universal system of social protection and why the benefits associated with the plan are relatively small. Finally, the coordinating-business structure of Chile's right-wing parties helps explain why those organizations had little effect on shaping the bill. Since big business had no stake in the new policy, the parties of the right were unable to exert power and extract the political changes that they sought. In other words, the formation of Chile Solidario reveals the effects of party organization on policy output in the absence of strong policy legacies. For this reason, the new non-contributory program is a prototypical example of social protection policy from an elite-electoral party.

Uruguay: Organic-Mobilizing and Elite-Patronage Parties

In contrast to Chile's elite-electoral center left parties, the organic-mobilizing structure of the FA promotes more political forms of policy-making that incorporate a wider spectrum of preferences and the construction of group consensus. This difference helps explain why Uruguay's FA created a program of targeted assistance to families living in extreme poverty that was *temporary* in nature and pursued a universal system of protection for its long-term project. Indeed, Uruguay's PANES was similar to Chile Solidario except that it was set-up as an "emergency" system that was eventually phased out, as needy families were integrated into a universal program called the 'Equity Plan.' I contend that the temporary character of PANES is a direct outcome of the FA's organic-mobilizing structure. Still, the decision on the part of the Vázquez administration to create PANES, even for a limited time, raises an important question: why did the FA not pursue a universal system of social protection from the very beginning? Put differently, what accounts for the existence, albeit brief, of PANES?

An official from the Social Development Ministry who was involved in the development of PANES told me that the decision to pursue the conditional cash transfer program was necessary because of the terrible economic situation inherited from the Batlle government. She said:

"I think there was a realization that we were in a real social crisis... we realized that we were facing a disaster. We also knew that if we wanted to change the structure of Uruguay's social protection system we would need time; we didn't have that much time right at the beginning. We needed to mark a difference and show the population that we were different. We needed to reach a hand out to the poorest of the poor and in doing this we exposed that this reality really did exist in Uruguay" (Personal Interview #49).

Another representative of the Social Development Ministry agreed with this point, telling me, "the left has always criticized targeted social assistance programs, but in light of the dramatic situation following the crisis, we realized that we had to do something that combined traditional social policies with something special. PANES seeks to get help to sectors that are excluded from other services" (Personal Interview #84). An economist and member of the PANES team

echoed this argument, explaining that the program was created to buy time to improve the country's broader network of protection. "The size of the family allowances have gotten so small that it just didn't have the effect that we would have hoped for. That's pretty much where the interest in PANES took root. People on the left realized that something special, beyond family allowances had to be done to deal with the issue of poverty" (Personal Interview #88). An academic involved in designing the FA's social policy program told me, "my sense is that they created PANES to have a bit more time to think about what it was they wanted to do in social policy. In a sense, PANES said, ok, let's do this for the time being and buy some time to decide what we can do in the long-term" (Personal Interview #89). Indeed, in all of my interviews about PANES, political leaders stressed that the policy was adopted to deal with pressing short-term needs, but that the end-goal was the creation of a broader system.³¹

Interestingly, it appears that the organic-mobilizing structure of the FA was also critical for creating a situation in which PANES could be enacted quickly, despite the absence of state infrastructure to support such a program. Unlike in Chile, where the Ficha CAS means-test was established during the military regime and has a long and established history, Uruguay has no form of means-test and previously relied on sworn statements of income to determine whether individuals qualified for a program (Personal Interview #88). Moreover, most of the families who were eligible for PANES were removed from the formal labor market and the core network of Uruguay's social services and transfers. Thus, reaching this population posed a significant obstacle. One member of the Social Development Ministry told me:

"it was crazy; imagine trying to set up this massive program that requires real coordination and information and building it from nothing. I think the only reason we were able to do it was because of the mystique of the Frente finally arriving in government. The excitement and the mobilizing capacity of the Frente made it possible" (Personal Interview #49).

³¹ Naturally, political elites from the opposition Colorado and Blanco parties argued that PANES was established with clientelistic aims (Personal Interviews #4, 43, 50, 53). If, however, clientelism had been the primary goal of the FA policy, it is unlikely that the government would have set an end-date for the policy, particularly heading into an electoral period.

It seems, then, that the government was able to use its organic-mobilizing structure to address challenges involved in creating PANES, enrolling volunteers to do everything from neighborhood visits, to survey design, to the distribution of information. An academic involved in the creation of PANES told me, “in my opinion, the way PANES has worked is a miracle... it was a group effort; people volunteered massive amounts of time. The money was really nothing, so without the volunteers it would have been impossible” (Personal Interview #89). This underscores another way in which an organic-mobilizing party structure can influence social policy reform: by creating a territorial network for implementation. The ability of such organizations to mobilize volunteers and promote participation may prove important when implementing difficult social programs.

While the FA’s mobilizing structure helped implement PANES, it also sheds light on why the Vázquez government set up the conditional cash transfer program as a temporary project. I contend that the FA’s decision to address the issue of poverty by creating a universal network of protection available to all individuals, rather than continue with a small targeted program, reflects the breadth and power of the party’s base in shaping policy choices. In other words, it is evidence of how an organic-mobilizing party organization promotes different policy preferences than those of an elite-electoral organization.

A representative from Uruguay’s Social Development Ministry offered evidence of the importance of party consultation and debate in formulating the Equity Plan. “There is a strong belief in the party [base] in an ideology that emphasizes universalism and so we [party elites] knew that we had to set an end-point for PANES... Our end goal is clearly to revive the neediest groups and provide them with a level of well-being so that they can use universal services” (Personal Interview #84). Another official from the Development Ministry echoed this sentiment telling me that the character of the Frente favored universalistic policies and that the goal behind the Equity Plan “is that it will be a plan for all of the population” (Personal Interview #83). A representative from inside the Social Development Ministry told me that Uruguay’s new social

protection system reflected policy that involved citizens in decision-making, saying: “the problem with a technocratic system is that you can have perfect beautiful policies, but if you don’t have participation and citizen involvement, it won’t work. Here [with the FA] the idea is to combine things. We don’t believe in a technocratic recipe” (Personal Interview #90). While creating a universal system of social protection places greater fiscal demands on the state, the structure of the FA tends to favor goals of equity and universalism, and therefore, the creation of the Equity Plan was a natural outcome. In Chile, by contrast, where the party structure favors sectors that prioritize cost-containment, Chile Solidario was created as a permanent program.

