

Part I

Latin America: Modernizing on the Threshold of the Twenty-First Century



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Latin America: A New Developmental Welfare State in the Making?

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Chapter overview

As the new century begins, LA seems to be approaching yet another historical crossroads, where a new development strategy could be evolving. Far from a nostalgic return to past models, the strategy that today defines the region seems original, in at least three important dimensions: its new contents, the international geometry over which it is projected and, in particular, the complexity of the historical inheritance from which it develops. Social policy has acquired a renewed importance, integrated together with economic policy, in a way that may become similar to what UNRISD has summarized as socially inclusive, economically developmental, and democratic. The geopolitical dimension of the new strategy seems to be a wider, integrated, multinational LA region.

The new strategy has its roots in the successive experience of Developmentalism and Neoliberalism, which most of the region lived through during the twentieth century. Such development strategies presided over, and stimulated, the radical socioeconomic changes that have occurred in the region during that period, certainly an ongoing process, which gave birth to modern social actors. As a result, the new strategy is based on a new public-private alliance, where strong, state-led developmental policy now relies for its implementation mainly on aggressive, emerging, regional entrepreneurs. In turn, the leadership of political institutions and the focus of social policies seem to be increasingly addressing itself towards the new, widely ranging, massive, popular, mainly salaried, middle classes. Both of these rather recent newcomers, together with a renewed role for state bureaucracy, which was so important during the twentieth century, seem destined to lead the region and its peoples through this developing process. If they manage the transition successfully, the region could become a relevant actor in the emerging world of the twenty-first century.

This opening chapter tries to present evidence in support of this thesis, with abundant data that provide an overview of the present socioeconomic

condition of the region and its evolution. The salient feature is that, while huge advances have been already achieved, enormous differences may still be perceived among the countries of the region, as well as between regions within each country, and the region as a whole seems to be still in a process of widespread socioeconomic transition. Possible historical patterns of development are sketched, that may help to explain some of these differences. The argument then goes to the heart of the subject, reviewing the history of social policies in a development context in LA during the twentieth century. The *Latin American Developmental Welfare State* (LADWS) is presented as the salient institution that has presided over most of the process. LADWS is viewed as the main actor in both economic development and social change. The chapter then studies the decline and fall of LADWS, and its replacement by the *Washington Consensus* as a development paradigm towards the end of the century. The suggestion is that perhaps the success of LADWS in transforming the socioeconomic structure of the continent, somehow created the conditions for its own demise, as the new social actors whose interests it had advanced, were now able to support the new policies.

The Neoliberal phase is seen as a direct consequence of the LADWS period and part of the overall transformation process. This period is viewed as a sort of unilateral and distorted advance of the new times, in the sense that it rushed to create a sort of 'dream' short-term economic environment for both local and foreign capital, and to provide high-quality goods, including differentiated social services, to the high-income consumers among the emerging middle classes. Nevertheless, it was achieved at the expense of the population at large, and through unsustainable exploitation of natural resources and the environment. In many cases, even state institutions created during the previous period were severely dismantled as well.

The chapter ends with reflections about the main conceptual determinations of the development paradigm that is postulated as possibly emerging, which is called Neo-LADWS. As summarized in the opening paragraph, these determinations refer to the contents of this strategy where social policy moves centre stage, its wider, regional, geopolitical space, and the complex terrain in which it is rooted, a result of the above described historical process as a whole.

LA – ongoing transition, different stages, varying speeds

Don Timoteo Inquiltupa, in his seventies, cares for his Llamas and Alpacas from sunrise to sunset, at the foot of the 6,000-metre-high, perfect cone, of *Volcán Parinacota*. In a beautiful, remote, Andean highland, where other rare species such as Guanacos, Vicuñas, Ñandúes, Vizcachas and Andean Flamingos roam at will. His day seems no different from those of his 'old ones', as he calls them, who inhabited that very place centuries ago, long before it became the (disputed) border of Peru, Bolivia, and Chile.

He certainly speaks the same language as they did, although his granddaughter will pride herself on the fact that she is learning Aymara, Spanish, and English at the same time at the local school. The same day under the sun, will see Dr Fernando Macías, in his thirties, write some of the best software in the world, in Puebla, Mexico, in the elegant setting of a seventeenth-century seigniorial *hacienda* building, now recovered with glass and aluminium panes, and decorated with tasteful, modern art and furniture. Dr Macías studied in neighbouring Austin, Texas, and worked for Intel in computer chip design, before establishing his own company that now processes vouchers for Avis rent-a-car and other companies in the US.

A cross-section of LA today seems to encompass almost the entire panorama of societies and development stages that have been recorded throughout history. Similarly, LA's present situation regarding both social policies and economic development illustrates an amazing range of differences, both between countries, and between regions within countries. Considered as a whole, LA seems to be a region still in a process of profound socioeconomic transition.¹

Transition in the mirror of demography

Considering a wide set of demographic variables, the UN Latin American Demographics Centre (CELADE) classified the LA population into four categories, showing their relative positions in a scale of demographic transition. Of 556 million inhabitants in LA and the Caribbean today, 18 million live in Haiti and Bolivia, countries that are considered by CELADE to be in a state of *early transition*. Another 40 million live in Central America and Paraguay, countries that may be considered to be in *moderate transition*. The bulk of the LA population, around 430 million people, live in countries that are in *full transition*. These include the most populated countries, Brazil, Mexico, and Colombia, as well as Peru and other countries. Finally, 80 million people live in countries that may be considered in a state of *advanced transition*. This group includes the Argentina and Uruguay, as well as Chile, Cuba, and Puerto Rico among other smaller countries (see Table 1.1 and Appendix Table 1.A1).

In the tables presented in the Appendix to this chapter, all of the countries in LA and the Caribbean have been ordered according to these demographic categories. Then, a large set of other socioeconomic indicators, including many related to social policies, was added alongside population data. For each indicator, weighted averages² were calculated – both for each category and for the region as a whole. Most socioeconomic indicators are remarkably similar within each group, suggesting that CELADE categories seem to capture not only the degree of advance of the different LA countries along the demographic transition scale, but also seem quite useful, perhaps even better, more comprehensive, and accurate, than other individual variables,

Table 1.1 Population and GDP in Latin America and the Caribbean, by demographic transition groups

<i>Classes of demographic transition</i>	<i>Population (2005)</i>	<i>Population growth (Annual %), 2000–10</i>	<i>GDP (ppp) 2002 (millions, international dollars)</i>	<i>Per capita GDP (ppp) 2002 (international dollars per inhabitant)</i>	<i>Position in per capita GDP ranking 2002 (175 countries)</i>	<i>GDP growth 1960–2002 (average % per year)</i>
Group I. Early Transition	18,361 (3.3%)	1.9	34,996 (0.9%)	2,081	145	1.6
Group II. Moderate Transition	39,293 (7.1%)	2.3	138,102 (3.5%)	4,109	112	3.6
Group III. Full Transition	418,623 (75.3%)	1.3	2,968,667 (75.7%)	7,164	73	4.2
Group IV. Advanced Transition	79,926 (14.4%)	0.9	779,478 (19.9%)	10,262	61	2.6
Total Latin America and the Caribbean	556,203 (100.0%)	1.4	3,921,243 (100.0%)	7,050	73	3.8

Source: CELADE, UNDP, ECLAC, Table 1A.1.

in their use as a proxy for the degree of the overall socioeconomic development of different countries.

Certainly, these country averages may be misleading in more than one respect. For example, they do not capture the fact that socioeconomic development varies widely within each country, especially the largest ones. The regional giants, Brazil and Mexico, represent roughly just over one-third and one-fifth of LA, respectively, according to population and economic output (Brazil also represents over 40 per cent of the region's area), and these two countries reproduce the whole of LA within themselves, in many aspects. For example, the most advanced LA industrial zones are located in Brazil and Mexico; however, these countries fall into the intermediate class of *full transition* according to this classification, which is probably accurate on the average.

Regardless of these and other limitations, the CELADE classification seems useful for the purpose of this investigation. It seems quite reasonable to assert that with respect to the evolution of their socioeconomic structures, from traditional up to modern, today about 10 per cent of Latin Americans are still in *early* or *moderate transition*, 75 per cent are in *full transition*, and about 15 per cent have already reached a stage of *advanced transition*. These proportions result of the country groupings described above (see Table 1.1), but are probably quite accurate as well, if applied to the individual populations of the largest countries, and even some smaller ones.

The relative degree of advance of the different countries and regions along this path seems to explain many of the enormous differences that may be seen in LA, certainly including those related to social policies. Population growth is twice as fast in those regions still in the early or moderate stages of transition than in those more advanced ones, which have reduced theirs considerably. Nevertheless, a rapid mean population growth will propel LA to almost a billion inhabitants by the mid-century.³ Conversely, economic performance,⁴ as measured by per capita GDP, adjusted by purchasing power parity,⁵ is five times higher in the latter group.⁶ However, over the course of the last four decades the highest economic growth rates have been attained by the group in full transition, led by Brazil, with rapid average growth rates of 4.5 per cent a year from 1960 to 2002, and as high as 8.5 per cent a year during the 1970s.⁷ In this way, LA seems to confirm the familiar 'S-shaped' pattern of economic development, according to which slow growth in traditional agrarian countries, becomes very fast during the transition process, only to slow down again, as the new socioeconomic structure becomes increasingly mature⁸ (Table 1.1, Appendix Table 1.A1).

Urbanization: mother of transition

Urbanization, and the myriad ways in which it affects how millions live and work, seems to be the main process underlying transition, and the region has been urbanizing rapidly in recent decades. In 1960, more than one in

every two Latin Americans was a peasant, while today more than three-quarters already live in cities and towns.⁹ By 2015, this figure will have risen to 80 per cent. Nevertheless, in the *early* and *moderate transition* groups, the proportion of urban dwellers is much lower, and similar today to what LA as a whole looked like four decades ago, as measured by this indicator. Conversely, if preferred, the socioeconomic picture of LA forty years ago was similar to these countries today, in this aspect. Meanwhile, at the other end of the scale, countries in *advanced transition* had already reached the present urbanization rate of LA in 1960, and are now approaching 90 per cent urbanization,¹⁰ with Argentina and Uruguay being the earliest developers in the region, according to this indicator. However, even as the continent advances rapidly towards full urbanization, it will be several decades before LA, as a whole, attains these levels.

The urbanization process has been so fast that a good part of the LA population has migrated from the countryside in the course of the last four decades, or belong to the first urban generation. As present-day immigration from other continents is negligible, the above figures suggest that between 100 and 200 million Latin Americans have lived through this quite traumatic process. The proportion of rural to total inhabitants has decreased by over one per cent a year on average during the last four decades, which is amazingly fast, representing over 5 million people a year. The speed of urbanization slows down sharply as transition advances, and is decreasing in the region as a whole; however, it remains at top speed, and is still increasing in some countries¹¹ (see Table 1.2 and Table 1.A2).

Most of LA's population have already adopted the forms of life and work that characterize modern cities. The economically active population (EAP) in agriculture fell by nearly half between 1970 and 1990, and the reduction has continued since then. Nevertheless, in LA as a whole, still around one-quarter of the EAP remains in the countryside, a figure that rises to around 40 per cent in countries in *early transition*. However, in countries in *advanced transition*, this variable is nearing 10 per cent (Table 1.2 below and Appendix Table 1.A3). In the cities, they have become mainly salaried workers for private employers, usually in short-term jobs, activity that they frequently alternate with self or informal employment, and periods of unemployment in between¹² (INP 2004) (see Table 1.2, and Appendix Table 1.A4).

Social policies in transition

Public social policies in the region also show a wide variation, which, in general terms, shows a high correlation with the previously displayed categories. This may be appreciated by considering public social spending, both per capita and as a percentage of GDP, as a proxy variable to measure the overall evolution of social policies in the different countries.

Those countries where transition has reached a more advanced stage are higher public spenders in social policies than those in earlier stages. A lot

Table 1.2 Urbanization and salaried workers in Latin America and the Caribbean, by demographic transition groups

Demographic transition classes	Urban population (percentage)		Average urbanization Rate (percentage of total population per year)	Economic active population (EAP) in Agriculture (percentage)		Non-farm occupational structure, 2000 (percentage of total occupied workforce)	Total formal Sector	Public sector	Private firms over five workers
	(1960)	(2005)		(1970)	(1990)				
Group I. Early Transition	26.2	55.2	1.8	63.2	39.3	NA	NA	NA	
Group II. Moderate Transition	33.4	50.9	1.0	58.2	43.9	39.3	10.1	29.2	
Group III. Full Transition	47.4	78.4	1.1	43.3	23.1	52.4	13.2	39.3	
Group IV. Advanced Transition	69.3	86.5	0.6	20.5	12.4	54.2	12.4	41.7	
Total Latin America and The Caribbean	48.9	76.7	1.1	41.8	23.6	53.1	13.0	40.1	

Notes: NA = Not available.

Source: CELADE, UNDP, ECLAC, Appendix Tables 1.A-A4.

more indeed, because the group of countries in *advanced transition* spend over 12 times as much on this item as countries in earlier stages of the transition process, expressed in dollars per capita (2000–01).¹³ Nevertheless, there are also significant deviations, as some countries that rank median or lower, according to other indicators, focus considerable efforts on their social policies.¹⁴ Similar behaviour is observed in the region regarding education (6.6 times), with other significant deviations as well,¹⁵ some of them probably originated in different accounting methods.¹⁶ Public expenditure in health also displays follows a similar pattern (12.3 times).¹⁷ The largest differences are found in public expenditure in social security, where differences among groups reach almost 30 times, and some countries do not spend in this item. Additional differences may be appreciated as well, as countries that privatized their social security are large public spenders in this item¹⁸ (See Table 1.3 and Appendix Tables 1.A1–8).

Human development in wanting

As shown, socioeconomic indicators in LA seem to vary widely across the region, and most of them roughly follow the logic established by the progress of the transition process. However, most LA countries seem to be equal regarding one particular indicator: the region as a whole, with only a couple of notable exceptions, shares one of the most inequitable income distributions in the world. Furthermore, the elites of three countries in the region enjoy the dubious privilege of belonging to the top group in the world ranking of worst income distribution: Brazil, Chile, and Colombia. On the other hand, only Cuba,¹⁹ Uruguay, and Costa Rica show income distributions that may be considered acceptable. In the region as a whole, the richest 10 per cent receive 40 per cent of overall income, while the poorest 40 per cent get little more than 10 per cent. The middle half of the population receives roughly the remaining half of income, but most of it goes to the 20 per cent that comes after the richest 10 per cent²⁰ (see Table 1.4 and Appendix Table 1.A8).

To be fair, and not completely hopeless, there seems also to be certain improvement in this indicator, as the transition process advances. However, its pattern seems not in the least straightforward, and perhaps, sometimes, this indicator may even tend to worsen before it improves, as transition advances²¹ (see Table 1.4, Appendix Tables 1.A8 and Chapter 9). On the other hand, if all indicators in general certainly seem to be highly dependent on the different historical patterns of development, and on the political institutions and events that each country has built and experienced, this seems especially true regarding income distribution (see the next section in this chapter).

All the above-described transitions in process in LA socioeconomic structures are also reflected in the Human Development Index (HDI) elaborated

Table 1.3 Public social expenditure in Latin America and the Caribbean, by demographic transition groups

Demographic transition classes	Public Social Expenditure 2000-01								
	Total		Education		Health		Social Security		
	1997 per capita dollars	percentage of GDP	percentage of public budget	1997 per capita dollars	percentage of GDP	1997 per capita dollars	percentage of GDP	1997 per capita dollars	percentage of GDP
Groups I-II. Early and Moderate Transition	114	9.8	44.2	51	4.4	25	2.4	22	1.6
Group III. Full Transition	618	14.2	54.3	161	3.9	111	2.7	320	7.1
Group IV. Advanced Transition	1,445	20.2	65.1	335	4.7	308	4.3	653	9.2
Total Latin America and The Caribbean	686	14.8	55.1	175	4.1	130	2.9	338	6.8

Source: ECLAC, Tables IA.6-A8.

Table 1.4 Human development and income distribution in Latin America and the Caribbean, by demographic transition groups

Demographic transition classes	Human Development Index (HDI) 2001				Share of total income (per cent)			
	Relative position in HDI ranking of 175 countries	Life expectancy at birth (years)	Adult literacy rate	Poorest 40 per cent	Medium 50 per cent	Richest 10 per cent	D ¹⁰ /D ^(1,64) (per capita)	
Group I. Early Transition	132	56.2	68.5	10.1	50.8	39.3	25.0	
Group II. Moderate Transition	110	68.3	75.8	13.2	49.6	37.2	20.1	
Group III. Full Transition	65	70.3	89.6	12.4	47.5	40.1	24.0	
Group IV. Advanced Transition	41	74.8	96.4	14.7	47.7	37.7	16.6	
Total Latin America and The Caribbean	65	70.3	89.2	13	47.8	40	23	

by UNDP.²² According to the HDI, LA occupies place 65 among 175 countries considered worldwide, that is to say, LA is over the median country worldwide, but still far from the upper quartile of those countries with the highest human development. Moreover, the countries in early transition, are within the fifth of countries with the worst human development, while LA countries in advanced transition, on the other hand belong to the first quartile of countries with the highest human development, worldwide.²³

The course of transition

All of the above figures, and many others that could be displayed, illustrate the ongoing transition process that has been taking place in LA throughout the past century. They indicate that the transition in LA is due to continue well into the twenty-first century. This process is rapidly transforming a region where traditional agrarian structures predominated well into the second half of the twentieth century in most countries, to one where modern urban social structures are beginning to become widespread.

As is well known, as countries consolidate the latter kind of structure, rural population is reduced to a minimum.²⁴ On the other hand, most of the urban population end up working as salaried employees in private sector firms, and the rest become engaged in commodity production in one way or the other. This kind of socioeconomic structure consolidated in England since the mid-nineteenth century, and in zones of Western Europe, as well as the US, during the late nineteenth century and early twentieth century. In other parts of Western Europe, and in the so-called 'white colonies', Canada, Australia, and New Zealand, this kind of socio-economic structure had consolidated as well by mid-twentieth century. In Japan and the so-called Asian 'Tigers', as well as other countries, this same kind of social structure has consolidated during the second half of the twentieth century. On the other hand, in large urban centres within many countries, this kind of socioeconomic structure evolved long before the rest of each respective country (Hobsbawm 2000, 1995, 1989, 1988). However, 2005 is a landmark year in this process: according to UN data,²⁵ for the first time in human history, the number of urban dwellers will equal rural inhabitants, worldwide.

The first half of the twenty-first century should, in all probability, be the time when the same kind of socioeconomic structure will extend to the most populated regions of the world, including China, India and LA. This should result in momentous changes in the world balance of economic power, as those regions that are developing to modern social structures rapidly catch up with the present world leaders. Recent publications by leading financial institutions have calculated that the so-called BRIC groups of countries, an acronym that stands for Brazil, Russia, India and China, which now represent 15 per cent of the G6 economies,²⁶ will represent half of the economic power of the latter group by 2025, and will surpass them by 2040, in dollar terms (Goldman-Sachs 2003).