Interviews with individuals involved in the creation of Uruguay’s new Equity Plan reveal that, indeed, the “organic-mobilizing” structure of the party played an important role in defining the content of the new program. A policy advisor and member of the Social Development Ministry told me that the new Equity Plan reflected broad interests within the FA rather than narrow technical considerations. “The process of policy making isn’t technocratic at all. We are always in consultation with all sorts of groups and with the different factions of parties. That’s part of the Frente’s logic” (Personal Interview #49). Moreover, this individual stressed that because of the political commitment to a broad social protection system, policy makers enjoyed relative freedom from the concerns of the Finance Ministry. “If you look at the current formation of the Plan Equidad, they’re [the Finance Ministry] not forcing anything on the committee” (Personal Interview #49). This is notably different from the Chilean case, where the Finance Ministry played a key role in determining the timing and content of Chile Solidario. Another member of the Equity Plan reform team told me that the idea to universalize benefits is a direct result of the character of the FA, saying that the party structure forced policy makers to merge distinct approaches to social protection.

“In general, all of the different sectors of the Frente do share one belief: that of universalism. Then I would say there are two different visions of policy... The first vision is that we need to work in generating employment and formalizing workers... The second vision says that we cannot just focus on growth because if we don’t do something to help/protect people they won’t be able to take those

jobs... I'd say you can see evidence of both positions in the policy" (Personal Interview #84)

In summary, the universal scope of the FA's 'Equity Plan' emerged because the organic-mobilizing structure of the FA lent power to sectors of the party committed to creating a universal system of protection. Still, the policy initiative was likely made easier by the fact that a universalized system of family allowances already existed in Uruguay. Indeed, the reforms of the 1990s and early 2000s that extended family allowances to informal sector workers likely helped pave the way for the new Equity Plan. It is, therefore, interesting to consider those reforms and to determine to what extent the organizational structure of the traditional Colorado and Blanco parties shaped the creation of that policy.

In contrast to the FA, Uruguay's center-right parties are best classified as elite-patronage organizations. Indeed, their ties to voters were based not on mobilization, but on the direct exchange of favors. It is of little surprise, therefore, that the motivation among Colorado and Blanco politicians was not spurred by demands from their own base, but rather by developments in the national economy and the need to respond the FA's mobilized demands. Since the most radical reform to the family allowance system came in 2004 with the full extension to all needy citizens, I will focus on that particular policy initiative. Many individuals who participated in the 2004 reform stressed that the most important determinant of the timing and content of the law was the 2002 economic crisis that devastated the country. A former Deputy from the Independent Party who had tried to introduce a similar family allowance reform prior to 2003 said that finding political allies interested in non-contributory social policy before the crisis was difficult. "It's very hard to put that issue on the agenda because no one group is pushing for it. The crisis in 2001 helped a bit in that regard" (Personal Interview #91). He also stressed that the nature of the traditional parties, namely their patronage structure, provided special incentives during an electoral year to pass the law, saying "it was an electoral year, so I'm sure that helped" (Personal Interview #91). An economist and high-ranking representative of the Social Security Bank (BPS)

also argued that the 2004 reform was driven by the terrible situation provoked by the 2002 economic crisis.

“It also came about as a reaction to the crisis. Poverty had grown exponentially and salaries were down and I think the government knew it had to do something, so it continued in the line of the 1999 reform... the Batlle government really wasn’t interested in social policy. I mean, they pushed that reform because they were left with no other option, but under different circumstances, they wouldn’t have invested in social policy” (Personal Interview #92).

A high-ranking member of the Batlle administration who worked in the budgeting office confirmed this point, saying “Batlle was not convinced of the importance of social programs... that all changed in 2002, though. I think everyone realized how serious the crisis was; it was a rupture in Uruguay and we finally joined Latin America” (Personal Interview #53).

Although the economic crisis may have pushed the traditional parties toward the family allowance reform, the fact that the FA – and organic-mobilizing party – was in opposition, also contributed to the law’s emergence. A BPS official who worked in the government office during the Batlle and Vázquez administrations stressed that the character of the FA and its ability to mobilize groups around the issue of poverty influenced the emergence of the family allowance reform. He noted that in the wake of the economic crisis, the FA began to push for a social emergency plan and mobilized the central labor union around the idea. He said the involvement of the labor unions was crucial for tipping the balance in favor of the reform: “the real work behind the [family allowance] reform was carried out by the PIT/CNT [union] technical team. It was through their relationship with the BPS that they were able to introduce these ideas and push forward the proposal” (Personal Interview #92).³²

In other words, the push to expand Uruguay’s family allowance system, while initiated by the traditional parties, was largely determined by the onset of an economic crisis and the presence of an organic-mobilizing party in opposition. These factors combined to prompt the traditional parties to enact a law that universalized the coverage of family allowances. Still, the

³² Uruguay’s Social Security Bank has a representative from the central labor union, a representative for employers, and a representative from the pensioners’ movement on the board of directors.

reform did not address the meager value of the benefit, nor did it re-structure payments to respond to the particular risks that needy families face (adjusting benefits for risk factors such as household income, the age of the child, the sex of the household head, etc). Instead, all of these aspects, which significantly boost the pro-poor character of the system, were adopted later in the form of the FA's 'Equity Plan.' The incorporation of these factors was facilitated by the organic-mobilizing structure of the FA, which provided voice to sectors concerned about these particular issues.

7.6 Conclusion

In this chapter I have analyzed the formation and change of non-contributory social assistance programs in Chile and Uruguay. While the formation of Chile Solidario marked an important step forward in addressing the challenges of extreme poverty, it did little to contribute toward a broader system of social protection. In Uruguay, by contrast, the creation of a targeted program of social protection was set up as a temporary project to respond to heightened need in the wake of the 2002 economic crisis. More recently, however, the FA has established a new program – the Equity Plan – which increases the value of family allowances and makes the benefit available to all needy households. The reach of the system is much broader than that in Chile and the benefit values are adjusted based on the risk profile of families. In this way, the system is more pro-poor in its orientation.

This variation between Chile and Uruguay reflect an important difference in the organizational structure of the two countries' center-left parties. While Chile's center-left Concertación parties are elite-electoral in their organization, the FA is best described as 'organic-mobilizing.' The two forms of party structure distribute power differently within the political organizations. Specifically, the elite-electoral structure of the Concertación parties tends to concentrate power inside the market-friendly sectors of the organization, while power in Uruguay's FA is dispersed among distinct sectors. As a result, policy outputs vary across the two countries. Whereas the Concertación tends to favor policies that prioritize fiscal discipline and

macroeconomic stability, the FA favors a more universalistic style of policy. Since the case of non-contributory family income support is one area where very few policy legacies exist, the outcomes in this sector provide a clear example of the nature of policy-making inside each of these center-left parties. Indeed, Chile Solidario and 'Plan Equity' are in many ways prototypical examples of social policy from elite-electoral and organic-mobilizing center-left parties. The policy-making process portrayed in this chapter, therefore, provides a clear illustration of how party organization influences the timing and content of social policy reform.

CHAPTER 8: CONCLUSION

There is great diversity across Latin America with regard to levels of poverty and indigence as well as in the policy responses adopted by governments to respond to this social challenge. Indeed, as described in chapter two, countries in the region vary tremendously with respect to the coverage of basic education, health, and non-contributory social assistance policies. Specifically, I find that there are four configurations of social protection in Latin America and that country placement is largely determined by a state's record of democracy and authoritarianism in combination with the industrial trajectory. The first configuration of social protection, which I name the "democratic-industrial" system, is comprised of Argentina, Chile, Costa Rica, and Uruguay and is characterized by high levels of coverage in both risk prevention (education and healthcare) and risk coping (transfer policies). This configuration emerged by means of two causal paths. One, which was traveled by Argentina, Chile, and Uruguay involved early democratization and an intense period of inclusion in combination with industrialization, especially state-led efforts to promote the industrial process. The second path is illustrated by the Costa Rican case and involves a sustained period of full democracy and the evolution of policy legacies in this setting.

A second configuration of social protection, which I call the "corporatist-ISI" system, is exhibited by Brazil, Mexico, and Panama and combines middle-level risk prevention policies with high levels of risk coping. The path to this policy configuration involved limited democracy and, in the case of both Brazil and Mexico, significant moments of corporatist leadership and populist authoritarianism. Additionally, Brazil and Mexico witnessed significant industrial development.

The third group of countries is made up of Colombia, Ecuador, Paraguay, and Peru. This cluster, which I call the “restricted democratic-agrarian” configuration of social protection, is characterized by mid-level coverage of risk prevention policies and low-levels of risk coping policy. The path to this configuration involved the installation of limited electoral democracies, which resulted in some advancement in education and healthcare, but never prompted the process of massification seen in the ‘democratic-ISI’ group. Moreover, the limited character of industrialization in these states meant that the types of working class pressures that prompted the creation of advance risk coping systems in the democratic-ISI and corporatist-ISI systems of protection, did not develop. As a result, risk coping policies remained limited in scope.

The fourth and final configuration of poverty protection, which I call the “autocratic-agrarian” system, is exemplified by the Dominican Republic, El Salvador, Guatemala, and Nicaragua and is characterized by low levels of coverage in both risk prevention and risk coping. Because the path to this system of protection involved long periods of conservative authoritarian rule and brief periods of limited and weak democracy, the countries never witnessed the emergence and spread of adequate risk prevention policies. Moreover, like the situation of the ‘restricted democratic-agrarian’ system of protection, the limited scope of industrialization among this group of states meant that there were few pressures or incentives for the creation of risk coping policies.

This study reveals that the historical roots of each of the four configurations of Latin American poverty protection heavily condition current patterns of reform and the political dynamics involved in those reform incidents. Each of the afore-mentioned systems: the democratic-ISI, the corporatist-ISI, the restrictive democratic-agrarian, and the autocratic-agrarian involved the mobilization and empowerment of distinct actors, and therefore, rest upon different power structures. This fact has important consequences for contemporary social policy reform because, as a result, political elites face vastly different levels of resistance and enjoy varying degrees of power to mobilize individuals and groups to defend proposed reforms. In

addition to differences in the types of actors involved in policy reforms, the historical roots of each of the four configurations of social protection also shape the challenges that each state faces and the sorts of policy reforms that are in order. For example, since the democratic-ISI group of countries has achieved relatively high levels of primary and secondary school coverage, these states now face demands to increase the quality of education to ensure equality in the provision of services and to retain children in the schooling process. In countries that haven't achieved near universal coverage, by contrast, the challenge remains to expand enrolment and deliver services to excluded sectors.

In light of these important differences, I contend that a key first step in understanding contemporary social policy reform is to analyze variation within each of the four country clusters. It is for this reason and with this aim that the bulk of this study focused on the determinants and dynamics of social policy reform within the “democratic-ISI” system of poverty protection. Specifically, I analyze education, healthcare, and non-contributory social assistance policy reform in Chile and Uruguay. The selection of Chile and Uruguay as the primary cases of study makes good theoretical sense because the two states are extremely similar in a number of ways, but differ on two variables of interest: political party organization and policy legacies. The case selection, therefore, permits a most-similar systems research design that controls for economic development, the democratic record, party system institutionalization, and state capacity, while focusing on the impact of the organizational structure of parties and policy legacies.

The comparative historical analysis of Chile and Uruguay draws on original data collected in in-depth interviews with political elites and social organizers as well as legislative archival data, to test my explanation of contemporary social policy reform. The explanation focuses specifically on the organizational structure of political parties and the design of previous policies, or policy legacies. Research on parties and their relationship to the political process during the neoliberal era has fallen into two broad categories: (1) studies that focus on the organizational dilemmas of parties and the need to adapt to the challenges provoked by

liberalizing reforms (Roberts forthcoming; Levitsky 2003; Luna 2005) and (2.) research on the effects of partisanship on policy outputs (Huber et al. 2006; Pribble Huber, and Stephens forthcoming; Castiglioni 2005; Murillo 2005; Murillo 2002; Lakin 2006). The explanation developed and tested in this study, however, combines these two camps, considering how the organizational structure of parties of the left and right influences the timing and content of policy reform.

In the case of Chile's center-left Concertación parties, I argue that the elite-electoral structure has concentrated power among a small group of elites who share market-friendly views. For this reason, social policy reform during the Concertación governments is likely to emerge as a result of economic interests and concerns and the outputs tend to prioritize macroeconomic stability and fiscal discipline with a secondary focus on equity. The strength of this relationship, however, is mediated by policy legacies. In instances where previous policy fosters the formation of strong organized interests with an affinity to the Concertación parties, the fiscal discipline focus of policy outputs will be weaker. If the strong interest groups in question are promoting corporatist demands, the policy outcomes will move in a more corporatist direction, whereas if the demands are broader, the policy will move in a more universalistic direction. In Uruguay, by contrast, the organic-mobilizing character of the center-left FA disperses power among the different sectors of the party, granting representation to a broader range of policy positions. Thus, the FA's policy outputs tend to favor a more universalistic approach to protection and prioritize equity first with macroeconomic and fiscal goals second. Similar to Chile, the strength of the relationship between the FA's organizational structure and policy outcomes is conditioned by the design of previous policies. In sectors where policy legacies have fostered the formation of strong and mobilized interest groups with political affinities to the FA, reform will be slow, as the party must negotiate among different sectors. Moreover, if the interest groups in question are primarily concerned with corporatist demands, as is the case with teachers' unions in the education sector, policy outputs run the risk of being less universalistic than expected (thus

weakening the link between party organization and policy output). If, however, the interest groups in question are mobilizing support for a broad policy reform, outputs may move in the universalistic direction (thus strengthening the tie between party organization and policy outcome).