The historical pattern stamped by the above-described transition process over world events that have taken place during the last two centuries seem quite clear by now, especially after the fall of the communist regimes in the ex-Soviet Union and most socialist countries, and the changes that are taking place in the rest of them (Riesco 1995). Probably, this same pattern will persist over a good part of the new century as well, as said. Nevertheless, as will be argued in what follows, the transition from traditional to modern socioeconomic structures, however relevant it may be, represents only one dimension of the overall historical process.

Myriad colours in the many rich paths towards modernity

In the case of the subject matter of this book, certainly this evident transformation from traditional to Modern lies behind the evolution of LA social policies in a development context. However, the sole acknowledgement of general transition, however important, only explains a small part of the myriad differences that may be appreciated today in LA countries and their social policy institutions. In order to better understand some of these realities, as well as their probable evolution, additional conceptualization layers, of higher-level, historical, more concrete, must be constructed over the backdrop of the above-described transition process. A tentative approach to some of these new analytical levels is presented in the following sections, in the field of interest of this book.

Interesting attempts have been made to classify LA countries from the point of view of their social policy systems.²⁷ Nevertheless, these approaches seem to be still work in progress, and remain at a rather formal level.²⁸ The intent that follows, which draws on recent theoretical developments in this direction (see Introduction, Therborn 1995, 2002), suggests that taking into account the overall, historically determined, socioeconomic evolution of the different countries and regions in LA may well enrich these classification efforts. A relevant question seems to be: Why do LA countries, which apparently share such a common historical background, exhibit such diversity? The design of adequate and specific development strategies and social policies for the region requires both the full acknowledgement of these differences, as has been argued above, but also the answer to the question of why they came to be.

There seems to be evidence that suggests that LA countries show these differences today, in part, because the historical processes that have conformed each one of them are also themselves of a quite different nature. It seems possible to distinguish at least some historical development patterns in LA, which seem foreign from one another. This text advances four patterns that could be labeled tentatively: *classical colonial*, *early developers upon late immigration*, *slave-based colonial*, and *early settlers*.

It seems important to mention that although these patterns seem to predominate in some countries as a whole, they are also quite visible, each of them, in zones within individual LA countries. This holds true especially in the case of the largest nations. However, even small Ecuador, for example, looks like three totally different countries, whether you visit magnificent colonial-rich Quito, up in the Sierra, where the Indian population predominates, lively coastal Guayaquil, where the African-American population is highly visible, or the tropical jungles down on the other side of the Andes, which resembles none of the here described patterns.

Over ancient American empires

The *classical colonial* LA development pattern developed over the ancient American empires that flourished along the Andes from Mexico to Peru. This pattern originates in highly developed pre-Columbian social formations, with large, sedentary, native-American populations.²⁹ Ancient American empires evolved towards colonial societies of great richness in every aspect, which prolonged after independence.³⁰ The latter coincided with the generalization of *latifundia*³¹ throughout LA, as the protection of the Spanish king over lands occupied by indigenous American was abolished (Lipschutz 1955). In these regions, *latifundia*-based societies became very rich and powerful as well during the nineteenth century with important religious and state institutions, as the rich architecture from those times proves to any visitor today. Therefore, in many countries and zones within many countries, traditional agrarian social order went on for a long time, long past its prime, well into the second part of the twentieth century, causing a serious delay in transition to modern socioeconomic organization. This seems quite evident in countries such as Peru, for example.

The region of ancient empires shares a basic historical feature that seems to be common in Europe, as well as in Asia, India, and most certainly in Africa: the fact that mostly anyone in any small town may eventually trace up his ancestors – in that same place or nearby tribes, perhaps all the way up to the Neolithic period. A relevant characteristic of societies evolved through this pattern seems to be their highly distinct, complex, structured, and stratified societies (Anderson 1974). Very large indigenous American populations, and a strong presence of their physical characteristics, remain today, even in the elites sometimes, in these countries. They show very rich cultural inheritances, including original languages, as well as food, music, dances and many other forms of art. Religion, mainly the Catholic Church, but some indigenous American religions that have been preserved as well, continues to play a very significant role in these regions. As has been highlighted in the case of other continents, because of these deep roots, it seems not at all improbable that in the future, as these societies move on into modernity, it will be here that the most complex and original LA culture will flourish. It should come as no surprise that sometime in the future, the zones of ancient

American empires would again become the important centres of economic and institutional power they have been formerly. Some features of this future are clearly foreseeable in Mexico today.

On another analytical dimension, the complete range of socioeconomic development phases may be found among the countries that have followed the classic pattern. Mexico on one end and Bolivia and Peru on the other, stand in opposite extremes, not only of the Andean region, but also of the socioeconomic development scale. The former harbours one of the two main poles of industrial development in LA, and is one of the two giant economies in the region. Meanwhile, Bolivia on the other end, as well as Peru, and Ecuador, or Guatemala in Central America, all at different levels of development within this same historical pattern, are living through the midst of tribulations that characterize the more turbulent periods of transition (see the previous section and Chapter 2). Furthermore, as in the case of Mexico, most stages of socioeconomic development are present *within* the countries that follow this historical pattern, in all their rich variety, perhaps more than any other cases. It still maintains a large peasant population, and presents enormous differences among different regions. The political institutions and their evolution, including social policies, also seem highly complex in these countries, as is clearly exemplified by Mexico, the most evolved within the pattern (Chapters 2,3).³²

Early developers, late immigrants

An opposite historical pattern of development may be found in LA *early developers*, which emerged in Rio de la Plata by the end of the nineteenth century. This pattern may also be recognized in distinct zones within many countries in LA, such as Sao Paulo in Brazil, or even in Chilean Patagonia, for example. The Rio de la Plata region witnessed the earliest modern socioeconomic development in LA, following a pattern that shows more resemblances to contemporary developments in the US, and the so-called 'white colonies',³³ than to the rest of LA. Until the mid-nineteenth century, this region resembled an important provincial trading and military post, which even suffered periodical attacks from indigenous American tribes whose frontier laid no more than a few hundred kilometres away. In the case of Buenos Aires, it did not even form part of Argentina until the second part of the nineteenth century. Most of the inhabitants of present-day Argentine – 1.1 million by 1850³⁴ (Chapter 9) – lived and worked in the interior provinces, which had followed a *latifundia*-based development pattern that resembled the one above described, or rather, perhaps, that of neighbouring Chile. Cordova, whose economy was oriented in large part towards providing the rich mining-based colonial Bolivia and Peru, led the Argentinean provinces at the time.

Nevertheless, during a few decades in the late nineteenth and early twentieth centuries, the Rio de la Plata region exploded into a huge, bustling,

modern metropolis. By itself, it neared two million inhabitants already in 1900, living and working in the twin urban poles of Buenos Aires and Montevideo, at opposite sides of the river mouth. A huge migratory wave, mainly from Europe, that peaked over 500,000 immigrants per year by the turn of the century flowed into this region.³⁵ The twin cities developed modern social-relations and bustling capitalist economies early on, and exerted determinant influence over Argentina and Uruguay, respectively. They quickly expanded towards the interior, conquering of the *pampas húmedas* for raising cattle, activity that in turn fuelled the economic explosion of the region. This was accomplished thanks to the twin advance into the *pampas* of new railroads and the army, in a pincer movement that practically exterminated indigenous American inhabitants, all the way south to Patagonia. Much in the same way as the US expanded to the west, around the same time.

Nevertheless, the so-called 'cow oligarchies' that traditionally dominated the interior provinces of both countries and now dominated the *pampas húmedas*, continued to wield political and economic power during most of the twentieth century. Argentinean and Uruguayan politics and institutions, including their early and quite advanced social policies, have resulted mostly out of the interaction, sometimes the violent clash, of these forces, among others (Chapters 4 and 5).

A giant empire and a socialist revolution over a past of slavery

Brazil represents an original pattern in itself. It includes and combines many of the other patterns but, in addition to the fact it was colonized by Portugal, presents another peculiar and determinant historical form: slavery. In the case of Brazil, the sheer magnitude of the country makes a difference of quality by itself. As shown in the previous section, Brazil represents one-third of LA, as measured by surface, population, or GDP, among other possible measures. In this continent-sized country, the internal variety of patterns and levels of development means that the dimensions of each distinct region within Brazil may perfectly be similar to whole other countries, and sometimes larger, even by one order of magnitude. The Sao Paulo region, for example, is not much smaller than Argentina by many measures, including population, and GDP, their levels of development, and even their historical development patterns. In addition, this region generates over ten times the GDP of Bolivia.

The Portuguese conquest and colonization of Brazil, which prolonged until the eve of the twentieth century, distinguishes this country significantly from the rest of LA, including a different language.³⁶ It is relevant, for example, that in 1806, when the French menaced Portugal, the Lusitanian crown and court established themselves in Brazil for years. Another relevant feature of Lusitanian conquest was that Portugal dominated slave world trade during the sixteenth century, which was probably decisive in making

Brazil a slave-based economy. To make things worse in this sense, the Dutch invaded the Recife region and held it during some decades in the 1730s. This invasion took place during the period when the Dutch were successfully wresting the dominance of world slave trade from the Portuguese.³⁷ In Brazil, slaves imported from Africa replaced the relative scarcity of a relatively primitive indigenous American population. It was the largest importer of African slaves in the world, by far, with 40 per cent of the total.³⁸ Even after 1860, when the British had outlawed the slave trade they had dominated for two centuries, and Secession War freed slaves in the US,³⁹ of two million slaves that remained worldwide in 1870, Brazil had 1.4 million, and the rest were mostly in Cuba⁴⁰ (Blackburn 1997).

Brazil's historical trajectory also shows some interesting political-institutional and timing peculiarities. The Brazilian Empire (1822–79) was established after independence and was only abolished only in 1879. When the new republic was proclaimed in 1891, solid and exclusive hegemony was attained by liberal-leaning regional agrarian oligarchies, based mainly on coffee exports, and the corresponding merchants and financiers. The acute federalism of what is known as the Oligarchic Republic delayed the consolidation of centralized state structures, a process that was completed only after the 1930 revolution.

Over the large differences of structures and social systems, in a country that is known for its heterogeneity, its modern social policies institutions, built along the twentieth century, show the patronage, authoritarian, and conservative features that molded basic social relations in Brazil and remain until today. In the Brazilian case, twentieth-century state developmentalism reached its maximum expression, as will be argued later.

Cuba may be presented as an outstanding example of how diverse historical development patterns, together with landmark political events, may shape unique outcomes in present political and social policy institutions. It certainly presents a peculiar historical development pattern, where it shares with Brazil the fact that the early liquidation of indigenous American population was followed by its replacement by African slaves, upon which the economy was based until the late nineteenth century. On the other hand, Spain did not relinquish its rule over Cuba until the eve of the twentieth century. And then, only to be replaced by a US invasion, followed by the overt or covert dominance by this too close and giant power, which lasted throughout large part of the twentieth century (Chapter 8). Cuba represents a very peculiar case with respect to the rest of LA, even though it shares many of the regional features in other senses. It has reached an advanced stage of socioeconomic transition, according to most indicators presented in the previous section. Its social policies present a high degree of development, and income distribution is very good as well. On the other hand, Cuba has lived through recurrent economic crisis since the 1960s, all its markets are highly distorted, and its social structure notoriously lacks a modern bourgeoisie (Chapter 8).

It seems quite clear that in the case of Cuba, it was a landmark political event, the 1959 socialist revolution led by Fidel Castro, which has shaped its present reality in a decisive manner. In this sense, concrete analysis in a higher level, where even more aspects are considered, seems to be needed in order to understand the main features of present day Cuban socio-economic structure, as well as its political and social policy institutions. This is the case everywhere, of course, but especially in countries that have undergone forceful external interventions, such as Panama or Puerto Rico, for example. This approach is advanced in part in the following section, where Cuba is presented as a border case LA Developmentalism, where the state was forced by purely political events to assume, not some, but all economic functions, during the last half century (see the following section and Chapters 6 and 7).

Poor settlers on the fringes of ancient empires

Costa Rica, as is well known, has become one of the most advanced countries in LA with respect to social policies, income distribution, and human development. In fact, as mentioned in the previous section, Costa Rica, which occupies 42nd place in the world ranking of UNDP Human Development Index (HDI) (2001), disputes the third place in LA with Chile (43), after Uruguay (40), and Argentina (34), according to this indicator (see Appendix Table 1.A5). Costa Rica has achieved this high standard even though it does not rank in the group of countries in advanced socioeconomic transition in LA according to most variables. Furthermore, Costa Rica has become a sort of anomaly located in the Central American isthmus, where most countries instead are still struggling through moderate stages of socioeconomic transition, with the exception of Panama (Tables 1.A1–9 in Appendix). How can the peculiar evolution of Costa Rica be explained?

It seems probable that, as is usually referred to by Costa Rican analysts⁴¹ (Chapter 8), in part, the exceptional behaviour of Costa Rica may be rooted in its peculiar socioeconomic history, where weak *seigniorial* structures on the one hand, and a notorious relevance of small farmers. This has been a secular presence since pre-Columbian times, but poor Spanish settlers reproduced it since the sixteenth century. As is usual in other regions of the world, such kinds of secular socioeconomic structures tended to prevail in zones where agricultural or mining productivity were not very high in the past, and consequently surplus product was never large enough to support powerful *seigniorial* structures. A similar kind of relation has been mentioned, for example, in the case of the Nordic European countries (Anderson 1974; Therborn 1995). This kind of independent settler-based colonization is a peculiar historical pattern that may also be found in many other parts of LA, in limited zones within different countries.⁴² However, in no other LA country this particular kind of development pattern seems to attain the determinant weight it seemingly exerts in Costa Rica.

On the other hand, the peculiar present political institutions – where there is no army, for example – and their seamless democratic workings under wide consensus during half a century, may seem misleading regarding their past evolution. In effect, the present political arrangement of Costa Rica was largely established after a civil war in 1948. It confronted the communist party against the social democrats, both allied to different fractions of the upper classes, and the latter side won. After that civil strife, a new social pact, and a new constitutional arrangement, were established under the ‘Second Republic’, many of whose main features remain in place until today, under the guidance, mostly, of successive Social democrat and Christian democrat governments (Chapter 8).

Chile may represent another kind of development pattern based on poor early Spanish settlers, who established themselves in the fringes of the Inca Empire during the sixteenth century. They conformed a closely-knit elite of small *seignori*,⁴³ which remained throughout the following five centuries, as it successfully co-opted successive settler waves who enriched as merchants, some of them turned into bankers, miners, and finally, during the twentieth century, industrialists (Jocelyn-Holt 1999). Even today, and after being shaken by the reforms of the 1960s and the revolution of the early 1970s, this elite has mutated once more, to become the core of the modern entrepreneurial class that was bred by the Pinochet dictatorship (Chapter 9).⁴⁴

Rise and pinnacle of the Latin American Developmental Welfare State: holding the rudder through the great tectonic change

The course of transition seems to be the general process underlining and determining the region’s main socioeconomic phenomenon, including its social policies, throughout the twentieth century – and the relative degrees of advance clearly explain many of their differences. On the other hand, varied paths to modernity, deeply rooted in centuries of quite remarkably diverse historical routes of the distinct countries and regions, seems to have stamped many characters in each of them – and also to have exerted decisive influence upon the form and relative degree of advance in their transition process. To emphasize the methodological relevance of this often disregarded aspect, the country studies in this book have been grouped according to these historical development patterns, instead of, for example, their relative positions in the transition process. Nevertheless, as emphasized by the social sciences, finally it is events and institutions, social and political actors, and the strategies they adopt, which for the most part concentrate in them the resulting vectors of such general and particular economic, social and historical forces. In return, in this concrete, complex and vital sphere, their unique interactions, and the somewhat random outcome of their conflicts, shape the way through which the more general determinations find their course in each country,

time, and place. Consequently and in what follows, this text is centred on the study of the latter, highlighting the institution that stands above the rest during the twentieth century: the Developmentalist State. Nevertheless, in doing so, it seems to illustrate that social policies have constituted not a secondary aspect of the process. Instead, they appear as the main instrument through which this institution exerts its decisive direct intervention upon the core of social relations in transition.

During the twentieth century, many LA countries coincided in building a peculiar form of welfare state – regardless, to a certain extent, of their quite different levels, and patterns of development. This institution, which was quite original in more than one sense, was to play a leading role in modernizing the region. The building of a welfare state in LA takes place mainly during the middle part of the twentieth century, in the wake of the 1930 world economic crisis, and up to the 1980s, coincidentally with the widespread implementation of state-led development strategies, model that was theoretically formulated by ECLAC around the 1950s, and is known as *LA Developmentalism (LAD)*.

This period mostly coincides with the so-called *Golden Age* (Hobsbawm 1995) of the *Welfare State* in pioneering industrial countries. Nevertheless, since the nineteenth century, those regions had consolidated underlying social structures where modern urban bourgeoisie and salariat had become predominant figures. Social landscapes observed in LA looked completely different. With the notorious exception of the Rio de la Plata region, the developmentalist experience took place in the backdrop of widespread traditional agrarian social relations, which were deteriorating rapidly, as masses of peasants migrated into exploding mega cities. Throughout a continent, which received the twentieth century mostly in peasant garments, meanwhile no small part of it welcomed the twenty-first century dressed quite modestly, but rather like modern citizens.

As formulated by UNRISD,

it is often said that ‘late industrializers’ were likely to evolve different institutional forms in order to exploit their ‘lateness’ and to ‘catch up’. More specifically the State, in such a context, was bound to play a more active role in the process of industrialization (through State control of finance as the conduit of industrial policy) than in the ‘pioneer’ countries. This part of the story – the patterns of articulation between State and business – has been well documented and theorized in the literature. What has not been so extensively analysed and theorized is that among the institutions adapted for such ‘late industrialization’ were those dealing with social policy. (UNRISD, 2002: 2)

What was the role of social policy in LA developmentalism? To answer this question, this book advances the concept of the *Latin American Developmental*

Welfare State (LADWS). It suggests that social policies were an integral part of the developmentalist project, which in fact included them as an essential, although not always explicit, part of itself. It will be argued that LADWS was the basic institutional form that the continent developed, as a 'late industrializer' in relation to first world, in order to exploit its 'lateness' and to 'catch up'. The basic determinations of this concept are described below.

Building what infant social actors couldn't

As is well known, where the modern salariat cannot be found in massive proportions, neither exists its complement, a modern entrepreneurial class. In a predominantly peasant society, so-called LA 'entrepreneurs' of the nineteenth and a good part of the twentieth century, were more likely to be traditional LA landowners, masters of export crop plantations and mining outposts. In addition, there were merchants, some of whom had turned into bankers. They exerted hegemony over LA societies throughout the nineteenth and well into the twentieth century, just as their ancestors had done for centuries, they dominated the political scene, built *seigniorial* hacienda houses and city palaces for themselves, which they filled with arts and crafts bought during their spendthrift tours of Europe, which could last years. They erected imposing public buildings and even some public libraries, indulging in a few 'enlightened' enterprises, such as short railways, irrigation canals, and small electricity plants. Mostly, they ran servitude-based haciendas and other ventures, rather than modern industrial complexes, at least none based on then almost inexistent, or very rare, free salaried labour. Rather, traditional agrarian servitude relations, and even slavery, predominated throughout LA until the end of the nineteenth century, decaying slowly during good part of the twentieth century.