I argue that party organization also matters for parties of the center-right. Specifically, in light of the new and more powerful role enjoyed by big business, the strength of right parties is affected by whether or not their organizational design permits ‘coordinating’ activities with the business world. For example, Chile’s UDI and RN parties have created a non-formal “coordinating” organization that incorporates big business through a revolving door policy that grants business leaders important positions within the party. The UDI and RN also achieve coordination through the informal relations established through campaign finance and cooperation with think-tanks. In contrast to the UDI and RN, Uruguay’s center-right parties (the Colorados and Blancos) do not enjoy an especially strong tie to the business community. Instead, the traditional parties link to their base through patronage, and therefore, find it difficult to mobilize opposition because access to state funds have been cut off. Much like in the case of center-left parties, the strength of the relationship between the organizational structure of rightist parties and policy outcomes is mediated by policy legacies.

I carry out three tests of this explanation in chapters five, six, and seven, analyzing reform to education, health, and non-contributory social assistance policy in Chile and Uruguay. All three tests uncover significant support for my argument about the role of party organization and policy legacies in determining social policy reform. Specifically, I find evidence that the elite-electoral organization of Chile’s center-left Concertación parties has worked to empower the more economically liberal sectors of the party while weakening those groups that favor greater state intervention. This, in turn, has fostered a policy-making environment that is dominated by highly-skilled technocrats and grants a heavy role to the Finance Ministry. Organized interest groups, by contrast, enjoy very little voice in Chile’s policy-making process. On some occasions

this organizational structure has served the interests of Concertación elites by allowing them to pass reforms despite resistance among organized interest groups. A case in point is the AUGE healthcare reform, which the healthcare workers' unions opposed because it limited coverage to 56 illnesses. Because the Concertación parties enjoy little to no organic ties to such groups, the Lagos administration was able to move forward despite resistance. In other instances, however, this organization has weakened the Concertación's ability to pass policies. Again, AUGE is useful for illustrating this point; while the Lagos administration was able to pass the AUGE reform, they were unable to maintain the 'solidarity-fund.' This fund was arguably the strongest equity-enhancing feature of the reform, but was removed due to opposition from the right-wing parties, the health insurance companies, and some sectors of the Concertación. Individuals inside the Lagos administration who sought to protect the 'solidarity fund' noted in interviews that because of the weak ties to organized interest groups, they had no one to turn to for help in defending the mechanism. In this way, AUGE reveals how the organizational structure of political parties both enhances and inhibits the power of political elites.

Additional support for the argument that political party organization influences policy outcomes is provided by the study of Uruguay. In particular, I find that the organic-mobilizing structure of the FA tends to disperse power across distinct sectors of the party, increasing the likelihood for the formation of a more universalistic and equity-enhancing reform. Still, much like in the case of the elite-electoral structure, the FA's organization empowers political elites in some instances, while weakening them in others. For example, in the case of the FA's healthcare reform it is clear that the strong support for the reform voiced by members of the PIT-CNT unions and by the pensioners' movement, lent significant strength to the Vázquez administration's initiative. The support of these strong and mobilized groups was key in helping the party pursue the reform despite opposition from some private sector groups. In the case of education reform, however, the impact of the FA's organic-mobilizing structure has worked differently. Indeed, the fact that the center-left party must resolve internal disputes about the

direction of education policy has complicated the ability of the Vázquez administration to act in the education arena. Interestingly, then, as was the case with Chile, the organizational structure of the FA has worked to both empower and weaken the President's policy-making powers, highlighting the trade-offs involved in distinct modes of party organization.

This analysis of policy reform reveals not only cross-national variation, but also cross-sectoral variation. In other words, while Chile does tend to exhibit reforms that are more oriented toward fiscal and economic objectives than Uruguay, that emphasis is especially strong in the area of education policy and somewhat weaker in health. Similarly, while Uruguay's FA tends to favor universalistic policies that prioritize equity, the outcome was particularly strong in healthcare, but has been somewhat weaker in education. This variation across policy sectors reveals the mediating effect of policy legacies, underscoring how the design of previous policy can, in fact, work to strengthen or weaken the impact of party organization on policy outputs.

8.2 Significance of Findings

The findings of this study lend significant support to my argument that party organization and policy legacies shape the timing and content of social policy reform in Latin America's advanced social protection states during this current neoliberal era. This finding is important since Latin America's high level of poverty is arguably one of the most pressing problems in the region, and therefore, formulating an explanation of why countries provide such divergent levels of protection is of critical importance for scholars, politicians, and citizens. Put differently, the results of this research have significant implications for both scholars and practitioners of Latin American politics. First, at a theoretical level, this study clarifies a previous tension that existed in the study of partisan effects on policy making. In particular, by combining party ideology *and* organizational structure, this research sheds light on the question of why, in some instances, parties of the left and right have behaved in ways that seem to violate their ideological position. In other words, the seeming contradiction between research that finds no partisan effect in policy formation (Madrid 2003; Kaufman and Nelson 2004) and those studies that uncover significant

differences between parties of the left and right (Huber et al. 2006; Pribble, Huber & Stephens forthcoming; Murillo 2005; Murillo 2002) is partially resolved by considering a party's ideological color *in combination with* its organizational structure. Moreover, by combining ideology and party organization, we may gain greater insight into questions about the character of Latin America's 'new left' and for understanding how such parties differ from one another.

The finding that party structure influences social policy reform in Latin America's advanced social policy states could prove relevant for the study of other political processes as well. For example, it might be possible to extend these findings to other policy domains, analyzing whether party organization influences the formation and change of tax, trade, and labor policy. Another area where the role of party organization might be relevant is with regard to political participation. Studies about voter participation in Chile find that registration is quite low among young citizens and that among those who do vote, there is a high level of ballot spoiling (Riquelme Segovia 1999; Carlin 2006; Fuentes and Villar 2005). Similarly, public opinion research reveals that Chileans, despite relatively high living standards, express low support for democracy (Payne, Zovatto, and Díaz 2007; Hagopian 2005). In light of these outcomes, it would be interesting to investigate whether Chile's generally weak support for democracy and declines in voter participation are, at least in part, related to the Concertación parties' resistance to incorporate base organizations. In other words, it is worth asking whether a side-effect of the elite-electoral structure of the Concertación parties is the fomentation of discontent with the political process in general. On a related note, it would be interesting to analyze to what extent Uruguayans' high support for democracy is tied to the participatory nature of the FA's organic-mobilizing structure.