Some of the largest worker concentrations in the early twentieth century were export-oriented enclaves, such as *ingenios* and *cafetales* in Brazil or Cuba, or nitrate *oficinas* in Chile. The former had recently freed the slaves who had provided their labour force since the seventeenth century and up to 1879, and replaced them with a kind of servitude system sometimes called *colonato*.⁴⁵ The latter operated with *enganchados*, that is, peasants who were drafted out of their traditional *haciendas* and villages, and into the heart of the Atacama Desert 2,000 kilometres to the north, where they ended up in mining *oficinas* or *campamentos*. There, the *hacienda* regime to which they were accustomed was more or less reproduced. Everything was provided by the *oficina*, from housing up to salary payment in tokens which could be exchanged for food and wares in the *pulpería* or store. Such transitional labour relations predominated also in *enclaves* owned by foreign capitalist firms, many of them listed on the London, Paris, or Amsterdam stock exchanges (Chapters 6 and 9).

The above notwithstanding, labour unions, leftist political parties, and the LA workers movement, who would play a significant role in the modernization of the continent, were also born there. *Ingenios* and *cafetales*, mining

oficinas and *campamentos*, as well as railroads and other early state-run enterprises, were the hub out of which the modern LA salaried working class developed. Early welfare institutions were also born out of these large early worker concentrations.⁴⁶

Since the mid-nineteenth century, merchants, miners, and financiers, as well as other 'liberal' members of traditional LA elites, disputed leadership with the more conservative landowners, in many countries. The conflict was quite violent and, in several instances, included civil wars. From Mexico's *Positivistas* down to Chilean *Liberales*, governments headed by these factions confronted the conservative Catholic Church, and in many cases managed to separate it from the state, and engaged in educational and sanitary campaigns. Public works were also initiated, some of relating to infrastructure, such as running water and sewerages in the main capital cities, which were built around the turn of the century in many countries. Remarkably, as has been mentioned, during this period long railroad networks were built by the state in most LA countries. Many of them covered the whole territory, and in some cases were built surmounting amazingly difficult landscapes, thousands of metres high through the Peruvian Andes or across the rugged deserts of northern Chile. Sometimes, these networks, which included telegraph networks alongside, even introduced variant development patterns, as when railroads spearheaded the fast army and cattle expansion over the pampas. Railroads were a notorious early expression of developmentalism (Chapters 2, 6 and 9).

Social policy was also assumed by traditional LA elites, come what may, including limited public educational systems and sanitary campaigns stemming from colonial or early independence times. *Beneficiencias Públicas* (public welfares) for the poor, *Gotas de Leche* (drops of milk) for the infant-poor, or the likes, hospitals, and other private charity institutions, developed everywhere. Later on, by the mid-1920s, many of the new public social services were to be born consolidating many of these originally private institutions (Chapter 9). The Catholic Church also played a significant role in these early social protection initiatives. Towards the end of the nineteenth century, liberal-republican leaning elites conferred large importance to basic education and, in the other end, to universities⁴⁷ (Chapters 2, 6 and 9).

This development pattern continued into the 1920s, when the last export boom of the traditional LA economic structure took place (Chapters 4 to 7 and 9).⁴⁸ During the 1920s, both a new kind of state and a new set of social policies and institutions took shape in some LA countries. In several cases, including Argentina, Brazil, and Chile, the birth of a new kind of state was under the guidance of the military. In other countries, such as Uruguay and Costa Rica, elected governments guided the process. Furthermore, in early developing Argentina and Uruguay, quite comprehensive social protection institutions were already in place by the first decades of the century. In Mexico, in turn, the modern state consolidated in the 1920s, following the

long revolutionary struggle that erupted in 1912. The new state engaged immediately in ambitious educational, health, and other social programs (Chapters 2 to 9).

Thus, the infancy – or pre-history – of LADWS may be traced back to the late nineteenth and early twentieth century. However, it came of age in the wake of the world economic crisis in 1929. The impact of the crisis on traditional exports was catastrophic. To mention just one example, by 1932 Chile's overall export income had collapsed to 8 per cent of their 1929 levels (Chapter 9). The new economic situation forced states to change their export-oriented, liberal-inspired, economic policies, and replace them with protectionist measures, and policies to stimulate internal production. LA states had been quite moderate or restrictive in their expenditures during previous decades and even during the crisis itself, with aggravating results. Now, on the contrary, they adopted quite expansive fiscal and monetary policies, including generous credit policies offered to nascent local industrialists.⁴⁹

During this period and up to the 1980s, throughout LA, governments built electric power-generating⁵⁰ and national transmission networks, thousands of kilometres of roads and highways, telephone and telecommunications networks, steelworks and agro-industrial complexes,⁵¹ oil exploration and extraction. They enlarged existing universities, created new ones, and promoted science and technology. Towards the peak of the developmentalist period, the most advanced LA states had developed complex industries, including aerospace. State-run business accounted for a substantial part of overall production and employment, although its significance varied widely between countries. *Early developers* Argentina and Uruguay, or regions such as Sao Paulo, on the one hand, showed the strongest private sectors. Meanwhile, on the other end, socialist Cuba concentrated all economic activities in the State. Other LA countries rested in between (Chapters 2 to 9).

Social policy: an integral part of LADWS

Social policy was a key component of the LAWDS project from its very beginning. It developed during the period, as public social expenditure increased year after year.⁵² Most social policy institutions were also created during this period. Social legislation, regulating aspects such as working hours and others, which had been first enacted around the 1920s in some countries, expanded considerably, especially since the mid 1960s, and by the 1980s, most LA countries had quite comprehensive labour legislations in place (Chapters 2 to 9).

Public schools and universities, which had been created almost everywhere during the nineteenth century, expanded rapidly, especially after the 1960s, and accounted for most of the enrolment. Nevertheless, educational coverage remained quite low everywhere up to the 1980s, even for basic levels of education, with the exception of Argentina and Uruguay, and a few

other countries such as Chile, Costa Rica, and Cuba (Table 1.A5 in Appendix). Health care networks were created everywhere as well, although they were not based on large public infrastructure in all countries (Chapters 2 to 9).⁵³

Pension systems were created almost⁵⁴ everywhere, with Argentina and Uruguay again leading the continent in this matter. By the mid-century, both countries had developed comprehensive schemes, based on union-administered funds, which covered most of the economically active population (EAP) (Chapters 2 and 3). Other countries combined social security funds, sometimes called *Cajas de Previsión*, for each relevant worker group, with a centralized, state-run, social security system, usually called *Servicio de Seguro Social*, mainly for blue-collar workers. The first kind of system began at the beginning of the century, with members of the military, high-level government officials, and teachers, and expanded successively to include increasingly large worker groups, and even the whole of the EAP, as in the aforementioned cases of Argentina and Uruguay. In other countries, the centralized, state-run *Servicio de Seguro Social* extended faster. Later on, both kinds of systems were to be unified in some countries (Chapters 4, 5, 6 and 9).

Housing and poverty alleviation policies, such as family allowances and limited unemployment subsidies, were also developed in most countries. In many cases, housing programmes were a side effect of the *Cajas* type of pension funds, as the huge surpluses that they produced during the initial decades of their functioning were invested in such programmes for their beneficiaries (Chapters 2 to 9).

Nevertheless, social policy during LADWS was mainly available for urban workers, meanwhile peasants, who constituted the bulk of the population in most LA countries, were mostly excluded, at least until the 1960s. In Chile, for example, social legislation, such as the right to form labour unions, which had developed throughout the century to cover most of the urban and mining workers, was not extended to peasants until the mid-1960s. With the exception of the more advanced countries, illiteracy remained high throughout LA, as educational coverage remained low, even at primary levels, still by the end of the century. Health indicators remained quite poor until the 1980s, with high levels of malnutrition, poor sanitary conditions, and frequent epidemics (Chapters 2 to 9).

In addition, even as LADWS reached its peak in the 1980s, poverty remained high throughout the continent and, as a rule, income distribution was among the worst in the world. Again, only the continent's *early developers* Argentina and Uruguay, as well as Cuba and Costa Rica for different historical reasons, showed better performances in most social indicators by the end of the period, and other countries such as Chile followed closely behind. Meanwhile, most countries showed very poor social results. Including giant Brazil, which nevertheless, at the same time, had been able to develop considerably in economic terms (Chapters 2 to 9).

Nevertheless, regardless of its varied results and coverage, social policy was an integral part of this strategy because it was one of its main instruments to promote social change, which increasingly became a central objective as the project advanced towards its climax.

A major actor of social change

In the wake of the 1930s economic crisis, new, progressive, political forces appeared, and in many cases assumed governments throughout LA,⁵⁵ while in other cases they exerted decisive influence from the opposition.⁵⁶ As started, some of them emerged from military movements. The new governments fostered LADWS as their explicit programme, throughout the continent. The new political alliances marked, for the first time, the accent to power of nascent LA middle classes, as social change and mobility began to remove a previously unyielding social landscape. Furthermore, the state became a mayor actor of social change in the continent throughout the century (Chapters 2 to 9).

The 1930s economic crisis by itself had played a huge role in accelerating social change across the continent, as it closed many export enclaves and sent hundreds of thousands of workers back to the countryside from where they had been evicted years before, or into the expanding cities. In Chile, for example, 5 out of 6 nitrate workers suffered this plight (Chapter 9). Ever-accelerating internal migration surrounded LA capitals with vast popular constituencies the renowned *favelas*, *villas miseria*, *poblaciones callampas* of the 1950s and 1960s, which provided support for the new strategy and also became its clients. By the 1960s and before, social policies had by themselves engendered another noisy and highly restive social actor, in the thousands of students that frequently took to the streets in political protests, coming mainly from public-supported universities, secondary and even primary schools, became a familiar scene in LA cities.

Modern entrepreneurial classes were formed and grew up during this period. As mentioned, such processes started at the turn of the century in Río de la Plata and other regions within LA countries that received massive immigration. Across the rest of the continent, this process ran in parallel to urbanization, which, as said, accelerated greatly during the 1930 crisis and its aftermath. Starting out with small family shops and workshops, usually in their immigrant homes, small enterprises grew up, manufacturing and distributing textiles, shoes, furniture, food, and other products, mostly consumer-oriented. In the wake of the crisis, these nascent industries got a big push from the ISI-inspired policies. At the same time, they found generous supply of free salaried workers, out of the ever-increasing migration into the cities, of peasants, and workers expelled from export enclaves ruined by the crisis, whom many times landed in the same neighbourhoods where immigrants established themselves. By the 1960s, and under the protection and stimulus of developmentalism, the new entrepreneurial classes had

become quite powerful, especially in the early developing regions, but elsewhere as well, as in Mexico, in Chile, and other countries throughout the continent.

Traditional LA landowning elites tried to involve nascent industrialists in their secular expertise in the art of successively co-opting all those who got rich.⁵⁷ In this way, as mentioned, by this time their kin included merchants, financiers, miners, and others. Such procedures also seemed to be successful to a certain extent regarding twentieth-century entrepreneurs, up to the point that the mere existence of a LA bourgeoisie, capable of genuine independence from the traditional oligarchies, was a major controversy in LA social science during the 1960s.⁵⁸ Nevertheless, nascent modern LA bourgeoisie seems to have played a rather independent role, and centrist political parties and military regimes that built upon the new strategy drew strong support from these new classes, which were nurtured in return.

State employment has risen quickly since the 1930s, both in traditional state bureaucracy, as well as in new state companies. As has been mentioned, the first large enterprises by the turn of the twentieth century were state-owned railroads. In many countries, state firms and public social services, such as education and health, were also among the largest worker concentrations. They inaugurated a new kind of salaried workers, employed in large numbers by the state for producing goods or services. Not quite a modern proletariat, but no longer traditional state bureaucrats either, this peculiar labour relation would play a relevant role throughout the twentieth century. As the strategy reached its zenith in the 1970s and 1980s, the state accounted for over one-fifth of the overall occupied workforce in most countries, and, even now, it remains in the 15–20 per cent range in most countries, including a vast social protection sector (Tables 1.A4–5 in Appendix).⁵⁹

New bureaucratic elites, both civil and military, were nurtured by LADWS. Mostly, they came from the nascent middle classes and not from the traditional oligarchies.⁶⁰ Most of the bureaucratic cadres were formed in the best public schools and universities, and made lifelong careers. Public service at its best in terms of professionalism became a distinctive part of the LA elites.⁶¹ In addition, the new elites included politicians from progressive and even leftist parties, who accessed to power through elections, or who belonged to rather progressive military movements.

The old oligarchies do not seem to have been quite successful either, in co-opting these bureaucratic newcomers. Rather on the contrary, they became increasingly independent, and even defiant, as they grew and became more powerful. In alliances with other emerging classes, such as nascent industrial bourgeoisies and working classes, as well as peasants later on, increasingly they were to confront the oligarchies (Chapters 2 to 9).⁶²

Land reform became a keyword in LA politics during the 1960s, early 1970s, and even into the 1980s in regions such as Central America⁶³ and still today, agrarian reform is a relevant term in many countries' politics.⁶⁴ Land

reform posed a serious threat to traditional LA oligarchies, and was furiously resisted by them everywhere, even leading, in some instances, military coups and civil war.⁶⁵ Nevertheless, it proved irreversible wherever it was applied, because nowhere was the old servitude-based agrarian system reinstated.⁶⁶ Proportionally to its radicalism, agrarian reform proved the most effective intervention of LADWS, in terms of changing traditional LA social structures, thus becoming one of its paramount modernizing legacies (Chapter 9).

A wave of nationalizations also swept through LA, as states assumed control of natural resources and the largest private industrial complexes that exploited them. Until then, many, if not most, of them were in foreign – mainly US – hands.⁶⁷ State companies also developed natural resources from the beginning in many countries⁶⁸ (Chapters 2 to 9). LADWS initiatives regarding the national appropriation of ground rent associated with natural resources constitutes another one of the most relevant legacies of the period. Many survived the privatization wave of the Neoliberal period, and are still in place. Nevertheless, as the result of this, significant natural resources have been privatized again, and no few are once more in foreign hands. This seems to be one of the main challenges facing the continent at present, as will be mentioned below.

The state did not become an actor of social change in isolation, or exclusively thanks to the progressive stance of the bureaucratic elites. The rapid social changes it set in movement led to widespread social unrest, reformist movements, and even revolutions, during the 1960s and early 1970s. Mostly since the Cuban revolution, although in some of the main countries, such as Mexico, and in a certain way in Argentina, these processes took place decades earlier. Reformist and revolutionary political processes consolidated the ongoing social transformations, accomplishing agrarian reform, and nationalization of natural resources and important industrial complexes. These transformations proved irreversible, even in the wake of quite brutal rightist military regimes that took over most of the continent during the 1970s and 1980s, and earlier in Brazil.⁶⁹ Moreover, social transformations achieved by reformist and revolutionary regimes of the 1960s and 1970s seem to have laid, in no small part, the foundations for the rapid development of capitalism during the following decades.⁷⁰ Although social actors in the background of reform and social change seem to be roughly the same throughout LA, their protagonist roles in the resulting political processes vary widely (Chapters 2 to 9).⁷¹

All of the above has been extensively documented. Nevertheless, the way the social policy component inherent of LADWS played an all-important role in promoting social change and economic development perhaps has not been highlighted enough. Education and health policies, as well as labour legislation, among others, were basic in transforming LA peasantry into modern citizens. An inclusive strand of thinking in social policy, which placed equal emphasis on economic development and social protection, became widespread in LA, especially during the 1960s, at the peak

of reformist-revolutionary activity. During this period, universal welfare, mainly state-provided, was regarded as good economic policy, according to the demand sideline of economic argumentation that is well described in developmental economics.

Important social policy objectives were attained during this period – among them, drastic reduction of malnutrition, massive literacy programmes, rapid expansion of higher education, and others. Unlike their peasant parents, popular masses in LA today see few of their newborn die at birth, or their mothers. They live considerably longer lives and have increased access to better health services, including better sanitary conditions such as running water. Quite many, if not most of them in some countries, live in houses they own. Mostly they know how to read, write, and have completed primary education, with a considerable number having finished secondary level. Some have even managed to complete university (Table 1.A8 in Appendix).

Even if they do not read much in fact, they do listen to radios all day long and watch a lot of TV. In contrast to their peasant fathers, they are quite free to move around and take many jobs throughout their lifetime, much as some perhaps have better remembrances of the more secure jobs enjoyed by some of their parents during LADWS. That seems to hold true, however poor, precarious, and insecure their lifestyle may still be – no matter how much hunger or cold they might still suffer at times, perhaps sometimes even more than their peasant parents did. No matter how insulting the enormous differences in riches and incomes may result. Most of these social achievements were attained during this period, and have been maintained and developed upon, during the following decades.

LADWS seems to have been the decisive political institution of socio-economic change, which by the end of the century had generated a completely new social, economic, and political landscape throughout the continent. At its best in this aspect, it managed to lead reforms and revolutionary changes that drastically transformed the traditional LA social structure. Nevertheless, even in its most conservative versions, it achieved social and economic changes that provided lasting and solid bases for subsequent economic and social modernization throughout the continent. Moreover, the social policy component of this strategy is much to be credited for it.

Decline and fall of LADWS: victim of its own success?

The above notwithstanding, strong criticism of LADWS grew and had become widespread as it peaked, by the end of the 1960s and early 1970s. Criticisms sprung from left and right, the former emphasizing its more radical aspect of promotion of social change, while the other recommended what would later be known as the Neoliberal model.⁷² As developmentalism entered a period of decline, the two main lines of criticism had their chance

to put their policies into practice. Its fall did not arrive before it was effectively tested to the limit in many countries, and gave out of itself what it possibly could. In the end, though, the latter strategy prevailed.

The intervention of BWI and other powerful and deep-pocketed, institutions, in order to stimulate, and in cases enforce, such policy change has been extensively documented. Nevertheless, by the end of the twentieth century, such deliberate sowing efforts seem to have found fertile and well-prepared soil in LA.

The fall of LADWS has been attributed to economic stagnation. Nonetheless, regarding economic growth, the period in fact holds a record that has not yet been equalled in most LA countries, nor in the continent as a whole.⁷³ On the other hand, its fall certainly unfolded in the wake of the world economic recession of the early 1980s, which hit LA especially hard,⁷⁴ as many of the countries in the region, including giants Brazil and Mexico, were still under this paradigm. Nevertheless, the crisis was quite evidently of foreign origins. Moreover, the most seriously affected country was Chile, which had of course initiated Neoliberal reforms almost a decade before, while the least affected countries, such as Costa Rica, were those who resisted the emerging model most effectively (Chapters 2 to 9).⁷⁵ Therefore, it is not clear that LADWS replacement may have been induced by reasons related to economic stagnation. If it were, anyway, the ensuing period may well be accused of a far more disappointing record in this matter, certainly worse, and in fact the worst in the whole of the twentieth century in most countries (Table 1.A2 in appendix, and Figures 9.A4–6 in Appendix to chapter 9).