The findings about political party organization also have practical consequences for politicians and practitioners in Latin America. As mentioned previously, this study reveals the trade-offs involved with distinct forms of party organization. These trade-offs become even more

complex when one considers the different challenges parties face when in government as compared to opposition. This point was made extremely clear by a FA Senator, who told me,

“the FA has the perfect structure for accumulating votes and power from a position of opposition. This is the case because we created an organization that is able to internalize a huge degree of difference and resolve issues internally to win votes. The party is so diverse and that helped us come to power, but it makes governing very difficult. When we were in opposition we could agree on things we didn’t want to approve, but now we have to take care of things that we do want to do and it’s hard” (Personal Interview #48).

On the flip side, a similar point was made by one of Lagos’ advisors who said the most successful presidents were those who effectively governed above parties, avoiding the influence of base organizations (Public Presentation #1). In fact, in the eyes of this advisor, the Concertación parties’ elite-electoral structure and their subsequent ability to act without consultation with base organizations, created an optimal tool for ‘governing.’

In other words, the choices made by political elites about how to organize a party have important consequences both for a party’s capacity to govern and for winning votes when in opposition. Interestingly, however, the trade-offs associated with distinct organizational forms only become apparent when a party shifts from opposition to government (or vice-versa). This is an especially relevant point for the Chilean case, where the Concertación parties have been in government (and the right-wing parties in opposition) ever since the 1990 transition to democracy. The fact that the Concertación parties have consolidated their organization while in government means that the structure of the parties may, in fact, be more effective for governing than for working in opposition.¹ Indeed, the elite structure of Chile’s center-left parties, while helpful for isolating the policy-making arena and making highly technical and calculated policy choices (a characteristic that has bolstered the parties’ ‘governing’ capacity), will be unimportant if the parties find themselves in opposition. An opposition party requires a territorial structure and strong base to mobilize resistance against policy retrenchment and in favor of winning votes. The

¹ Similarly, the fact that the FA consolidated its organization while in opposition could mean that its organizational structure is particularly good at addressing the challenges of acting in opposition.

elite-electoral structure of the Concertación parties, however, is ill-equipped for those tasks. Thus, an important question about the organizational structure of political parties that remains unanswered by this study is: to what extent are Chile and Uruguay's party structures 'flexible'?

Levitsky's (2003) research on the Peronist Party in Argentina provides one way of thinking about the issue of organizational flexibility. Levitsky (2003) argues that the Peronist Party was able to overcome the challenges of the neoliberal reform period because of its low level of 'routinization.' Specifically, he maintains that because of leadership renovation, leadership autonomy, and structural pliability, the Peronist party was able to transform itself from a union-based organization to a patronage-based organization and engage in market-friendly reforms. Levitsky's findings, therefore, highlight a dimension of party organization that remains understudied in this work: 'structural pliability,' or "the ease with which the party's organizational structure can be modified in response to environmental challenges" (Levitsky 2003: 19). In other words, in future research it will be important to ask whether the rules and practices that govern political parties in Chile and Uruguay are 'pliable.' This is important because if the organizations are, in fact, malleable, then the distinct challenges faced by a party in government and opposition can be more easily overcome. Moreover, the trade-offs associated with the party's organizational structure will be less severe.

Another important finding uncovered by this study relates to the issue of policy legacies and their role in mediating the impact of party organization on policy outputs. This finding also has important theoretical and practical implications. On the theoretical side, the finding suggests that social policy formation is not path dependent. Put differently, the design of previous policies does not tie the hands of parties when attempting to reform social programs, but instead mediates the effect of these actors. The fact that policy legacies are a mediating force and that policy reform is not path dependent is an important distinction to make because it suggests that social policy-making in contemporary Latin America, despite the intense constraints introduced during this neoliberal era, continues to be *political* in nature. Indeed, social policy reforms are not the

‘natural’ and pre-determined outcome of policy legacies, but rather are the result of decisions and calculations made by political elites and mediated by previous policy design. The healthcare reform in both Chile and Uruguay illustrates this point, revealing that political leaders can obtain policy outcomes that differ significantly from previous programs. Securing such reforms, however, requires political will and involves lengthy negotiations.

The findings presented in this study suggest that one policy legacy in particular is especially influential in mediating party activity: the involvement of for-profit private sector actors. The comparative analysis of Chile and Uruguay’s healthcare reforms reveals how the introduction of a for-profit private sector actor affects subsequent policy reform incidents. Specifically, in Chile, where the private Isapre insurance companies are for-profit in nature and enjoyed relatively few regulations, resistance to the solidarity fund was intense and the Concertación parties, lacking strong ties to base organizations, were unable to counter the private sector’s resistance. The result, therefore, was the creation of a ‘solidarity fund’ that covers only private sector affiliates. In Uruguay, by contrast, where the private insurance providers are non-profit entities and have historically been highly regulated, resistance to the solidarity fund was much weaker and the tendency of the organic-mobilizing FA to produce universalistic policy was intensified.

The fact that private sector involvement has important consequences for future reforms has practical implications as well. When policy-makers sit down at the negotiating table they are often forced to make difficult calculations about where to ‘give’ and where ‘to take.’ The lesson from this study is that extreme caution must be exercised when introducing private actors and designing initial regulations. In other words, for policy-makers interested in promoting equity, regulating private sector actors should be a priority that is not sacrificed during negotiations. This will help to foster policy legacies that enhance the power of pro-equity sectors of political parties.

Another practical implication that stems from the finding about the importance of policy legacies is that forward-looking politicians can design reforms in such a way so as to enhance the

power of their party in future policy negotiations. An example of this was provided by one of main authors of Chile's AUGE reform, who told me that one of goals associated with AUGE's "guaranteed rights" was that it would pave the way for a further extension of health services at a later date. In other words, policy-makers were banking on the fact that once granted rights, Chilean citizens would be empowered to demand further improvements. One reformer said, "we said, ok, if we don't have the money, let's create the rights and the money will follow.... We knew that we didn't need money to have rights and that once there were rights there would be a massive feedback and no one would be able to turn against those rights" (Personal Interview #64). In other words, the Chilean case reveals how policy-makers facing high constraints can attempt to engage in gradual reforms that have a feedback or "legacy" effect that expands the power behind a more aggressive reform further down the road. This lesson is an important one for center-left politicians working in the current setting of high constraints.

Before turning to the question of the broader relevance of these findings, I would like to underscore one last contribution made by this project. The new measure presented in this dissertation – that of poverty policy regimes – marks an innovative approach to understanding state protection against poverty. By considering state policy as a bundle of projects, I contend that the dissertation promotes a more thorough understanding of two causal processes: (1) the politics of poverty policy formation and (2) how social policy affects poverty levels. Specifically, the discussion in chapters five, six, and seven about the 'pro-poor' character of education, healthcare, and non-contributory social assistance reform, outlines clear standards for judging the relative strength of policy reform. These standards are an important link for connecting policy formation and change to poverty reduction. Additionally, the fact that the 'poverty policy regime' measure focuses specifically on the ability of policies to respond to the needs of the poorest sector of the population, advances debate about social protection; moving past a simplistic understanding of policy to incorporate the challenge of implementation and coverage. Discussion about this difficulty has been notably absent from previous research on social policy

in Latin America, and for this reason, the poverty policy regime measure makes an important contribution to the literature.

Finally, the exploratory cluster analysis presented in chapter two has important consequences for the study of Latin American political economy more broadly because it provides a new framework for conceptualizing social policy in the region and pushes scholars to move past linear modes of thinking to consider how each of the four clusters represent *regimes* comprised of distinct configurations of state-market-family relations. The identification of distinct clusters of social protection in Latin America, and the finding that country performance is predicted by the historical record of democracy and authoritarianism in combination with industrialization, marks an important first step toward new and better frameworks for researching Latin American welfare policy. In short, this project tackles a pressing problem that has been largely neglected by political scientists, and therefore, makes an important contribution to the discipline.

8.3 Areas of Future Research and Relevance for Other Cases

In many ways this study uncovers as many (if not more) questions as it resolves. One potential avenue of future research relates to the question of party organization and would involve a more detailed study of how party organizations come to exist and whether such structures are easily adapted with the passage of time. Specifically, it would be interesting to analyze how the Concertación has managed to maintain the elite-electoral structure of its parties and whether the organizational design has been consolidated by means of institutional rules, recruitment, and/or socialization. A similar question could be asked about Uruguay's FA: how have party militants managed to maintain power within the political organization during the experience in government and will the organic-mobilizing structure be maintained in the long-term? Another interesting area would be to analyze whether different types of business communities are more or less amenable to a 'business-coordinating' right-wing party. In other words, do Chile's parties of the right exhibit a business-coordinating structure solely because of the historical alliance forged

between conservative forces and the business world during Pinochet's regime, or is there something about the nature and organization of big business in Chile that facilitates such a party?

The research also uncovers interesting questions about models of social protection in contemporary Latin America. Perhaps the most pressing area of future investigation is to study the determinants of social policy reform in the remaining three country clusters. While this study has reached preliminary conclusions about why states within the 'democratic-industrial' configuration of social protection vary with regard to their ability to extend education, health and non-contributory social assistance to the poorest sectors of society, it says nothing about the 'corporatist-ISI,' 'restricted democratic – agrarian' and 'autocratic-agrarian' configurations. The question, therefore, remains: what drives social policy reform within those country clusters and how similar or different are the processes of policy formation across each of the four groups?

Another area where future research is warranted relates to how this study and its findings tie into the broader political economy of Latin America. This project has focused a great deal of attention on the overall policy emphasis of Chile's Concertación parties, which view macroeconomic management and fiscal restraint as a first level of social protection and state intervention as the second level. Uruguay's FA, by contrast, has placed an emphasis on state intervention, although respecting basic standards of macroeconomic responsibility. While the difference between the two approaches to social protection is slight, it is nonetheless consequential for the scope of policy reforms, as demonstrated in the previous three chapters. The identification of these two models points to a larger question: are there complementarities between each approach to social protection and the broader political-economic context? In other words, do Chile and Uruguay represent distinct 'models of capitalism'? In the case of Chile, it is clear that the focus on fiscal restraint and sound macroeconomic management (in social policy-making) has gone hand-in-hand with an opening of the economy, increased foreign direct investment, and the expansion of the country's well-known 'conglomerate' firms. In Uruguay, by contrast, the arrival of the FA in government has coincided with rapid growth in the rate of

unionization, the re-introduction of tripartite wage councils, and a focus on small and medium 'productive' enterprises. All of this points to the question of whether there are 'complementaries' between the social protection systems and other aspects of each country's mode of capitalism?

Finally, it is worth considering how the findings of this dissertation would travel to the other two countries categorized inside the 'democratic-industrial' world of social protection: Argentina and Costa Rica. Unfortunately, I have not yet researched the two cases sufficiently to draw meaningful conclusions about the validity of these findings. Nonetheless, I contend that Levitsky's (2003) study of the Peronist Party in Argentina provides preliminary evidence that the theoretical framework may need to be adapted slightly to consider not only organizational structure, but also the level of party 'routinization.' Levitsky (2003) classifies the Peronist Party as having strong mass linkages and low routinization (Levitsky 2003: 23). Routinization refers to the level of organizational efficiency and highly routinized parties tend to have "established routines and taken-for-granted rules, procedures, and roles" (Levitsky 2003: 18). The author notes that while routinization increases efficiency, it can also limit the ability of groups to adapt to a sudden environmental change. For this reason, the lack of routinization in the Peronist party allowed it to respond to the challenges of the neoliberal reform period, shifting programmatic positions (adopting market reforms) and moving from a union-based party to a patronage-based party. As mentioned previously, a shortcoming of this study is its failure to assess the 'routinization' of Chilean and Uruguayan parties. In order to extend these findings, however, it will likely be necessary to consider not only ideology and party organization, but also the level of routinization, or the 'pliability' of party rules and regulations. By incorporating this third dimension of party character, the theory presented and tested here will be able to travel more effectively to settings in which parties and the political process are less institutionalized than in Chile and Uruguay.

In summary, this study has both broad and specific aims. It has sought to explain general (categorical) differences between Latin American states with regard to social protection and to

shed light on the more specific variation within a subgroup of similar countries (the high-performing social welfare systems). I find that a country's record of democracy and authoritarianism in combination with its industrial trajectory helps to explain broad categorical differences in the coverage and quality of welfare policies across the region of Latin America. At the more specific level, I present and test an explanation of policy reform in the region's advanced group of social protection states. The results reveal that party organization and policy legacies shape the timing and content of reforms to education, healthcare, and non-contributory social assistance programs during the current neoliberal era. The results have important theoretical and practical consequences and raise puzzling questions for future research. The study contributes to several different literatures ranging from research on political parties, to political economy, to policy design and effectiveness. In this way, it has made a consequential contribution to the field of Comparative Politics.