Neoliberal policies were also justified sometimes, as a reaction against what has been labelled *macroeconomic populism in LA* (Dornbusch and Edwards 1991).⁷⁶ Nevertheless, were mounting fiscal deficits and debt, as well as hyperinflationary episodes, some of which, but not the worst ones, occurred during this period, really caused by excessive social or state expenditure? At least from one point of view, such phenomena seems to have little to do with social policy or social spending: Even at its pinnacle, social expenditure, and state expenditure as a whole, rarely reached levels that could be considered excessive in LA. Quite the opposite, both items achieved magnitudes that seem distant even from present levels of public expenditure in most LA countries (Tables 1.A7–9 in the Appendix, and Figure 9.A3 in Appendix to Chapter 9). Moreover, they were certainly very far away from what countries in the first world would consider reasonable public spending. The above notwithstanding, public deficit management did seem rather too expansive throughout LADWS experience as a whole, and outright freewheeling in some late periods, in many countries, as inflation rates suggest. Nevertheless, this does not seem to explain but some LA hyperinflation periods.⁷⁷ Other hyperinflation episodes seem to relate more with high-tension political periods during which opposition parties approved government expenditures while denying financing at the same time (Haslam 2004). In most cases,

these episodes originated in debt-liquefying schemes.⁷⁸ Moreover, in some countries,⁷⁹ the worst hyperinflation episodes occurred under governments already influenced by Neoliberalism.

Rather, the severe limitations of economic, social, and human development seem to be more relevant in creating widespread dissatisfaction with developmentalism that led to FFA to its replacement.⁸⁰ Nevertheless, such limitations had always been there, and indeed LAWDS may surely be credited for making quite an inroad towards their improvement.

Something else must have happened in order to generate a change. Sober overall reassessment of twentieth-century LA developmentalism should provide new insights for alternative approaches to explain its decline. It can be argued that the decline may be due to its own success in changing the underlying social structure. The above-mentioned limitations, for example, only became political problems after LA masses began to awake from their secular peasant *siesta*, because of processes that were strongly stimulated by state policies. At the same time, modern LA entrepreneurs and high-income middle classes were coming of age, and becoming increasingly assertive, in large part, as said, bred and nurtured by developmentalism. They provided the possibility, and the political support in the case of the former, for privatizations and market policies. Affluent LA middle classes were quite satisfied with the opening of borders to globalization, because they could obtain better-quality goods at cheaper prices than ISI-protected local industries could provide. They were receptive to Neoliberal discourse, in part because it offered them differentiated, good quality, social services, sooner than universal public social policies could deliver. Perhaps, later on, the Neoliberal period will be seen as a unilateral initial moment, when these privileged minorities anticipated long sought and hard fought LA modernity, for their exclusive benefit, passing over the vast majority of the population.

The legacy of Neoliberalism

Following the demise of LADWS, and building on the new realities that were its legacy, a new set of policies were put into practice throughout the continent, in lesser or greater extent, which would be called the Washington Consensus.⁸¹ Starting with the Chilean 'Chicago boys' experiment in the mid-1970s, one LA country after another abandoned developmentalist concepts and initiated liberal reforms. Some were undertaken under the authoritarian regimes that seemed to plague LA during the 1970s and 1980s. However, most of them occurred under democratic governments that replaced the former, during the late 1980s and 1990s. In the case of Mexico, as mentioned, these reforms were also implemented by PRI governments. During the last two decades of the century, Neoliberal-inspired policy was put in place everywhere in LA, both as a new development strategy and a new social policy paradigm.

In short, the new model promoted the establishment of the best possible short-term environment for private business,⁸² in a framework of openness to foreign trade and investment, in an international economic environment that was then dominated by a booming globalization process. However, it was characteristically extreme in pursuing these purposes, due to its Neoliberal theoretical support as well as its political and socially excluding practices. Nevertheless, the degree of unilateralism with which the model was adopted varied widely from one country to another⁸³ (Chapters 2 to 9).

The above notwithstanding, *Washington Consensus* policies have exerted a hegemonic influence over LA policy making over the last decades and, although seemingly on the decline, continue to do so up to the present day. Such policies in effect significantly improved the general climate for private business in the region. This was particularly true for foreign investors, as LA economies were effectively opened to overseas commerce and investment, although to varying degrees. At the same time, the cyclical behaviour of LA economies was severely accentuated. In the course of acute cycles, financial and economic crises occurred during this period, of a violence that had not been experienced since the 1930s. This resulted in high unemployment and a significant slowdown in rates of average economic growth. LA GDP growth fell from 5.5 per cent and 6 per cent a year during the 1960s and 1970s, respectively, to 1.4 per cent during the 1980s and 3.2 per cent during the 1990s, the worst performance in the region since the 1930s (Table 1.A2 in appendix to this chapter and Figure 9.A2 in the Appendix to Chapter 9).

On the other hand, the unilateral emphasis of *Washington Consensus* policies had generally negative implications, although to varying degrees in different countries, depending perhaps, in part, on the advance of their respective socioeconomic transition processes. The most extreme policies proved harmful everywhere, such as weakening state regulatory systems, particularly those regarding financial flows, or fixed exchange rate schemes, or 'structural adjustments' that resulted in pro-cyclical fiscal and monetary policies (Ffrench-Davis 2002, 2003). In addition, orthodox ground rent economic theory was overlooked, and natural resources were handed out again to private, mostly foreign, firms at no charge (Fazio 2000). Negative effects were felt as well out of Neoliberal dismantling of the LA public bureaucracies that had been formed with sustained effort along a century (Fukuyama 2004; Suleiman 2004). Then again, transferring state firms to the private sector may have made sense where the latter had already attained the age and size required to manage these enterprises themselves, and become stronger in the process. Additionally, success required relatively strong states, enabled to impose reasonable regulations and avoid corruption in the process. However, in countries where this had not happened yet, states were simply weakened, corruption was an extended practice during privatization processes, which resulted in severe market distortions. In addition, privatizations resulted in no significant gain for national entrepreneurs,

because firms ended up mostly in foreign hands. Even the contrary may have happened, because foreign ownership has proved suboptimal in areas such as banking, with regard to local business, particularly small and medium sized (Ffrench-Davis 2003).

At the same time, socioeconomic changes in the region were accelerated during this period, as the main modern social actors consolidated their presence in some countries in the region, and the socioeconomic transition process was accelerated everywhere by globalization, in a remarkably painful manner. The general legacy of Neoliberalism is highly disputed and its results mixed, but its Massive impact on the transition process at this structural level can hardly be denied. In this classic sense of primitive accumulation, the *Washington Consensus* certainly meant a huge boost to capitalist development in LA, even though generally this did not show itself in faster economic growth.

Regarding social policies, Neoliberal policies placed a unilateral emphasis on privatization of public social services, and protecting the private social services industry. In parallel, such policies targeted constrained public spending into creating social 'safety nets' for the extremely poor. These policies ended up providing differentiated private social services for the affluent few. Meanwhile, an insufficient amount of public social spending was only enough to slightly alleviate the living conditions of the extremely poor. The vast majority of the population, meanwhile, including the majority of the emerging LA salaried classes, saw their social protection seriously deteriorate, and become more expensive, at the same time that their job insecurity was augmented due to globalization. Nevertheless, as said, these kinds of policies were applied to different degrees in the different countries and in different periods. In the case of Brazil, for example, the social policies applied during the 1990s rather perfected the universal-oriented, public services-based social policies of the previous period.

During the 1990s, on the other hand, the unilateral emphasis of 'structural reforms' on short-term business-friendly policies resulted in a serious deterioration of the already shameful income distribution of the region (Table 1.A9 in the Appendix), when targeted and other public social expenditure are not taken into account. Nevertheless, when social expenditure is considered, income distribution maintained more or less the same inequality that most countries in LA had attained by the 1980s. Furthermore, in some exceptional LA countries, such as Uruguay, increased expenditure in pensions during the 1990s further improved an already fair income distribution, as it managed to balance the deterioration experienced by autonomous incomes.

Successive waves of Neoliberal reforms

Neoliberal economic experiments were first implemented in Chile during the 1970s by the dictatorship that had put an end to the revolutionary agitation of the previous period. Neoliberal social policies were also pioneered in Chile

during the 1980s, as this country seems to have adhered to the *Washington Consensus* long before it became consensual. In the rest of LA, Neoliberal economic reforms started during the 1980s in some countries, in the wake of the debt crisis. However, Neoliberal social policies were not generally implemented in most countries until the 1990s.

There are at least two significant differences between the pioneering reforms of the 1970s and 1980s, and those implemented later. While the former were implemented by dictatorships, in conditions of economic crisis or stagnation, the latter were usually implemented mostly by democratic regimes, and, with respect to social policies, during the generally expansive 1990s. As a result, there are significant variations in the outcomes, in relation to both the general economic structure and social policies, and also in the degree of subordination of the latter to the former. In the end, each country has its own story to tell, and there also seem to be historical patterns for different regions, as commented above. However, the differences between pioneering Neoliberal reforms and those which came later seem to prove the relevance of democratic environments in this respect.⁸⁴

During the pioneering wave of Neoliberalism, Chile introduced 'the most radical example of the Neoliberal market model, particularly under the Pinochet regime (1973–89)' (Mesa-Lago 2002: 3). Under the first generation of Neoliberal social policy reforms, implemented in Chile during the 1980s, pensions were almost completely privatized, under a widely known scheme, which most of the workforce was forced to join after 1981. Public education was privatized almost in half. In addition, a national, private, health insurance scheme was instituted. On the other hand, a social 'safety net', non-contributory, welfare scheme, was put in place for the poorest (Chapter 9). Less well known, though, is the fact Pinochet had previously slashed public social spending by more than half during the 1970s, in the midst of a massive state reduction and stabilization programme, with the resulting serious deterioration of the public SP network (Chapter 9).

Neoliberal reforms of SP during the 1990s followed a quite diverse path to that followed in the 1970s and 1980s, and the differences seem to stem in particular from the fact that, as stated such reforms were introduced not under dictatorships but the ensuing democratic governments. There was an increased awareness during the 1990s of the importance of social policy, not just as a moral issue but also as contribution to the economic and political future of the countries (Stallings 2002). Expansive overall economic conditions during the 1990s certainly contribute their part as well. As a result, the second wave of reforms rode over rapidly increasing social spending, which added up to about 50 per cent along the decade, on the average, on a per-capita basis (see Tables 1.A7–9 in the Appendix). Such spending was reflected in important increases in school enrolment in all levels, reaching full coverage in basic and near-full coverage in medium levels, while university enrolment increased quite dramatically. Poverty reduction was also significant in the decade, although most of it may be attributable to economic

growth, which, as said, was important up to 1997 (Tables 1.A6–10 in the Appendix).

The impact of Neoliberal social policy in overall economic development during this period should not be minimized, as the Chilean experience seems to illustrate. In a negative way, it has already been mentioned how the drastic reduction of social spending was significant in the stabilization programmes of the 1970s. It has been noted as well that the privatization of pensions, although not significant in increasing overall savings rate, due to the accompanying public pension deficit, has nonetheless helped capital markets, a no small economic objective (Mkandawire 2001). In addition, the reforms drastically reduced the employers' contributions, transferring them almost completely to the employees. Even though this reform is probably minor in relation to overall salary-related costs, because salaries were raised more or less in the same proportion, it nonetheless may have had an important psychological impact regarding general investment conditions. Last, but not least, Neoliberal reforms have resulted in the rise of an important private social protection industry, which sells services previously provided by the government at no charge. Because of this, the same activities now appear adding value to the national accounts, as part of an increased services sector.

Brazil has experienced two reform cycles of its own regarding social policies, but with significant differences from the ones described above. The first, in the 1980s, was highly influenced by the democratization process, while the second occurred in the second half of the 1990s, when economic adjustment takes place. The newly elected democratic governments of the 1980s opened a wide reform agenda, oriented by goals of universal coverage, the strengthening of public provision, and the decentralization of management. In a certain sense, it tried to revert to the strong authoritarian centralization experienced during the military regime. On the other hand, it reversed the market-driven tendencies towards the development of private SP systems, experienced in this country during the booming 1970s, that were geared to satisfy the demand of the high-income segments of the burgeoning new urban middle classes.

The second reform cycle in Brazil was implemented during the 1990s. Although it was carried out within the framework of a fiscal adjustment process and market-oriented institutional reforms, the social policy reform goals aimed, on the contrary, to reinforce the public social systems. The reforms tried to correct some of the mistakes that had been made during the implementation of previous policies, without changing the basic orientations of universal coverage and public provision of services. A good example of the former is health policy. The 1988 democratic constitution created a Swedish-style free public health system whose target population numbered 170 million people. This system continued to be implemented during the 1990s, and fiscal resources earmarked for health have increased systematically, while, simultaneously some reforms have made it more equitable

and redistributive. Other areas also reflect these tendencies. For example, Brazil did not privatize its public pension, educational, and health services, during the 1990s, in spite of the Neoliberal model – previous public–private combinations have been maintained. Indeed, even a return to the public schools by children of the middle class took place to some extent during the 1990s because of impoverishment of these sectors. Obviously, governmental orientations have influenced the direction of reforms, as well as the general support for the maintenance of the democratic orientation of the first wave of reforms, coming from actors who benefited out of the same. In other words, there was no power – liberal, or conservative – capable of retrenching these systems; instead, they perfected them (Chapter 7).

During the 1990s, the Argentinean welfare state was severely retrenched, ironically, by an elected and re-elected government of the same Peronista party that had originally established the welfare state in this country. Universal programmes, such as public health, were decentralized almost entirely to provincial governments. Wage contributions were drastically reduced – from over 33 per cent to less than 18 per cent. On the other hand, an important part of wage contributions were redirected to the new AFJP private pension system. On the other hand, VAT tax was generalized and significantly increased, and a greater proportion of it was redirected to the central government. Thus, a high burden was passed on to the provinces, which bear most of the cost of universal programmes and lost much of the contributions to finance them. Other results have included a deterioration of union-dependent *Obras Sociales* (social works), as employment contributions decreased due to an increase in informality and a decrease in employers contributions, and thus a growing number of workers drifted to the public hospitals. Even though public social expenditure increased significantly during the decade, it was not enough to absorb the additional pressure on the public system. In part, the resulting deficit was covered directly by contributions from the families to education and health, which increased significantly (Chapter 3).

As a rule, the objectives of Neoliberal reforms in the 1990s were tilted towards objectives of greater efficiency through partial privatization, and heavily towards fiscal moderation in those countries that had not implemented fiscal adjustments at an earlier stage. These objectives prevailed over outright dismantling and privatization of public social services, which had prevailed during the first wave of Neoliberal reforms. Nevertheless, the latter objectives were present and relevant as well during the 1990s in many cases (UNDP 2002). However, deterioration and dismantling of public services – exception made for the effects of the catastrophic Argentinean crisis of 2001, which was overcome in a short time –, and privatization of social policy institutions, were everywhere and in almost every case lesser than in the Chilean 1980s reform. In other countries, these effects were either slight or virtually nonexistent – as in the cases of Uruguay or Costa Rica (Chapters 5 and 9). The

newly created SP institutions, such as private pension schemes, were in most cases complementary to the old public ones. In many cases, the new institutions were also public, as in the case of the largest Uruguay, Bolivian, and Mexican pension administrators. The old public systems, as a general case, remained fully or at least partially in place (Mesa-Lago 2002). Even in Chile, during the last decade, the previous 'imbalance has been gradually corrected since 1990, by democratic administrations that, although maintaining the essence of the previous economic model, have placed a stronger accent on social policy under the more balanced approach' (Mesa-Lago 2002: 3).

During the 1990s a substantial efforts were made to restore the standing of undermined and underfunded welfare institutions. However, and despite the above mentioned efforts, the levels of public spending remains very low in LA – as per capita, or related to GDP (Tables 1.A7–9 in the Appendix). In some countries such as Chile, it has not yet recovered the levels reached during the LADWS period (Chapter 9). This probably remains to be the main problem of the sector and its workers, even considering the urgent need for rebuilding and modernizing public social protection institutions.

Continued social change under Neoliberal reforms

Why was the anti-state aspect of Neoliberal discourse assumed, to a lesser or greater extent, by the LA elites? This particular aspect of Neoliberalism seems quite obviously inadequate in LA, considering the state is the main – and sometimes the only – cohesive national institution in many LA countries. Moreover, its size and influence are everywhere minimal in relation to First World countries, and evidently inadequate relative to general requirements in most areas, as stated earlier. In addition, a strong backlash against this extreme aspect of Neoliberalism is occurring at present in advanced countries, as it is accused of dismantling democratic states (Suleiman 2003) and even fomenting terrorism (Fukuyama 2004). Furthermore, LADWS was originally, and mostly a project created and sustained by LA elites. Nevertheless, by the end of the twentieth century, this bourgeois-anarchist (Hobsbawm 1995) feature of Neoliberalism fell into willing ears of those same elites, especially in some countries.

Perhaps the emerging LA elites turned against the state they had originally formed, because LADWS bureaucracies had ended up confronting their ancestors, the traditional LA elites? In Chile, this seems to be the case. As said, LADWS exerted a leading role in the revolution that expropriated traditional landowners. Small wonder then, their brethren, now turned modern entrepreneurs, have been the most fervent and true believers in Neoliberalism in LA. This phenomenon is receding in this country, but then only very slow, and seems bound to persist long past the time of this ideology.⁸⁵ Moreover, in all LA countries, this particularly damaging aspect of Neoliberal ideology may also have been adopted by opportunistic reasons. Namely, because of the succulent enrichment opportunities privatizations offered,

both for those who acquired state firms as for state functionaries who privatized them.

It is a fact that LA elites were greatly empowered by privatizations. It is true that many of the largest privatized firms and services ended up in the hands of foreign capital, mainly Spanish this time. Nevertheless, other privatized companies and banks went to LA entrepreneurs, and multiplied the assets of the main private economic conglomerates throughout the continent. In some cases, state functionaries in charge of privatizations built these conglomerates up from nothing, as they kept the firms they privatized for themselves (Fazio 2002, 2003). This seems to have also happened elsewhere, as the conformation of new entrepreneurial elites in the ex-socialist countries seems to show. However, regardless of them being benefited or not by direct transfer of state property, modern LA entrepreneurial elites have mostly come of age, in no small part due to the myriad stimulus offered to them by Neoliberal reforms. If LADWS was instrumental in weakening or even liquidating the traditional elites, Neoliberal reforms have been decisive in consolidating the new entrepreneurial elite. This is but one of the relevant social changes occurred during the Neoliberal period.

Peasant migration and urbanization accelerated almost everywhere, reaching breakneck speed towards the millennium, as has been mentioned, although it now seems that secondary cities growing even faster than capitals in many countries (Tables 1.A1–3 in Appendix to this chapter, and Figures 9.A1–6 in Appendix to Chapter 9). This was not only the result of purely economic forces. In many countries, it was in part the result of violent expulsion of peasants out of their traditional dwellings.⁸⁶

Powerful forces have also further changed the character of the urban workforce during recent decades. Neoliberal reforms, including tariff reductions and free trade agreements, strongly promoted competitiveness. This in turn generated massive relocations of the workforce, among different industrial sectors and from manufacturing towards services (Tables 1.A4–5 in Appendix). Usually, new jobs are far less stable than the former. In fact, lifelong employment, which had been the norm during LADWS, has become quite a rarity today. Meanwhile, most of the modern urban workforce seems to be constantly shifting from short-term, low pay, salaried jobs, to informal occupations or outright unemployment (INP 2004). Generalized stagnation, and even reduction of overall state employment in some countries, both in privatized industries and services, as in the bureaucracy at large, has taken its toll on the urban workforce as well (Tables 1.A1–5 in the Appendix, and Chapter 9). These processes have resulted in much higher unemployment rates than was the norm. This tendency has seriously affected social protection systems that were built on the assumption of full, stable employment, especially in the early developers Argentina and Uruguay, but has also damaged the new pension systems based on individual savings, which have become quite ineffectual for the vast majority of the population (Tables 1.A4–5 in the Appendix, and Chapters 3, 4 and 9).