APPENDIX: ROBUSTNESS TEST OF CLUSTER ANALYSIS

Table 9.1: Duda Hart Stopping Rule: Risk Prevention Cluster (Average Linkage)

Number of Clusters	Je(2)/Je(1)	Pseudo T-squared
1	0.8391	3.07
2	0.5338	13.1
3	0.4744	12.19
4	0.5732	4.47
5	0.549	2.46
6	0.6418	2.79
7	0.4608	2.34
8	0.5279	3.58
9	0.3903	3.12
10	0.3244	2.08
11	0	-
12	0.4861	2.11
13	0	-
14	0	-
15	0	-

Figure 9.1: Dendrogram for Risk Prevention (Average Linkage Technique)

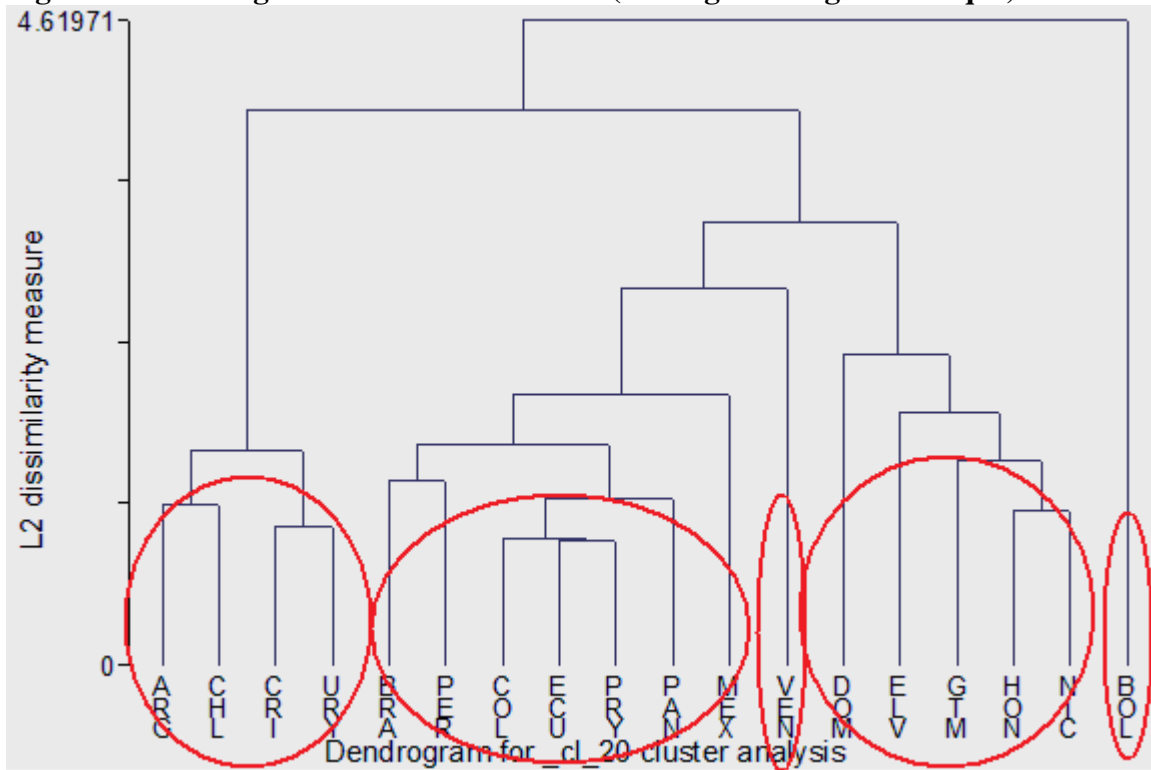


Table 9.2: Duda Hart Stopping Rule: Risk Prevention Cluster (Complete Linkage)

Number of Clusters	$Je(2)/Je(1)$	Pseudo T-squared
1	0.599	10.71
2	0.3137	8.75
3	0.4205	13.78
4	0.5732	4.47
5	0.549	2.46
6	0.5783	3.65
7	0.4608	2.34
8	0.3903	3.12
9	0.4823	3.22
10	0.3244	2.08
11	0.4861	2.11
12	0	-
13	0	-
14	0	-
15	0	-

Figure 9.2: Dendrogram of Risk Prevention (Complete Linkage Technique)

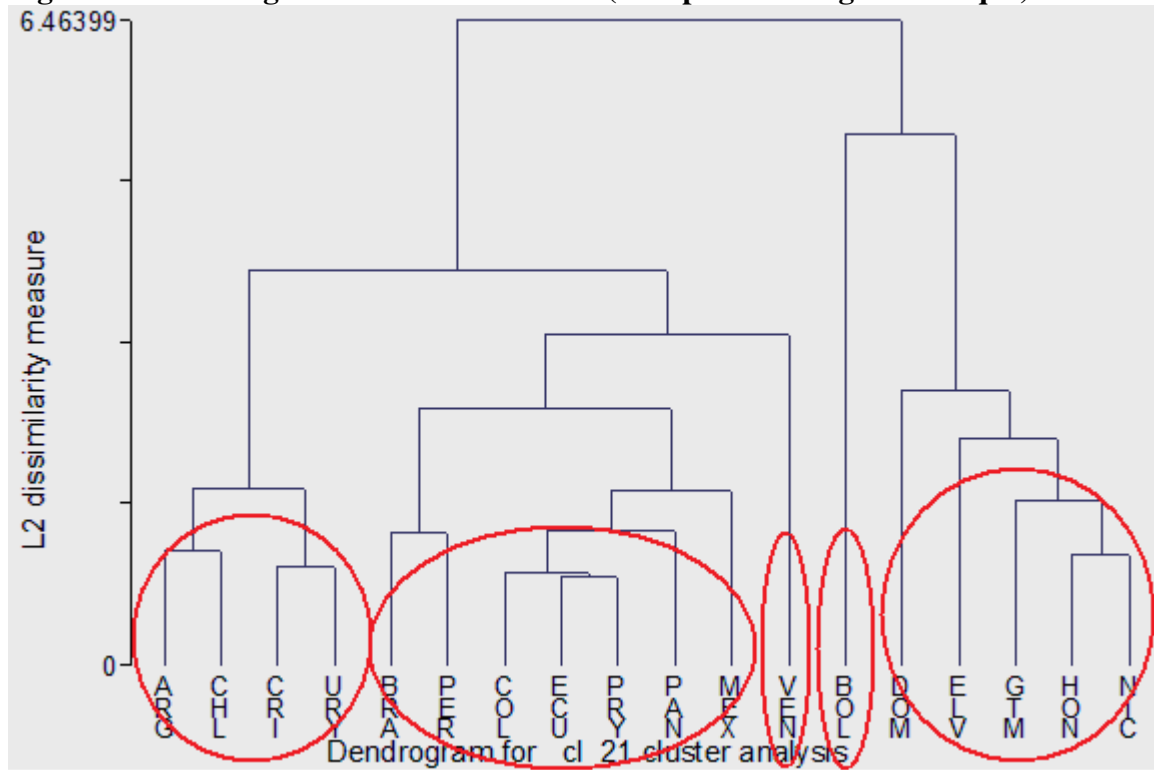


Table 9.3: Duda Hart Stopping Rule: Risk Coping Cluster (Average Linkage)

Number of Clusters	Je(2)/Je(1)	Pseudo T-squared
1	0.2414	47.12
2	0.2956	14.29
3	0.1426	42.09
4	0.1592	15.85
5	0.0559	33.8
6	0.0241	40.46
7	0.1383	6.23
8	0.2358	9.73
9	0	-
10	0.0195	50.32
11	0	-
12	0	-
13	0.3734	1.68
14	0	-
15	0	-

Figure 9.3: Dendrogram for Risk Coping (Average Linkage Technique)

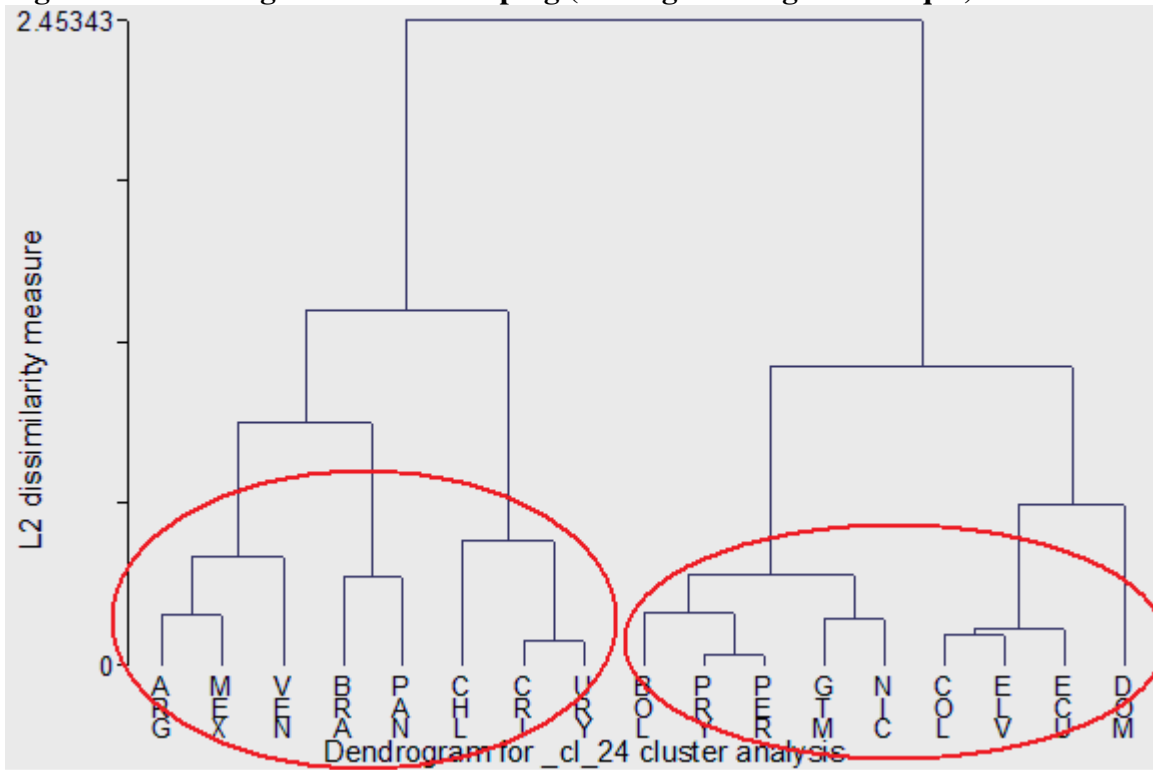
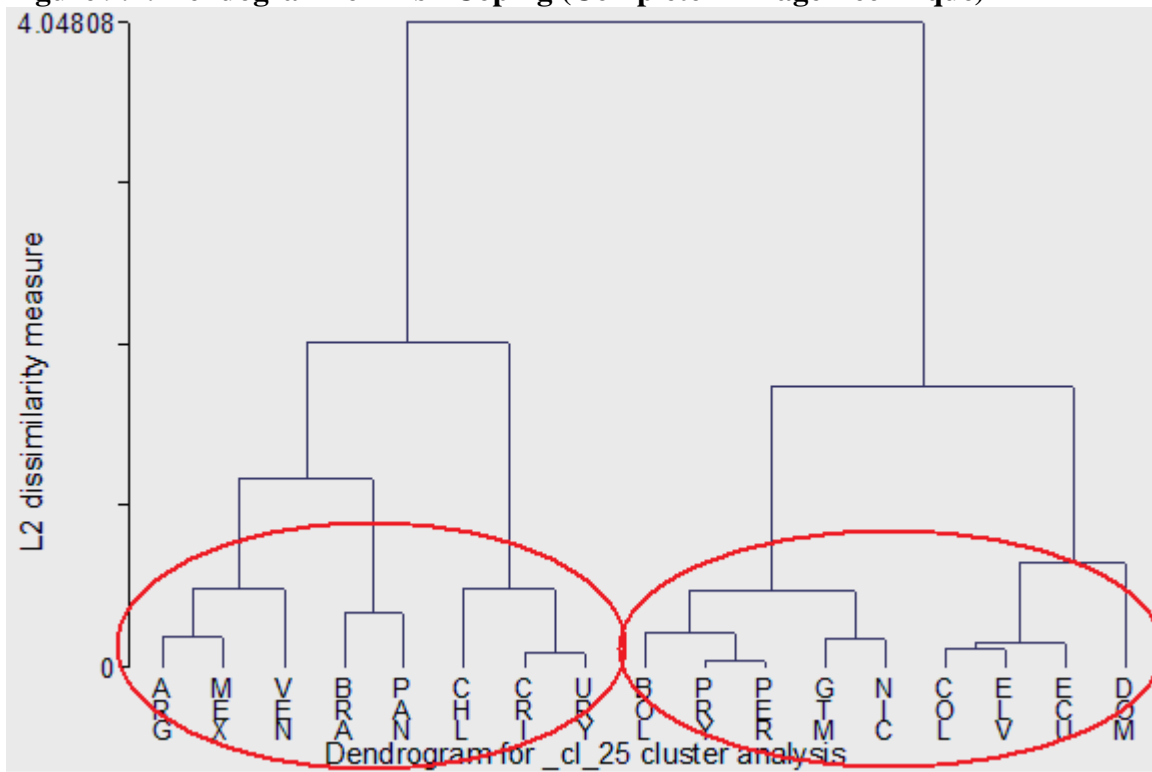


Table 9.4: Duda Hart Stopping Rule: Risk Coping Cluster (Complete Linkage)

Number of Clusters	Je(2)/Je(1)	Pseudo T-squared
1	0.2414	47.12
2	0.2956	14.29
3	0.1426	42.09
4	0.1592	15.85
5	0.0559	33.8
6	0.0241	40.46
7	0.1383	6.23
8	0.2358	9.73
9	0	-
10	0.0195	50.32
11	0	-
12	0	-
13	0.3734	1.68
14	0	-
15	0	-

Figure 9.4: Dendrogram for Risk Coping (Complete Linkage Technique)



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