Nevertheless, greater job instability should not be confused with the reduction of salaried jobs. Countries such as Chile, for example, where the quality of jobs today is noted for its precariousness, has at the same time more than doubled its salaried and overall employment over the last three decades (Tables 1.A4–5 in the Appendix, and Chapter 9). Even some statistics that point towards a reduction, such as the increase of self-employment as a proportion of the occupied workforce that occurs in determined periods of the economic cycle, are usually compensated in other periods of the same cycle. Self-employment itself seems to be more a result of job rotation between salaried and independent employment, rather than a stable condition in itself, as the book shows, at least in some countries (Chapter 9). As a whole, the proportion of the workforce employed in private firms with over five employees seems to have increased significantly in LA, during the Neoliberal period, as mentioned before (Tables 1.A4–5 in the Appendix).

As in the aforementioned case of peasant migration, these changes have not occurred only because of economic tendencies, but also as forced results of Neoliberal reforms. State reduction, as said, but also the privatization of social services, have resulted in massive job changes, in some countries. In the case of Chile, for example, no fewer than half of the teachers, as well as an important proportion of doctors,⁸⁷ and other health personnel, social security administrators and clerical personnel, etc. that were public servants 20 years ago, are presently employed in the burgeoning private social services industry (Chapter 9). The same has occurred massively in privatized firms. As mentioned before, the labour relation that prevailed in state-owned companies, and modern private LA employment, even in the same firms, is clearly not the same thing.

In addition to the above, as stated, there has been a continued reduction of illiteracy, and a rapid and significant heightening of the educational level of LA population, as well as its general health indicators and life expectancy (Table 1.A1–6 in the Appendix). These processes, as stated earlier, had been evolving during the LADWS period, and in some countries suffered during the first wave of Neoliberal reforms. Nevertheless, they continued in force during the 1990s, even during the second wave of reforms. When weighted by the population, the average increase in total LA per capita public social expenditure was 40 per cent during the 1990s, equivalent to 2.7 percentage GDP points. The equivalent figure for increase in per capita education expenditures was 49 per cent (1.0 GDP percentage point). In the case of health, per capita expenditures increased 15 per cent during the decade (0.1 GDP percentage points), and 59 per cent in social security (2.0 GDP percentage points) (Tables 1.A6–9 in the Appendix).

It is worthwhile noting that although ‘structural adjustments’ of overall public expenditure played a negative role in LA (Ffrench-Davis 2002, 2003), public social expenditure showed moderate anti-cyclical behaviour even after the 1997 crisis started, as it continued to grow in LA by 1.4 GDP percentage points⁸⁸ (Tables 1.A7–9 in the Appendix).

All of the above changes had a strong impact on the LA workforce, but more so on their overall productivity, which has increased significantly, and less in their general living conditions, which continue to be destitute in the general case, and miserable for tens of millions (Table 1.A1–2 in the Appendix).

Better times for the modern LA affluent few

Under the hegemony of this way of thinking, a strong shift of mentalities has taken place in the LA masses, away from traditional, agrarian-based, communitarian ideas, and towards liberal, individualistic thinking. In addition, the *Washington Consensus* has introduced modern living standards into LA, including differentiated social services, for the affluent few that can afford them. Afford they may, because as said, the richest 10 per cent of LA population seize over 40 per cent of total LA income, and even more in three countries. Sadly, these feats were attained mostly at the expense of the poorest 40 per cent of the LA population, as well as the middle 50 per cent that lie in between the two extremes. The latter experience increased job insecurity and has been largely left aside by newly privatized social services. Meanwhile, the former have to survive with only 13 per cent of overall income, and even less than 10 per cent in Brazil, and continue living everywhere in conditions of extreme poverty (Table 1.A1–9 in the Appendix).

As the century came to its end, LA population had certainly advanced a long way from the generalized idiocy, word that etymologically means ignorant isolation (Hobsbawm 1998), of peasant life at the dawn of the twentieth century. At that time, the overwhelming majority of LA population shared this fate, with the sole exception of the land-based oligarchies and their small entourage of high state functionaries and politicians, liberal professionals, and other privileged members of the traditional LA elite. Even for the latter, though, life had been quite hard and unimposing as well in most of LA, except in the lands of ancient LA empires or former slavers, where truly rich elites could be found in the old times, as contemporary architecture witnesses.⁸⁹

LA middle classes, including the nascent salariat, began to emerge as relevant actors by the mid-twentieth century. During the LADWS period, they improved their lot and differentiated themselves from the peasants, which remained as always during a good part of the century, while traditional oligarchies slowly declined. Only as developmentalism approached its climax, during the second part of the century, did overall living conditions improve significantly for the mass of the LA population, while the old oligarchies definitively phased out, or were forcefully liquidated by revolutionary processes. At the same time, entrepreneurs emerged in command of the new elite in LA societies, together with their relatively wider entourage of very high-income, upper middle classes. During the Neoliberal period in LA, the latter groups asserted their general well-being, and that of business in the first place, for the most part disregarding the rest of society.

Neo-LADWS in the making?

Washington Consensus policies began to show signs of exhaustion in LA as the twentieth century ended. However, at present Neoliberal ideas are still largely hegemonic in several areas of LA policy making, and the move away from them could advance very slowly. Nevertheless, any sober assessment of the matter will conclude that Neoliberalism is no longer consensual in LA, and that it is past its heyday.

Moreover, the Neoliberal pretence of being the only true development paradigm – it has been widely referred to as *the only way of thinking* – is today under severe assault in LA, as serious alternative policies begin to surface, and gain public acceptance, and even attention from LA governments, in increasingly wide areas. Many elements seem to point towards the emergence of a new development strategy in LA, which looks increasingly coherent. The emergent development strategy suggests a new relation between economic development and an inclusive, universal kind of social policy, as well as a new relation between public policies and private business, all within the framework of constructing a wider regional economic space.

In what follows, some of these new approaches are summarized, emphasizing alternative social policy. Even though a new development strategy is still in the making, and far from completion, drawing on the historical approach, such an emerging strategy may perhaps begin to look something like a *Neo-Latin American Developmental Welfare State*, or *Neo-LADWS*.

A New Deal for LA?

Assessing Lula's election as president of Brazil, *The Economist* magazine concluded that it marked an 'unambiguous shift of direction,' away from the centre-right trend that has dominated Latin American (LA) politics over the last two decades (*The Economist* 2002: 1). A few months later, the same shift of direction resulted out of the apocalyptic events that marked the collapse of the political system in Argentina, soon to be followed by the election of President Kirchner, closely identified, as well, with Lula's discourse. Both presidents have run through a good part of their mandates enjoying huge public support, and, in the case of Lula, his figure has become a symbol throughout the region and even around the world, of a new set of policies that address the needs of the poor. Tabaré Vasquez, leader of the leftist Frente Amplio, was elected president of Uruguay with over 50 per cent of the vote. As will be underlined below in the case of Lula's PT, Frente Amplio is no latecomer either into Uruguayan politics, as it endured a long march up to power, which started back in 1971, which included resisting a cruel dictatorship and, later, exercising the local government of Montevideo for a number of periods.

A good part of the continent seems to be riding a wave of political agitation. In Venezuela, President Chavez, who comes from the military,

was deposed by a widespread, US-supported, middle-class revolt against his reform-oriented policies, only to be restored to office two days later, by a popular upheaval, supported by the military. Recently, a plebiscite confirmed that a wide majority of citizens support his reform-oriented policies. Popular revolts in Bolivia forced the resignation of President Sanchez de Losada, and, later on, his successor, President Mesa, and a plebiscite and successive legislation regarding natural resources confirmed that the overwhelming majority of Bolivians support moving away from Neoliberal policies. The situation is not stable either in bordering Peru, where President Toledo, a social democrat who replaced authoritarian President Fujimori, has nonetheless been accused of continuing some of the Neoliberal policies and corrupt practices of his predecessor. His current approval ratings are very low, even though the economic performance of his government has been rather good. Colombia's decades-long civil war does not seem to abide under a rightist government, as the country undergoes increased US military presence, justified on the war against terrorism and drug trafficking.

Nevertheless, turmoil is certainly not generalized, and most countries in LA enjoy relatively stable situations. Even countries that are surmounting severe crisis, or undergoing significant political shifts, have managed to do so in a remarkably peaceful and democratic way, such as the aforementioned Brazil and Argentina. Mexico, the other regional giant together with Brazil, just a few years ago put an end to the 70-year dominance of the *Partido Revolucionario Institucionalizado* (PRI), a paramount event for this country, with a certain parallel to the end of the Communist Party's rule over Russia. Nevertheless, it was achieved without a breakdown of the Mexican political system, and has proceeded in a remarkably peaceful way. Chile has undergone 16 years of transition out of the Pinochet dictatorship, and in 2005 will hold its fourth successive democratic presidential election during this period. Many may feel frustrated by the slow pace of democratic transition, but no one can dispute its stability. Economic perspectives that suggest better times ahead, coming as good news after six years of recession and crisis that started in 1998, should further reinforce political stability in LA.

Everybody is aware of the paramount difficulties which Presidents Lula and Kirchner must surmount to implement the kind of policies they promote – including corruption. Not least, the resistance of the Bretton Woods Institutions (BWI). Dissident voices within Lula's own *Partido dos Trabalhadores*, and other opposition figures in Brazil, even question his willingness to implement alternative policies, pointing to the continuity of economic policies during his first years in office. In Chile, socialist Ricardo Lagos was elected president in 1999, in an election that reflected a deep desire for change among voters.⁹⁰ President Lagos' government has been very effective in developing the transport infrastructure throughout Chile, and the country has finally approved its first divorce law. Nevertheless, a balance of Lagos' administration suggests no serious attempt to change the prevailing policy

model, even if timid reforms have been initiated, regarding social protection, mining policy, and other issues, as new presidential elections approach.⁹¹

Nevertheless, the above-cited assertion by *The Economist* in relation to Brazil may hold true in a wider sense throughout the continent. The proposal of a 'New Deal', explicitly inspired by Franklin D. Roosevelt, where increased social protection (SP) is considered a basic component of new economic policies, is central to President Lula's programme. The PT programme calls for 'the implantation of an alternative model of development, with the social issue as its axis . . . accompanied by the democratization of the State and social relations . . .' (PT 2002: 1). Similar propositions may be found in the discourse of Presidents Kirchner and Vasquez, as well as in alternative government proposals across the continent. Such proposals may be heard in assemblies such as Forum Social Mundial de Porto Alegre and other alternative regional assemblies, which are becoming increasingly representative, as leaders of political parties now in power in the main countries in LA continue to participate in them.

The same kind of propositions may be heard coming from institutions such as UNDP and other UN agencies and leaders (Ocampo 2002). Voices that promote significant policy changes are becoming increasingly authorized within organizations such as ECLAC (French-Davis 2001, 2002, 2003). Even the flagship institutions of Neoliberal policies, such as the Inter-American Development Bank (IDB) and even the World Bank (WB), have recently insinuated timid exploratory openings to the possibility of a different kind of policies (Gill *et al.* 2004).

Most importantly, the emerging, progressive reform agenda, of an increasingly wide assortment of political, academic and social actors, may be now resting quite solidly over the current moment of the historical development of LA, as this book will argue quite extensively.

A young giant in the making

In a longer historical perspective, interesting options seem to be opening up for LA. There is a growing awareness that by the mid twenty-first century, and even long before that, the present balance of economic power in the world will have changed quite dramatically. As mentioned before, when assessing the course of the LA transition process, the region is considered as one of the emerging economic powers of the twenty-first century (Goldman-Sachs 2003).

The building of such an economic LA giant, how it will look, and what its main features will be regarding economic and social policy, are questions that largely depend on the development strategies of the continent's three largest countries – Brazil, Mexico and Argentina. The development strategies of the other LA countries will exert some influence, but this encompassing process will largely determine them. The strategy of the US in relation to the region will certainly play a significant role as well. However, its influence

will be offset, at least in part, by the increasing presence in the region of the EU and other large international powers.

To date the Brazilian development strategy has privileged creating a wider economic space, jointly with Argentina, who have followed a similar path. Together with Uruguay and Paraguay, they have founded Mercosur. Mercosur has been developing already for more than a decade, and has recently proven capable of surviving quite severe economic and political crises in its main partners. Mexico, in turn, has privileged integrating itself into the US market through NAFTA, together with Canada. Nevertheless, at the same time, Mexico has been pursuing an independent path, which includes FTA with the EU and rapprochement to the south (Fazio 2004), including the possibility of fully joining Mercosur as well (CENDA 2004a).

On the contrary, smaller Chile has privileged unilateral opening of its economy since the 1970s, while trying to pursue rapprochement on the one side to Mercosur, as a special associate that keeps arm's-length distance, and to the US on the other, while at the same time actively seeking openings both to the EU and Asia. Chile has signed FTAs with the EU, the US, and Korea during 2003, before that with Canada, Mexico and other LA countries, and is presently negotiating FTAs with Japan, China, and India, among several other countries. Nevertheless, such a strategy seems to be overstretching itself, as its neighbours show increasingly hard feelings about it. Recent problems with natural gas provision from its neighbours, on which Chile depends for 30 per cent of its overall energy needs, seems to prove the limits of such a unilateral approach (Fazio 2004; CENDA 2004b).

The Andean countries, including Colombia and Venezuela, which are the continent's fourth and fifth largest economies (Table 1.A1 in the Appendix), together with Ecuador, Peru, and Bolivia, have established a regional Andean Pact since the 1960s to which Chile also belonged until the mid-1970s. All these countries are living through rapid and difficult social and economic transitions, as well as violent political struggles. Even though their future strategy does not yet seem to be clearly defined, they seem to privilege rapprochement with Mercosur, particularly the Chavez government in Venezuela, and Bolivia, who has already achieved a special associate status.

Central America and the Caribbean is a region where civil wars in many countries during the 1980s underline how fast they are presently undergoing the social and economic changes that have marked LA as a whole throughout the past century. US influence has always been and remains determinant in this region, more than elsewhere in LA. Many of these countries have recently signed FTAs with the US. Nevertheless, as the remarkable example of Cuba has proven throughout almost half a century, an independent development path is possible even in such close proximity to the US, whichever hardships it may carry. The Costa Rican experience also supports this. Recently, for example, Costa Rica refrained from signing a FTA that was offered to them by the US. Difficult as it seems, some countries in this region

may choose to seek rapprochement with the southern block led by Brazil, as Cuba has been doing for a long time. It is possible that some of them will achieve this purpose, overcoming US pressures against it.

The US has been following a strategy for LA that was defined by George H. Bush in 1994, when he announced the *Free Trade Agreement of the Americas* (FTAA), a free trade region that by 2005 would encompass America from Alaska to Tierra del Fuego. The FTA recently signed by Chile and three Central American countries underline the main points pursued by the US through FTAA. These FTA have established a rather slow calendar for free trade itself, with long adjustment periods for those goods that are sensitive to specific US constituencies. Sensitive trade items for the US are not included in the FTA pacts, such as reducing farm subsidies and limiting anti-dumping legislation. Quite the opposite, the minor partners have accepted to include non-trade matters that interest the US, such as government purchases, investments, and intellectual property rights (Fazio 2004). Meanwhile, the US military Southern Command has been pursuing a less outspoken, though no less clearly defined strategy for LA, which includes securing US military presence in Paraguay, Bolivia, and Colombia, under the cover of war against drug traffic and terrorism.

Nevertheless, LA seems recently to have been asserting its independence progressively. Mercosur, headed by Brazil, has resisted imbalances – such as those accepted by LA countries who have signed FTAs with the US – from being incorporated into in FTAA. Mercosur has stated that they will accept to include non-trade matters of interest to the US, but only if this country will in turn accept including trade-related issues as the ones mentioned above. As the US has refused to do this, FTAA talks are currently stalled and its original timetable seems to have been abandoned. Over the same argument, Brazil, together with India and China, led a group of countries including Chile, which walked out of the WTO meeting in Miami in 2003 (Fazio 2004). It seems clear that the new LA strategy outlined here, though drawing heavily on twentieth-century LADWS experience, also has essential differences from it. Mainly, the new strategy may probably only happen in an enlarged, multinational, LA space, if indeed it is meant to happen at all. The sub-regional redefinition of the international economic insertion of LA countries, which has been referred to above, points to the kind of space and actors where such international definitions are being shaped.

The magnitude of the developmentalist programmes facing Neo-LADWS seems to exceed both the capacity and the space of individual countries, even the continental giants, Brazil and Mexico. National security in fields such as energy may only be achieved in optimal conditions within an increasingly solid integrated environment. On the other hand, the economic advantages of solving such problems with LA resources are so huge that they constitute a significant incentive towards economic integration. In the above-cited example, the provision of over one-third of Chilean energy requirements

with cheap LA gas generates economic benefits that exceed by far those that may be obtained by the sum of all marginal trade benefits rendered by all the FTA agreements recently signed by this country, including those with the US and the EU (CENDA 2004b). Other developmentalist programmes facing LA countries in coming decades include such huge engagements as building a science and technology base that may be able to compete with the other large international players such as the US, EU, China, India, and Russia. Full development of the aerospace industry is another engagement to be mentioned. A continental network of superhighways and modern railway connections such as is already available in EU and the US should certainly be built in LA. Finally, yet importantly, the building of a competitive defence industry could also be added. Many more areas could be mentioned that by sheer size require a larger space than may be provided by individual countries.

When Chile signed a FTA with the US recently, its fans hailed it as the moment when the country joined the 'big leagues'. Similar expressions were used in Honduras, Guatemala, and El Salvador, when those small countries signed their own FTA with the US shortly afterwards. The above-mentioned list of challenges facing the alternative Neo-LAWDS project may perhaps closer resemble what really playing the 'big leagues' is all about in LA during the twenty-first century.

The shape of the continent in the future seems to be strongly dependent upon the fate of the subregional integration efforts now being developed. Unlike similar intents that have been successively frustrated in the past, this time it seems possible that the dream of Simon Bolivar may prevail in the near future.

A new developmental relation between state and business

In addition, and perhaps more relevant from a factual point of view, economic integration in LA simply seems to be happening, engaged by LA entrepreneurs, following purely economic forces. Horst Paulman, owner of the Chilean *Jumbo* supermarket chain, who holds a significant market share in both Chile and Argentina, has recently declared, 'Entrepreneurs who do not take advantage of investing in Argentina are simply being foolish' (CENDA 2004a). Argentina accounts for more than half of Chilean foreign direct investment since 1990, with Brazil and Peru coming in second place.⁹² In addition to the gas connection, which has been mentioned, all these previously unthinkable cross-border private ventures have occurred during the last decade.

A recent invitation by Mexican Carlos Slim, LA's biggest entrepreneur, to his kin in the rest of LA countries, to a meeting that took place in Mexico in 2004 and lasted for several days, seem to point in this strategic direction (CENDA 2004a). The new strategy points towards a state-business relation

that is quite different to the one established under the old developmentalism. Unlike its ancestor, the state is now able to rely mainly on the new LA entrepreneurial class, which simply did not exist but in infant form during the old times, and the new strategy seems oriented towards further strengthening such an actor.

The Neo-LADWS project seems rooted not only in the twentieth-century experience, from which it will probably draw inspiration, but also over the inheritance of Neoliberalism in LA. The emerging paradigm implies a radical change of direction away from Washington Consensus-style policies, and, in fact, it is being conceived over the criticism of that model. Nevertheless, the new project seems to inherit quite a lot from the Neoliberal period as well. It should rely on new LA entrepreneurial classes, as said, which in their present form are certainly a part of the Neoliberal inheritance, as much as the latter model inherited them from the old developmentalism, at least in infant form. Complementary, the new strategy is to be built upon the new salaried middle classes, both over their productive power, as well as their present demands of wider and better SP as will be mentioned below. Such a new salariat has also sprung up from both the Neoliberal period, as well as from developmentalism before that.

Many other inheritances from the Neoliberal period will probably be built into the conceptualization of the new development paradigm that seems to be emerging. For example, strong voices are demanding more active monetary and fiscal policies than those accepted under *Washington Consensus* policies, especially under recession. Nevertheless, few would support any kind of fiscal irresponsibility, and fear of hyperinflation remains high, perhaps too high as has been said, across every level of LA elites. In addition, governments throughout LA have started to consider putting into place stronger regulations on business practices, to ensure competitiveness, transparency, and tax compliance. Nevertheless, maintaining an economic and regulatory environment that looks attractive to business seems to gather wide consensus as well. Regarding social policies, a new relation between the public and private sectors seems to be in the making as well, as will be argued below, in which both sectors play complementary roles.

Nevertheless, the main shift in direction in this relation seems to point towards the need to rebuild and reinforce the public sector. After decades of unilateral emphasis on creating optimal conditions for business, a change seems to be in the making in LA, towards emphasizing the public sphere. This is not viewed as a way of constraining entrepreneurial initiative, but rather, on the contrary, as a way of reinforcing it through better regulatory frameworks and a strong complementary public sector. The rebuilding of strong, well-trained, efficient, and non-corrupt professional civil services seems to be one of the main points in this shift away from decades of trying to transform the public sector in the image of private business. This seems also to be an international current (Suleiman 2003; Fukuyama 2003).

Recovering ground rent of natural resources

Regulations over natural resource exploitation, including conservationist and ecological concerns, as well as royalty charges for minerals and other resources, are now receiving due attention from LA governments, as such policies enjoy high support among their public opinions.

As is well known, a good part of national income in developing countries, including LA countries, comes from the exploitation of natural resources, which have high ground rents associated with them. The high labour productivity, and the comparative advantages of these industries, derives not only from up-to-date technology, and workforce qualification, which are normally present as well in these sectors – at least relative to other industries in the same countries. Most of these advantages really arise out of the high ground rent associated with the valuable natural resources in which these industries are based upon. That is the case in industries such as mining, export-oriented plantations, fisheries, etc., among others.

On the other hand, it is also well known that over the last few decades, under the inspiration of *Washington Consensus* economic policies, LA countries have lured foreign investment by adopting highly generous and permissive taxing systems, which in fact allow foreign investors to avoid paying any relevant taxes to the governments of their host countries. In addition, in the case of industries that are natural resources-based, the taxing systems currently in use in developing countries have generally abandoned the orthodox economic policy recommendation of charging royalties, and using other instruments of state appropriation of the significant ground rent associated with these resources. In addition, state companies that in some cases exploited these resources themselves have been privatized in some countries (UNRISD 2005; Riesco 2004; CENDA 2004d).

The ground rent of natural resources in developing countries is thus appropriated by the private investors in these industries, and becomes the equivalent of a high subsidy to investors in these areas – none less than enjoying free raw materials in many cases. As a result, there is significant over-investment in natural resources-based industries in developing countries, which results in the overexploitation of these resources in the short run, with severe consequences for the environment. Overinvestment and overproduction of natural resource-based industries in developing countries has also resulted in periodic gluts in world markets for some of these products, with severe price falls. Even the theoretical border case of 'inmiserizing growth', where an expanded output is sold for a lower overall price, has been experienced in determined natural resources-based markets during certain periods (UNRISD 2005; Riesco 2004; CENDA 2004d).

The above-described situation has been studied thoroughly in the case of mining companies operating in certain developing countries, where a strong movement is in the making, to reform taxing schemes in natural resources-based industries, introducing royalties and other ground

rent appropriation mechanisms by the state (UNRISD 2005; Riesco 2004; CENDA 2004d).

In brief, the disregard of ground-rent-related policies in the taxing schemes currently prevailing in developing countries has resulted in a severe reduction of state revenues in developing countries, as well as having a negative impact on employment and environment, among other negative consequences. All these consequences have had a severe negative impact over social policies and social development. This process has resulted in a serious loss of the capabilities for ground rent appropriation acquired by developing nations during the nationalization wave of the 1960s and 1970s.

Nevertheless, and although prosecuting the same goals, the present movement is based mainly on defining sound and effective ground rent appropriation taxing schemes, instead of having the state directly assuming all production in these industries, as was the general case in the previous wave of nationalizations. In this way, the appropriation of ground rent may cohabit in harmony with emerging local entrepreneurs, who desire to participate in the business together with foreign capital. Nonetheless, state enterprises continue to play an important role in the new schemes, as long-term regulators in these industries.

Strictly speaking, from a theoretical point of view, ground rent appropriation by host states in developing countries is the equivalent of a transfer of value from developed countries towards developing countries. Consumers in developed countries usually make the bulk of the demand for products of natural resources-based industries, and thus pay most of the higher price that results from the scarcity of these resources, which in turn originates ground rent. In this sense, promoting the reintroduction of orthodox ground rent appropriation policies in developing countries, is the equivalent of redirecting part of the income of the developed world to developing nations, only in this case this transfer takes place by the action of purely economic forces.

All the above, of course in addition to the overall gain in economic efficiency that results from re-establishing sound economic policies in natural resources-based markets, of which non the least are those related to the rational protection of environment.

New, enhanced, inclusive, social policies: binding for neo-LADWS

Regarding social policies, criticism and dissatisfaction over private social protection schemes applied during the Neoliberal period runs high across public opinion, and governments are taking charge of them as well throughout LA (UNDP 2002; Riesco 2002a, 2002b; Gill *et al.* 2004). Nevertheless, few would support going back to the old schemes. Rather, alternative SP proposals suggest multiple tiered schemes, where reinforced and better public systems will attend the needs of the majority of the population, and

private schemes will be kept in place whether as complements of the latter, or as differentiated SP alternatives for higher-income groups (CENDA 2004c; Chapters 2 to 9 below). Thus the new project seems to be taking shape in this critical area.

Rivalries, border conflicts, and even armed skirmishes between neighbouring countries are quite frequent in LA. Recent conflicts for example have confronted Chile against Bolivia, Peru, and Argentina, and serious problems aroused between Argentina and Brazil when the latter depreciated its currency a few years ago. Serious tensions leading to border skirmishes have occurred in recent decades between Ecuador and Peru, Chile and Argentina, and Venezuela and Colombia. In effect, strong chauvinist sentiments that are deeply rooted within populations of bordering countries easily erupt, poisoning one against the other. Obviously, apart from all other ethical considerations, this kind of incidents result in border closures and other problems that are very bad business, and may seriously hamper or delay the integration project. They underline the need of building up public support for the integration project.

There seems no better way of securing public support for the integration project than embedding it into the Neo-LADWS project itself. In this sense, the social policy component of LA integration has been present since its conception, at least in Mercosur. Following the EU model, Mercosur has devised three party commissions, where workers are represented, together with employers and governments. Even though advances in this area have not been great to date, inroads have been made in many matters, and some common ground is already in place. Presently Mercosur is discussing many subjects related to social policies, among them, cross-border retirement and health benefits, educational equivalences between university degrees, labour legislation, etc., among others.

In terms of other aspects of social policies, the liberal reforms have resulted, as said, in the rise of an important private social protection industry. This industry mostly cares for the needs of families mostly belonging to the upper-income brackets, financed in an important part directly by them. Nevertheless, as mentioned, serious deficiencies may be found in the regulatory framework of the private systems and in their relation with the public system. Important market distortions, high costs for the users and associated global inefficiencies stem from these problems. However, there seems to be enough accumulated evidence on which a different approach may be built, regarding the coexistence of the public and private systems. These new approaches consider overcoming not only the imperfections of the traditional public system, but also the serious failures of the private sector in the funding and the provision of the welfare benefits. The idea that prevailed during the past decades, that privatization is the master key to solve all problems has seemingly proven inaccurate. Growing voices suggest advancing now towards a more regulated and harmonic development of both the

public and private sectors, with a continued strong recovery and improvement of the public sector, aiming to develop a universal, more equitable and good quality social protection system for all (UNDP 2002; CENDA 2004c; Gill *et al.* 2004).

It seems inevitable to attend the issue of the size of public spending dedicated to social protection, of which a major part goes to financing the deficit resulted from the privatization of pension schemes in several countries. This discussion, in the longer term, leads inevitably towards a revision of the level of public expenditure as a whole, because social spending already absorbs the greater part of government budgets. This in turn points towards a revision of the taxation system. As asserted recently by the Chilean Minister of Finance: 'With the current tax rate it is only possible to provide a social policy for the poorest quintile, yet the second quintile is also horribly poor . . . also middle class has to be satisfied [in their needs], but that is impossible with the current tax rates. For full university grants, adequate pension retiring schemes, a different tax rate is needed' (Riesco 2002a: 3). It has been suggested in this respect, along with other progressive taxation proposals, that it would be nice if transnational corporations operating in LA would pay their taxes (UNDP 2002).

In the short term, another quite pressing issue relates social spending to economic policy. An increased social spending has been argued strongly as a way to provide an efficient and just way of reactivating LA economy, which remained stagnated or recessive from 1998 up to 2003 (Stiglitz 2003; Ffrench-Davis 2003). Of course, the historical precedent is well known, since many of the main SP programmes were initiated in the US in the wake of the 1930s crisis. The East Asian experiences reviewed in the present project show that countries like Korea and Taiwan, for example, increased their public social expenditure from around 16 per cent in the 1980s up to 30 per cent today, while they extended health care and pensions universally, and created comprehensive unemployment protection systems. Many of these changes were implemented during the Asian crisis started in 1997, and financed in part through significant though temporary fiscal deficits they played a strong role in economic recovery (Wong 2003). In the long term, such an eventual new relationship between social policy and economic policy opens the way for a renewed interest in developmental economic policy.

These developments notwithstanding, and drawing again on the historical method of this book, the main challenge confronting the Neo-LADWS project seems to be addressing the same kind of improvements in their SP systems which other regions succeeded in implementing, when those regions went through to the development moment that LA is presently confronting. That would suggest looking now to the SP systems that Europe, the US, and white colonies such as Australia, or New Zealand, managed to construct during the twentieth century. A more recent and nearby example for LA may be drawn from the East Asian experience mentioned before.

Removing impediments

The question of the possibility of taking advantage of the present window of opportunity brings the debate back to the impediments confronting the possibility that these insights translate into policy measures. According to UNRISD's Thandika Mkandawire, such impediments are threefold: (i) 'the persistence of economic policy making based on a "leader/follower" model, where macroeconomic policy (stability and growth) is determined first and social policy is left to address the social consequences' (ii) 'the complexity and ambiguity of the policy implications' of renewed developmental economics; and (iii) recalcitrant political and ideological impediments, being 'social policy is a highly political process, touching upon power relations, access to resources and ideological predilections about the role of State and markets' (Mkandawire 2001: 23).

Academic research and debate seems to be able to accomplish a great deal in LA, in the direction of partially removing at least the first two of these impediments and, through this, aspiring to be modestly influential in regard to the third one. The simple review of old and new theories and insights in developmental economics, in the light of studying social policy in relation to social and economic history in LA, may prove to be, by itself, not in the least unimportant. Certainly, the consideration of social policy in conjunction with economic policy in a development context seems especially fruitful,

Systematic dialogue and interchange between researchers and studies of these matters in the different LA countries, under a critical perspective and with the sponsorship of UN institutions, may also prove fruitful, beyond the specific thematic involved. One of the main questions to be addressed is how social (and economic) policy measures are in fact decided as of now, in LA countries. What are the implications and ramifications of the BWIs and other transnational entities in this process? How do they accomplish such a high degree of influence? Such processes need to be countered, starting from the theoretical background and through the preparation and grooming of elite technocrats and up to the ramifications of their closely-knit community with government, academy, media, and business. How can this decision making process may be made more transparent and accountable to democratic institutions?

Addressing the former against the backdrop of the political trends that seem to be emerging in LA may reasonably support a not overly pessimistic stance regarding the possible outcomes.

Notes

1. The discussion over the concept of socioeconomic transition is presented in the introduction to this book. The authors use this concept in the same sense as the theory of modernization, summarized there. That is to say, that there is obviously

a progression from the traditional agrarian, peasant-*latifundia* owners, oligarchic, etc. socioeconomic and political structures that prevailed in LA a century ago, towards the modern, urban, salaried-entrepreneurial, democratic, etc. socioeconomic and political structures, which are beginning to prevail today. In that progress, some LA countries as a whole, and some regions within countries, are clearly ahead of others. As said in the introduction, full reckoning of this fact not only makes sense, furthermore, it seems to be the main aspect to be taken into account, when studying social and economic phenomena, as well as political events and institutions, in developing countries. By contrast, in developed countries, this aspect seems quite irrelevant, because it refers to processes that took place and were completed long ago – which may be the reason why many studies tend to overlook this significant fact. Nevertheless, at the same time, the authors also acknowledge a critical approach to modernization theory, and try to avoid mechanismism, structuralism, linearity, using fixed stages, and many other unilateral approaches to this theory, which have proved quite misleading. In particular, the authors try to complement and confront this kind of structural approach, with historical analysis. In this sense, the present section represents a unity with the following sections, where different historical patterns and concepts are introduced, which explain and make up for a more complex approach to the subject.

2. Normally, the averages were calculated by weighting the variables according to the population in each country.
3. Population is growing in LA as a whole at a rate of 1.4 per cent a year (2000–10), and growth is faster in countries in early and moderate transition, where it is higher than 2 per cent a year, considering both groups as a whole. It diminishes to 1.3 per cent a year in countries in full transition, and drops to 0.9 per cent a year in those in advanced transition. At these rates, the continent will top 595 million inhabitants by 2010, will surpass 698 million in 2025, and will reach 900 million by 2050 (Table 1.A1 in appendix). As a reference, the US today has slightly less than 300 million inhabitants, and the European Union neared 450 million inhabitants after it was recently enlarged to 25 members. As the growth rates in these two regions is significantly slower, LA will increasingly exceed them in population, as the century advances.
4. Gross Domestic Product (GDP) adjusted by purchasing power parity (ppp) of LA is slightly under US \$4 trillion. By contrast, US GDP is in the order of US \$10 trillion (ppp 2002). However, the group of countries in early and moderate transition, taken together, represent only 4.4 per cent of regional GDP. The group of countries in full transition generates about three-quarters, and the group of countries in advanced transition taken as a whole, about one-fifth, of regional GDP. In relation to their respective populations, the first groups generate far less output than their share of regional population, and the opposite takes place. In the latter group, meanwhile, the proportion of GDP generated by the middle group is roughly equivalent to its share of the population. Brasil generates about one third of regional GDP by itself, and Mexico about one fifth (see Table 1.1 and Appendix Table 1.A1).

According to per capita GDP, adjusted by purchasing power parity (2001), LA, as a whole, as well as the full transition group of countries, occupies place number 73 in the worldwide ranking of 175 countries according to per capita GDP. That is to say, both LA as a whole, and the group of countries in full transition, is slightly above the median country in the world, according to this indicator. Alternatively,

the group of countries in early transition belongs to the last quintile worldwide. Conversely, the group of LA countries in advanced transition fall within the second quintile. Regional leaders according to this indicator, Argentina and Chile, occupy places 49 and 57, respectively, meanwhile the regional laggard, Haiti, is in place 153 and the highest GDP per capita in LA are generated in Bahamas (place no. 38 worldwide) and Barbados (40). (See Table 1.1 and Appendix Table 1.A1).

5. As is well known, the World Bank calculates a correction to nominal exchange rates, called 'purchasing power parity (ppp)', based on the cost of acquiring a comparable set of goods in each country. Originally, this was undertaken by *The Economist* magazine, which corrected local exchange rates according to the price in each country of a Big Mac hamburger. The resulting prices are expressed in 'international dollars', that is, after correcting the exchange rate. All figures in dollars in the 'economic growth' section are expressed in international dollars – that is, dollars corrected by ppp.
6. Per capita GDP (ppp) is one of the *proxy* variables used to measure per capita productivity. It is a crude measure of the level of training in the workforce, in addition to both the proportion of inhabitants, and the proportion of the working day dedicated by each of them, to commodity production. That is to say, to work on products and services to be sold in the market, and because of that are reflected in national accounts. By the same reason, this indicator is a good *proxy* variable to measure the predominant social relations, because, as is known, peasant economies dedicate most of the working day to self-consumption, and comparatively little to the production of commodities. By contrast, the urban economy and modern economy in general is predominantly and increasingly oriented towards commodity production. *Business Week* magazine has recently calculated that in China, for example, the economy of a peasant family of five, amounts approximately to US \$200 a year, roughly equivalent to the salary of one of its members who migrates to Shanghai, whom is most surely paid a fraction of the actual value added to his or her produce. This shows the huge importance of social relations regarding economic performance. Nevertheless, per capita GDP is greatly influenced by ground rent-generating economic activities, particularly in less developed countries, where these industries weigh heavily in overall GDP. Because of this, per capita GDP in oil-producing less developed countries appear highly inflated, and this is almost entirely due to oil ground rent. In the case of LA, this ground rent factor significantly increases per capita GDP in countries such as Venezuela and Ecuador (oil) and Chile (copper), for example. In developed countries, ground rent originating in sky-high urban rent greatly increases per capita GDP when measured in current dollar prices (it amounts to around 30 per cent of prices), but this factor is quite completely corrected when international dollars (ppp adjusted) are used.
7. The fastest economic growth during the last half-century was experienced by the countries that belong today to the full transition group, which as a whole grew at a rate of 4.2 per cent a year between 1960 and 2002. The group was pulled by Brazil, which grew at the record average rate of 4.5 per cent a year during the whole period, and at a record 8.5 per cent a year during the 1970s. The countries in early transition, for their part, grew at a yearly rate of 1.6 per cent during 1960–2002; meanwhile the moderate transition group grew 3.6 per cent during the same period. The countries in the advanced transition group grew 2.6 per cent a year during the 1960–2002 period. Chile however, grew 4.2 per cent a year during

this whole period, similar to the group in full transition, thanks to an accelerated growth of 6.5 per cent a year during the 1990s (see Appendix Table 1.A1).

8. An explanation for this kind of evolution seems quite straightforward, when the relative stages of socioeconomic transition are taken into account. As commented above, traditional peasants contribute very little value to GDP, simply because most of their work is dedicated to self-consumption. By contrast, when they migrate to cities, most of their work becomes necessarily devoted to producing goods and services that are sold in the market – the fact that they may be hired as salaried workers or that they work on their own or informally, are quite irrelevant for this purpose. Once in the cities, they will still work as before in the countryside, from sunrise to sunset, exhaustingly past the inflexion point of diminishing returns. Nevertheless, now they seem to have acquired the Midas touch, as the products or services they deliver turn into gold, and suddenly appear in the national accounts. Alas, very little of that gold is left for themselves. Therefore, when masses of peasants start to migrate into cities, their new commodity-producing labour adds quite a number of percentage points to national GDP, and countries experience decades-long sprees of very high economic growth, which then slow down when the migration process slows and ends.
9. All urbanization figures in this section are based on UN sources (see Appendix Table 1.A2). The methodology used by the UN to compile its urbanization figures is based on the ones accepted by each of the individual countries, which are not necessarily the same. Recently, the World Bank recalculated urbanization data applying to every country the methodology used by the OECD. The resulting urbanization figures are much lower in the case of LA. If, according to UN sources, only 25 per cent of LA population is still rural, that figure increases to 42 per cent according to the WB study (World Bank 2005).
10. The respective urbanization figures for Chile were 67.8 per cent in 1960, 86.9 per cent today, and a projection of 88.5 per cent in 2015. That is to say, in 1960 Chile had the degree of urbanization that LA reached in 1985. Furthermore, in Chile, urban population surpassed peasant population back in 1930 (Chapter 9); meanwhile it was not until 1960 that LA as a whole achieved this landmark. Argentina and Uruguay had urban populations of 73.6 per cent and 80.1 per cent, respectively, already in 1960; they have 90 per cent and 93 per cent today, respectively; and are projected to reach 92 per cent and 93.9 per cent in 2015, respectively.
11. It has slowed from 1.1 per cent a year in 1960–85, to 0.7 per cent a year from 1985–2005, and halved in Brazil, Peru and Venezuela but increased in Bolivia, Haiti, El Salvador, and Paraguay, among other countries, during the same periods (see Appendix table 1.A1).
12. In Chile, for example, at a given moment, private firms of five or more employees, hire 51.2 per cent of the non-farm-occupied workforce, and an additional 10.8 per cent are salaried public employees. In addition, 5.9 per cent of the occupied urban workforce is made up of salaried domestic servants. On the other hand, 12.5 per cent are employed in micro-firms of fewer than five employees, and finally, 19.7 per cent of the urban workforce work on their own, as 'self-employed'. This accounts for about two-thirds in salaried jobs and one-third in informal occupations. However, in another moment, these figures may remain the same, but with the exception of State employees and others that hold secure jobs, many of the workers will have shifted from one category to another (Chapter 10, INP 2004). The respective figures for LA as a whole show a higher proportion

of non-farm workers in informal jobs, but only in early or moderate transition countries, they make up a majority.

13. The group of countries in early and moderate transition are very low spenders in public policies, with less than \$100 per capita in the latter case, equivalent to 8 per cent of GDP and about 40 per cent of total public expenditure, on the average. On the other end, the group of countries in advanced transition have a public social expenditure of \$1,445 per capita, which is equivalent to 20.2 per cent of GDP, and 65.1 per cent of total public expenditure. The average for the region is \$686 per capita, which is equivalent to 14.8 per cent of GDP (2000–01) (see Appendix Table 1.A6).
14. It is interesting that Bolivia, for example, which is otherwise classified as a country in early transition, has a total public social expenditure of \$183 per capita, which corresponds to 17.9 of GDP and 60 per cent of total public expenditures. This is higher than all countries in moderate transition, and higher than the expenditure of Ecuador, Peru, and the Dominican Republic, which may be considered countries in full transition by other concepts. The countries with the highest public social expenditure in the region are, by far, Uruguay (1454 US\$/pc – 23.5 per cent of GDP) and Argentina (1650 US\$/pc – 21.6 per cent of GDP). Cuba, which is also classified in the advanced transition group according to other variables, is also a large public social spender (Chapter 9). Another country classified in this group, Chile (936 US\$/pc – 16.0 per cent of GDP), is also a relatively high spender in dollars per capita. Nevertheless, it ranks lower than Brazil (936 US\$/pc – 18.8 per cent of GDP). Additionally, in relation to GDP, Chile spends less than Panama (25.5 per cent of GDP), Costa Rica (18.2 per cent of GDP), and even Bolivia (17.9 per cent). On the other side, the laggards in the region according to this indicator are Salvador (82 US\$/pc – 4.2 per cent of GDP), Guatemala (109 US\$/pc – 6.2 per cent of GDP), Honduras (77 US\$/pc – 10.0 per cent of GDP), and Nicaragua (61 US\$/pc – 13.2 per cent of GDP). In addition, Ecuador (131 US\$/pc – 8.8 per cent of GDP), the Dominican Republic (170 US\$/pc – 7.6 per cent of GDP), Peru (187 US\$/pc – 8.0 per cent of GDP), and Colombia (337 US\$/pc – 13.6 per cent of GDP) (2000–2001) (see Appendix Table 1.A6).
15. As mentioned in relation to total public social expenditures, the group of countries in early and moderate transition are very low spenders in education, with the moderate transition group spending \$48 per capita, equivalent to 3.9 per cent of GDP. The group of countries in full transition spend \$161 per capita, which also corresponds to 3.9 per cent of GDP. At the other end, the group of countries in a state of advanced transition have a public expenditure in education of \$335 per capita, which is equivalent to 4.7 per cent of GDP. The largest public spender in education in the region by far is Argentina (385 US\$/pc – 5.0 per cent of GDP), followed by Chile (238 US\$/pc – 4.1 per cent of GDP) and Uruguay (213 US\$/pc – 3.4 per cent of GDP). In addition, Panama (199 US\$/pc – 6.0 per cent of GDP), Costa Rica (189 US\$/pc – 5.0 per cent of GDP), and Brazil (185 US\$/pc – 3.8 per cent of GDP) are also big spenders in education. It is significant that Mexico (190 US\$/pc – 4.1 per cent of GDP) appears within the group of countries with the largest expenditures in education (2000–01). Some countries that appear in lower stages of transition are nevertheless making a larger effort in education than other countries that are more advanced in the transition process overall. Bolivia (66 US\$/pc – 6.5 per cent of GDP) is again spending more in education than all the countries in the moderate transition group (48 US\$/pc – 3.9 per cent of GDP). Although very low in absolute terms, public expenditure in education

- as a percentage of GDP in Nicaragua (28 US\$/pc – 6.1 per cent of GDP), and Honduras (45 US\$/pc – 5.8 per cent of GDP), is higher than the LA average (175 US\$/pc – 4.1 per cent of GDP) (2000–2001) (See Appendix Table 1.A7).
16. The figures of public social expenditure for Mexico published by ECLAC appear with some differences in relation to other countries in LA that may be misleading. In public social expenditure as a whole Mexico appears as a very low spender (2000–2001), with \$456 per capita and 9.8 per cent of GDP, which are far below the LA average (686 US\$/pc – 14.8 per cent of GDP). On the contrary, it appears to be targeting 61.5 per cent of its public expenditure in social policies, above the LA average of 55.1 per cent for this figure. On the other hand, Mexico is a high spender on education (190 US\$/pc – 4.1 per cent of GDP), at least above the LA average (175 US\$/pc – 4.1 per cent of GDP). The same case for public expenditures in housing and others, where Mexico (50 US\$/pc – 1.1 per cent of GDP) appears above the LA average (44 US\$/pc – 1.0 per cent of GDP). The contrary may be appreciated in public expenditure in health, where Mexico (86 US\$/pc – 1.9 per cent of GDP) appears far below the LA average (130 US\$/pc – 2.9 per cent of GDP). This figure does not seem to be coherent with physical health indicators such as medicine doctors per capita or hospital beds per capita, where Mexico appears to be well above over the LA average. The same case for public expenditure in social security, where Mexico (131 US\$/pc – 2.8 per cent of GDP) appears far below the LA average (338 US\$/pc – 6.8 per cent of GDP) (Tables 1.A7–9 in the Appendix). Could this be a consequence of statistical methodology used in this case? In the case of Mexico, ECLAC confirmed to the authors that it only considers the central government expenditures for some of these figures. This is not the case in other countries, where regional and local governments are considered as well in the expenditure figures published by ECLAC.
 17. The group of countries in early and moderate transition are very low spenders in health, with the moderate transition group spending \$22 per capita, equivalent to 2.1 per cent of GDP. The group of countries in full transition spend \$111 per capita, which corresponds to 2.7 per cent per cent of GDP. At the other end, the group of countries in advanced transition have a public expenditure in health of \$308 per capita, which is equivalent to 4.3 per cent of GDP. Within this group, Chile (165 US\$/pc – 2.8 per cent of GDP), as well as Uruguay (175 US\$/pc – 2.8 per cent of GDP), appear to have a low public expenditure in health, below Panama (274 US\$/pc – 8.2 per cent of GDP), and Costa Rica (199 US\$/pc – 5.3 per cent of GDP). The latter two countries are the largest spenders in health in the region, together with Argentina (379 US\$/pc – 5.0 per cent of GDP), which in this indicator is again the leader in the region, by far (2000–01) (see Appendix Table 1.A7).
 18. The group of countries in early and moderate transition are very low spenders in social security, with the moderate transition group spending \$16 per capita, equivalent to 1.0 per cent of GDP. The group of countries in full transition spend \$320 per capita, which corresponds to 7.1 per cent per cent of GDP. On other end, the group of countries in advanced transition have a public expenditure in social security of \$653 per capita, which is equivalent to 9.2 per cent of GDP. The largest public spenders in social security in the region are Argentina (705 US\$/pc – 9.2 per cent of GDP), and Brazil (588 US\$/pc – 11.8 per cent of GDP), together with Uruguay (1075 US\$/pc – 16.2 per cent of GDP), by far the leader in the region according to this indicator. It is interesting to note that Chile (435 US\$/pc – 7.4 per cent of GDP), and Bolivia (47 US\$/pc – 4.6 per cent of GDP), which are

countries that have fully privatized pension systems, appear as high spenders in this item as well, in relation to GDP (2000–01) (see Appendix Table 1.A8).

19. It is well known that Cuba is the country that probably leads the region in this indicator, as is the case with many other social indicators such as health, education, and others (Chapter 9). Regrettably, Cuba is not considered by ECLAC and other sources, in many of the comparative data presented in the tables in the Appendix to this chapter.
20. The poorest 40 per cent of the population receives only 13 per cent of overall income in LA as a whole. Nevertheless, this segment seem to slightly increase their share of overall income as countries move along the transition process, but the path is nowhere smooth, and many countries seem to be special cases. One of the worst countries in the region according to this indicator is Bolivia, where the poorest 40 per cent of the population receive only 10.1 per cent of the overall income. In the group of countries in moderate transition as a whole, the poorest 40 per cent of the population receive 13.2 per cent of the income. The group of countries in full transition fares even worse according to this indicator (12.4 per cent), but that is because Brazil (9.9 per cent) pulls the group down. In the other end, in countries in advanced transition the poorest 40 per cent of the population receive 14.7 per cent of overall income (see Table 1.4).

However, there are large deviations within each group. Within the moderate transition group, Paraguay (15.3 per cent), and El Salvador (14.5 per cent) allocate a larger part of overall income to this segment of the population than Chile (13.4 per cent), and a similar amount to Argentina (14.7 per cent), both the latter countries in the advanced transition group. Within the group of countries in full transition, in Colombia, the poorest 40 per cent receive 11.7 per cent of income, only slightly more than Brazil (9.9 per cent). On the contrary, in countries such as Ecuador (15.9 per cent), Costa Rica (15.8 per cent), and even Venezuela (15.1 per cent), which also belong to this group, the poorest 40 per cent receive larger portions of overall income than the LA average (13 per cent), and larger than in the advanced transition group taken as a whole (14.7 per cent). Within this last group, Uruguay, the country in the region with the best distribution of income, allocates 21.3 per cent of overall income to this segment of the population (2000–01) (See Appendix Table 1.9).

On the other extreme, the richest 10 per cent of the population receives 40 per cent of income in LA as a whole. Nevertheless, large deviations may also be appreciated in all groups, and the overall average is again heavily weighted in by Brazil, where the richest 10 per cent of the population receive 46 per cent of overall income. Chile (40.4 per cent), together with Colombia (40.1 per cent), shares with Brazil the shameful distinction that the richest 10 per cent of the population receive more than 40 per cent of overall income. Furthermore, many other countries in the different transition groups have similar figures. Such is the case for Bolivia (39.3 per cent), Guatemala (38.8 per cent), Honduras (39.2 per cent), and Nicaragua (39.9 per cent), all countries in the early and moderate transition groups. In the full transition group, apart from Brazil (46.0 per cent), and Colombia (40.3 per cent), already mentioned, the Dominican Republic (38.6 per cent) also shows a high-income concentration. Most countries in this group, however, exhibit a better performance in this indicator. Such is the case of Costa Rica (28.1 per cent), already mentioned, but also Ecuador (33.3 per cent), Mexico (35.5 per cent), Panama (34.8 per cent), Peru (34.4 per cent), and Venezuela (31.1 per cent). Within the advanced transition

group, in Uruguay the richest 10 per cent receive only 27.8 per cent of overall income, but Argentina (37.4 per cent) together with the already mentioned case of Chile show high-income concentrations (2000–2001) (See Appendix Table 1.A9).

21. In LA as a whole, the richest 10 per cent of the population receives 23 times more income than the poorest 40 per cent, on a per capita basis. In Bolivia this ratio is 25 times, in the moderate transition group as a whole the ratio is 20.1 times. In the full transition group the ratio grows up to 24 times, but mainly because of Brazil (31 times). In the advanced transition group the income ratio between the richest 10 per cent and the poorest 40 per cent of the population again falls to 16.6 times (see Table 1.4).

Nevertheless, deviations within each group are also very wide in this indicator as well. Within the moderate transition group, countries such as Salvador (15.1 times) and Paraguay (15.9 times) show much better performance than the LA average in this indicator (23 times), and even the advanced transition group as a whole (16.6 times). Within the full transition group (24 times), again Brazil (31.9 times), as said, and Colombia (23.9 times) weigh heavily into this ratio. Meanwhile, Mexico (16.9 times) Venezuela (14.1 times), Ecuador (14.0 times), and certainly Costa Rica (11.8 times) present ratios that are equal or better than those in Chile (18.4 times) and Argentine (16.5 times), both the latter countries belonging to the group in advanced transition. In this last group, however, Uruguay again shows the best behaviour in the region, as in this country per capita income of the richest 10 per cent is only 9.1 times that of the poorest 40 per cent of the population (2000–01) (see Appendix Table 1.A9).

22. This index, as is well known, considers other variables in addition to per capita GDP adjusted by purchasing parity (ppp). These variables are life expectancy, literacy rate, and school enrolment.
23. Bolivia and Haiti rank 132 in this indicator. The LA countries in moderate transition, that is to say, most of Central America and Paraguay, rank 110 according to this indicator, which is just slightly away from the worst quartile of countries worldwide. LA countries in full transition, including the most populated countries, Brazil, Mexico, Colombia, and Peru, among others, rank 65 according to this indicator, the same as LA as a whole. LA countries in advanced transition rank 41 according to this indicator, Argentine, the regional leader by far according to this indicator, occupies place 34, and is the sole LA country that belongs to the upper fifth of countries with the highest human development worldwide (see Appendix Table 1.A5).
24. As is well known, advanced countries have rural populations that are insignificant, in the range of 2–5 per cent, as a proportion to overall populations.
25. As mentioned in a note above, recent World Bank data shows that this landmark may still be some years away in the future.
26. The G6 economies are US, Japan, Germany, France, UK, Italy.
27. Draibe (1989b, 1995), for example, has used Esping-Andersen categories to analyse some LA cases, recognizing in many of them some of the characteristics of the corporatist-conservative type. However, it has proved insufficient to capture the strongly historically rooted differences within countries in the region. More recently, Mesa-Lago (1994, 2002) has correlated the economic performance of different LA countries with the way they have mixed their economic and social objectives. He distinguishes three groups of such policy combinations, with Chile representing the extreme case of social policy being subordinated to economic development, Cuba the opposite case, and Costa Rica representing a better

equilibrium between both policy objectives. His conclusion is that Costa Rica presents a better economic and social performance than the two other cases considered, over the last few decades (Mesa-Lago, 2002).

28. Draibe (2004) has recognized that even though the commented approach seems useful, it remains at a very high level of generality.
29. They were based on highly productive crops such as maize, and others, which generated a sequence of highly structured seigniorial societies, ancient empires, for centuries before the Christian era. According to the acute thesis formulated by Alejandro Lipschutz, the Spanish conquest transplanted peninsular feudalism over pre-existing American seigniorialisms. According to Lipschutz, small teams of Spanish conquerors acted like a sort of condotierri that inserted themselves in the wars that Aztec or Inca lordships constantly waged against one another. As a result, the condotierri-conquerors became the new lords themselves, ruling over thousands of indigenous Americans. Lipschutz proves his thesis by opposition, showing Spaniards were only able to conquest those regions where ancient empires had ruled, or their fringes at most. On the contrary, they were fought out from, and never able to submit, those regions of America where original peoples still lived as nomads, or in early tribal organizations. This happened, for example, in the North American Great Plains that are today the US, or in the southern parts of Argentina and Chile, among other regions (Lipschutz, 1955).
30. Independence took place around 1810, and countries throughout LA became republics, with the exception of Brazil, which itself became, an empire in 1822, and Cuba, which remained a Spanish colony until the end of the nineteenth century.
31. *Latifundium* was a unique LA kind of seigniorialist agrarian formation, which, in many aspects, resembles similar social relations in many parts of the world. According to this system, roughly, the landowner provided peasants – who were free men according to the law, and usually meztizos or descendants of poor Spanish settlers – with land for them to live in and cultivate for themselves, in exchange for work from the peasant and his family in the *hacienda*. *Latifundia* developed in symbiosis, as well, with independent small peasants who concentrated in poor lands in the interstices of the haciendas, who worked for the landlords in harvest or other labour-intensive periods, and on their own plots for the rest of the year. The *latifundia* or *hacienda* system, as it is usually called, had its golden age during the nineteenth century throughout LA, but endured until the 1960s in some countries, although in a decaying form, as it was being slowly transformed into a modern, salary-based social relation. Agrarian reform accelerated this transformation in many countries.
32. Mexican history shows great complexity during the nineteenth century – it even formed a Napoleonic empire at one time, but then, only until they executed the Austrian-born emperor – including the evolution of its social policy institutions (Chapter 1). During the twentieth century, the political transition to modernity has also been remarkable in Mexico, even by world historical standards. The first great revolution of the twentieth century worldwide took place in Mexico in 1912. Moreover, it led to a seventy-year period where the state bureaucracy that was the offspring of the triumphant revolutionary process played the leading role it has only recently, rather unwillingly, relinquished in favour of a more democratic system. The bureaucracy ruled Mexico, mostly supported through an intricate and remarkably successful and enduring system of political alliances,

mainly with peasants and workers, in which social policies and state patronage played a relevant role (Chapter 1).

33. Australia, New Zealand and Canada.
34. By 1850, Chile had 1.4 million, and Peru and Colombia 2 million each. Meanwhile, Mexico had 7.6 million inhabitants, and Brazil 7.2 million (PUC 2000).
35. By 1925, Argentina's population had topped 10 million inhabitants, almost ten times the population it had by the mid-nineteenth century. Meanwhile, during the same period, Chile multiplied its population only 2.8 times (to 4 million inhabitants), Peru 2.5 times (to 5 million inhabitants), Colombia 3.4 times (to 7 million); Mexico only duplicated its population (to 15.8 million), and finally Brazil quadrupled its population (up to 30.3 million). The growth of the Rio de la Plata region during this period was unrivalled worldwide. It was even faster than the US, which quintupled its population (up to 116 million inhabitants), or Canada, which quadrupled its own (up to 9.5 million). Significantly, the growth of Argentina during this period was surpassed only by countries such as Australia, which multiplied its population 15 times over during this same period, (to 5.9 million inhabitants). Moreover, during the first two decades of the twentieth century, Argentina increased its population at a rate of 3.2 per cent a year, even faster than Australia (2.2 per cent) and Canada (2.4 per cent), during that period. The immigration-fuelled high population growth rate of LA early developers maintained full speed until the end of the 1930s, but then started to slow down sharply. Argentina grew at 1.7 per cent a year during the following decades until the 1960s, based now mainly in internal population growth, much slower than Mexico (3.1 per cent), Colombia (2.8 per cent), Brazil (2.7 per cent), Peru (2.5 per cent) and even Chile (2.1 per cent). During the 1970s and 1980s, the population growth of Argentina slowed further, down to 1.5 per cent, compared to Mexico (2.6 per cent), Peru (2.5 per cent), Brazil (2.4 per cent), and Colombia (2.1 per cent) (PUC 2000, Table 1A11 and Figure 1.A12 in appendix). Presently (2000–2010), population in Argentina is growing at 1.1 per cent a year, similar to Chile and slower than all the rest of LA countries except Uruguay (0.7 per cent) and Cuba (0.3 per cent) (see Appendix Table 1.A11 and Figure 1.A10).
36. The inheritance of the Portuguese colonization overall, for its part, has been characterized more exploitation-oriented than settler colonies, and conferred a peculiar character to the national formation (Buarque de Holanda 1936) In his masterpiece *Raizes Do Brasil*, Sergio Buarque de Holanda notes the difference between Spanish and Portuguese colonizations: 'If the bricklayer characterizes the long run, rational, implantation of the Spanish settler, the sewer better pictures the urgency of the predatory character of the Portuguese colonizer.'
37. The architecture of Recife still shows many traces of Dutch dominion, The Dutch were to be displaced as well from slave trade dominance by the British, who would dominate such market during the eighteenth and nineteenth centuries (Blackburn 1996).
38. Of a total of 10.5 million African slaves imported from 1451 to 1860, over four million went to Brazil, equivalent to 39 per cent of the total. During the same period, British West Indies imported 1.6 million, and the French West Indies 1.8 million. North America, by contrast, appears importing only around 560,000 African slaves, the Atlantic Islands 115,000, and Europe 50,000 (Blackburn 1997).
39. African slave imports to the US totalled around 560,000 persons, according to the latest estimates (Herbert Klein, *The Atlantic Slave Trade*, Cambridge, 1999, p. 211, cited by Blackburn in 2005), which represented around 5 per cent of the

total African traffic from 1452 to 1860. Nevertheless, large imports from the West Indies, in addition to better living conditions that made possible a large number of US born slaves, raised their total number to nearly four million in 1860, the largest slave population in the world at that time.

40. Spanish America was a large slave importer as well, as it accounted for 1.6 million African slaves, 15 per cent of the total trafficked from 1541 to 1860, and most of them arrived to Cuba (Blackburn 1997). Nevertheless, many other LA countries received large numbers of African slaves as well, as is quite visible today at plain sight, from LA countries with Caribbean coasts, down to specific regions in Ecuador, Peru, or even elsewhere, as in Uruguay, for example. Nevertheless, in Spanish America with the exception of Cuba, slave-based economies nowhere acquired even near the importance it had in Brazil.
41. Ms Roxana Viquez Salazar, by then president of the Costa Rican Institute of Social Aid (IMAS), explained the Costa Rican exception using this argument in UNDP Seminars *Social Protection in an Insecure Era, South-South Dialogues*. Held in Beirut, Lebanon, in 2001, and in Santiago, Chile in 2002. (See <http://videos.cep.cl/sw2002>.)
42. Many aspects of this pattern may be recognized for example, in *Isla Grande de Chile*, in southern Chile.
43. The Spanish conquerors of the Aztec and Inca empires became rulers over tens of thousands of indigenous Americans who lived in large cities with monumental buildings. By contrast, the Spanish conquerors of Chile found relatively small and scattered concentrations of original peoples, who lived in the fringes of the Inca Empire, in the narrow valleys of the north and centre of Chile. In 1557, the *Oidor*, Fernando de Santillan, was sent by the king of Spain to assess the way in which Indians were being treated by their new masters in the valleys of La Serena and Santiago. He reports that less than 5,000 Indians were distributed in about 80 *Encomiendas* to the Spanish conquerors. Most of them were in charge of around 30 to 50 Indians, and no one had more than 300. He also reported horrible treatment of Indians in most cases (*Visita y Tasa del Oidor de Santillan*, published in full in 2004 by Professor Hernán Cortés, cited by Professor Erika Zúñiga Fuentes, Universidad de la Serena, La Serena, in a seminar in June 2004).
44. After independence from Spain (1810), the Chilean elite consolidated its hold over lands that the Crown had protected for Indian communities, and generalized the peculiar LA form of lordship known as *latifundia* (Lipschutz 1955). By the mid-nineteenth century they had already built a strong, centralized state, which made possible the expansion of Chilean territory 1500 kilometres to the north at the expense of much richer Peru, and Bolivia, which Chile defeated in two wars during the nineteenth century (1836–39 and 1879–81). After the second war in the north, and without pausing, they redirected their winning armies, and ‘pacified’ the Mapuche territory to the south of the Bio-Bio river, which had remained unconquered for three centuries. A few years later, in 1891, a civil war confronted different fractions of the elite, in part over the issue of mining property in the nitrate-rich north (Ramirez Necochea 1972). By the end of the nineteenth century, this settler elite had effectively consolidated its control over the present Chilean territory, which the State had already linked for the most part through an extensive railway network (Jocelyn-Holt 1999).

The ruling of this elite was not effectively questioned until well into the twentieth century, and then only quite partially. In 1925, a military coup enforced a new constitution, as well as all the social policy laws that a populist government

had been unsuccessfully trying to approve in a parliament dominated by the oligarchy. The basic institutions of what is defined in this book as Latin American Developmentalist Welfare State (LADWS) (see next section) were laid then. After that, LADWS bureaucracy, supported by emerging urban middle classes, increasingly by workers, and, finally, by peasants, became increasingly independent, and even confrontational, with the oligarchic elite. This process climaxed in their revolutionary showdown during the early 1970s. It was not before the Allende government had effectively and irreversibly deprived old oligarchy of most of their land, and all their dependant peasants, that the 1973 military coup put an end to revolutionary agitation. The ensuing military dictatorship was headed this time by a brutal general of conservative convictions, and occurred in the hateful political climate of counter-revolution. Pinochet relied on the younger descendants of the old elite, who had been formed in the ideas of Milton Freedman. As is known, such lessons inspired the well-groomed 'Chicago Boys' with fervour, and they put them into practice ruthlessly, with a vengeance (Chapter 9).

45. On the other hand, modern urban worker concentrations in industry also became important at the beginning of the century in the Río de la Plata region, as said, as well as other early developing LA zones such as Sao Paulo in Brazil. European immigrants flowed into these new industries, and brought with them the new revolutionary ideas, such as anarchism, and they led the first general strike in Brazil, in 1917, for example. Nevertheless, in the case of Brazil, these urban industries grew as a part of the export complex, which was based on traditional, based plantation products, mainly coffee. In 1920, for example, 38 per cent of urban industrial workers were in food related industries, while 25 per cent were in textiles and 9 per cent in minerals, metallurgy chemicals, and others.
46. With the exception of Río de la Plata and other early developing regions, as said, where modern salariat and social policy institutions is of predominantly immigrant-urban origins.
47. In Brazil, after the Portuguese Crown and court were transferred to Rio de Janeiro in 1806, a few innovations in social policy matters were initiated, including the creation of the first university, for example. A limited primary educational system was organized later on by the empire, and then developed autonomously by the provincial states of the old republic in a quite fragmentary manner. Towards the 1930s, municipalities implemented modest social assistance and public health programmes, especially in regions around ports through which exports flowed.
48. As has been mentioned, Uruguay and Argentina, the continent's *early developers*, experienced booming growth and expansion by the end of the nineteenth century and during the first decades of the century. Something similar took place in Chile, and in Cuba, for example, the sugar industry reduplicated its output during that decade (Chapters 4 to 7 and 9)
49. They adopted such Keynesian economic policies so enthusiastically in fact, that high inflation would become almost a trademark of LA economics during many decades, including a few hyperinflation episodes in some countries. All these processes have been extensively documented, and Neoliberal critics of the LAWDS experience have vastly exaggerated the latter.
50. Including Itaipú, giant hydroelectric complex built in the *triple* frontera of Brazil, Argentina and Paraguay, where the *Iguazú* waterfall is located, which was the largest such plant in the world until the *Three Gore* Dam in China overtook it in 2004.

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51. Such as the sugar beet and cellulose industries in Chile, for example, built during the 1950s, 1960s and 1970s, which also had a huge impact on agriculture, where they generated demand, financing and technological change.
52. In Chile, for example, public social expenditure, which was not significant before 1930, has expanded quite fast since then, and by the beginning of the 1970s, had reached levels that even today seem quite substantial (Figure 9A.3 in Appendix to Chapter 9).
53. Argentina and Uruguay based their health care systems mainly in *Obras Sociales*, and other union-administered health plans, financed by payroll discounts (Chapters 2, 3). These countries also developed a complementary public system, as a first-tier, universal access system. Chile, on the other hand, starting in the 1950s, built a centralized national public health system. This system, called *Servicio Nacional de Salud*, built a network of hospitals, emergency wards, and primary-level *Consultorios*, which by the early 1970s had encompassed the whole territory of the country, and even now cares for over 80 per cent of the population (Chapter 9). Only by the end of the 1980s, Brazil built a national health service that is public, and free at all levels. Nevertheless, the private sector continues to participate widely within this system (Chapter 6).
54. According to their lack of public expenditure in this item, some countries, such as El Salvador, Guatemala, Honduras and Nicaragua, still do not seem to have serious pension systems (Table 1.A8 in Appendix).
55. In Mexico, the revolutionary government took a new spin after the election of President Lázaro Cárdenas, who engaged in land reform, nationalized oil, and initiated wide social protection programmes. In other countries, such as Argentina and Brazil, progressive authoritarian governments came to power, headed by military leaders in the likes of Juan Domingo Peron (1943–55) and Getúlio Vargas (1930–45). In some cases such as Chile, popular fronts won elections (1938). In Costa Rica the Figueres governments led this process after the 1948 civil war (Chapters 2 to 9).
56. This is the case with Víctor Raúl Haya de la Torre's APRA, in Peru (Chapter 3).
57. Marriages played a not in considerable role in this game; quite conveniently, as it was common that newcomers happened to be more affluent, especially in cash terms.
58. *The theory of underdevelopment* in fact seemed to deny even the possibility of such outcome.
59. In Chile state employment has been lowered to around 10 per cent, meanwhile in Cuba, it accounts for most formal employment in the country.
60. Although the latter employed one or two sons – usually not very bright ones – in foreign ministries or other privileged bureaucratic niches.
61. These included the Military, Foreign Service, Central Banks, and other services, together with the executive and professional echelons of state enterprises, and public services such as education, including public universities, health services, and others. In Brazil, for example, it has been noted that state enterprises occupied dynamic spaces and positions within society. Even the idea of a 'cosmopolitan' state bourgeoisie has been advanced by some authors such as Lucian Martins, which have also underlined that together with the military, they were able to look beyond the walls of their factories where private entrepreneurs were, by contrast, confined.
62. In some countries, such as Brazil, such confrontation was mostly muted, as conservative military regimes headed LADWS for long periods. Nevertheless, they

confronted traditional elites all the same, as General Vargas – who was led to suicide by a conservative coup – and the Brazilian developmentalist military cadres of the 1960s demonstrate. In Argentina, Perón confronted oligarchies, which finally ousted and sent him in to exile. In other countries, such as Cuba and Chile during the 1960s and early 1970s, this confrontation assumed the character of full-blown popular revolutions, which ended up wiping out the traditional elites altogether, with a brutal retaliation in the case of Chile, which led President Allende to suicide. Mexico seems to follow almost a classic path in this matter, as a peasant revolution that erupted in 1912, followed by years of war, opened the way to the 70-year dominance of the bureaucratic-based *Partido Revolucionario Institucionalizado* (PRI). PRI presided over the rise, decline, and fall of the Mexican LADWS experience, and also over Neoliberal reforms. Irrespective of its revolutionary origins and self-proclaimed ideology, PRI seems to have presided over Mexican social and economic development in a remarkably consensual way, holding both traditional classes such as peasants, and also new emerging entrepreneurs and workers, within its constituency (Chapters 2 to 9)

63. Following the Cuban revolution, the US Kennedy Administration fostered land reform throughout the region, as part of its *Alliance for Progress* response to the Cuban challenge. LADWS had assumed land reform since its origins, as in the 1930s Lázaro Cárdenas practiced in Mexico, and the programmes of *APRA* and *Frente Popular* proposed for Peru and Chile, among others. However, little or nothing had in fact been achieved in the matter in most countries until the late 1960s. Then, under the bizarre twin impulse of the Cuban revolution and *Alliance for Progress*, land reform programmes were put into practice almost everywhere throughout LA. The Chilean parliament approved a strong agrarian reform law in the mid-1960s, and Salvador Allende put it into practice at the beginning of the 1970s, drastically expropriating most of country's cultivated land in less than two years. In Peru, the progressive Velasco Alvarado military government also carried out a significant agrarian reform, during the same years. Cuba, of course, had nationalized all land back in the early 1960s. In Brazil, the military dictatorship that took power in 1964 extended labour rights to the peasants, stimulating the modernization of rural social relations all the same, but without agrarian reform. In this sense, Brazil followed a conservative way out of the agrarian problem that is characteristic of transitions to modernity.
64. Notably, Venezuela, Colombia – where the land problem underlies the secular civil war, some countries in Central America, Bolivia and Paraguay, but even in Brazil it remains important, as the 'Sin Tierra' movement highlights.
65. From Chile in 1973, to El Salvador, after the Duarte government tried to implemented agrarian reform there in the 1980s.
66. Even the murderous Pinochet regime could not recreate *latifundia* after the coup, as much as it would have desired to. Rather, even though it did not show much respect for Chilean laws at large, it did comply with the Agrarian Reform law quite to the letter.
67. Cuba started in the 1960s, when it nationalized US property in 1962, following the *Bahía de Cochinos* (Bay of Pigs) failed US invasion, and followed suit with the property of traditional Cuban elites, as they confronted the revolution in bulk, and ended in exile in Miami. Much earlier, Mexico had nationalized oil companies during the Cárdenas government. Costa Rica had nationalized the banking system and the Instituto de Defensa del Café or Institute for Coffee Advocacy, in the wake of the 1948 civil war. Argentina had nationalized the oil

industry under President Frondizi (1958–62). In 1971, Chilean President Salvador Allende (1970–73) nationalized the US companies who had exploited most of the copper and other minerals throughout the twentieth century. He did so with the unanimous approval of the Chilean parliament where the opposition to his government was in majority, which points out to the widespread support that nationalizations enjoyed in LA at the time. Allende's nationalizations also included the banking system, and the textile and other large industries that had grown under ISI protection (Chapters 2, 3, 7, 8 and 9).

68. In Brazil, this started after the 1930 military coup headed by General Vargas, but especially during the 1964–85 military dictatorship, where military planners assigned great importance to this aspect. During this period, huge firms such as Petrobras, Vale do Rio Doce (steel), and others, were formed. In Chile, state firms pioneered electricity generation, oil, sugar, cellulose, iron, and steel industries, among others related to natural resources (Chapters 6, 9).
69. Even Pinochet's regime in Chile complied mostly not only with the agrarian reform law, as mentioned, but also with copper nationalization.
70. Much in the same way as massive land reform that took place in South East Asian countries during the 1950s, in the wake of war, was decisive for their latter economic performance.
71. As mentioned, it was mainly the Brazilian and Argentinean military who created LADWS in those countries in the first place, widely supported by rising entrepreneurs as well as urban workers, particularly in the Argentinean case. Authoritarian governments also pushed the concept to its peak in those countries, while the democratically elected governments that replaced them led to Neoliberal reforms. In Chile, LADWS may trace its origins to a military regime as well during the 1920s, but grew of age during *Frente Popular* democratic governments during the 1930s, and reached its peak during the reformist presidency of Frei Montalva and especially during the revolutionary government of President Salvador Allende, both of them widely supported by uprising workers and peasants. Pinochet, the military dictator that assassinated him, in turn inaugurated Neoliberal reforms in LA. It seems ironical that the Chilean experience of LAWDS started with a military coup on 9/11/1924, and ended brutally in the 9/11/1973 coup. In Mexico, as said, PRI governments presided over both processes, as democratic governments did in Costa Rica and other counties. In Cuba the limit case of LADWS, this peculiar LA form of state is still in place, a result of popular uprising, revolution, and reaction against US intervention, and business friendly market reforms have not been yet implemented as in the rest of LA.
72. The former formulated the *Theory of Underdevelopment*, which signalled insufficiencies and distortions in LA development, and its great social inequalities. This theory attributed problems mainly to the persistence of an obsolete social structure, dominated by traditional oligarchies and foreign capital. It postulated independent national development, even faster social change, and greater state intervention, including an enhanced universal social protection system (Furtado 1964, 1965; Cardoso and Falleto 1973). In a certain sense, this line of thought postulated testing LADWS to its limit, modelled after socialist Cuba (Dos Santos 1972). On the contrary, opposition to LADWS coming from the right attributed problems to an exaggerated state presence in the economy, both for its widespread economic regulations as its direct involvement in production, as well as to high, protectionist, trade barriers. On the other hand, rightist criticism emphasized labour legislation and social security as additional culprits for economic

- problems. It postulated state reduction, privatization, and a market economy based on private enterprise, open to world competition, together with the deregulation of labour markets and reform of social security.
73. Growth rates between the 1930s and the beginning of the 1980s were very high in most countries, and tended to accelerate during the 1960s and the early 1980s. Some countries such as Brazil attained record growth rates during that period – 6.1 per cent a year from 1960 to 1970 and 8.5 per cent a year from 1970 to 1980 – that only resemble what countries such as China is experiencing nowadays. Many countries, including big players Brazil, Mexico, and Argentina, have not achieved those growth rates ever since. In the case of Chile, they were only surpassed during the booming 1990s (Table 1.A2 in appendix, and Figures 9.A4-6 in Appendix to chapter 9).
 74. It was named the *debt crisis*, as countries in the region stumbled into it after freewheeling lending by foreign banks during the late 1970s ended abruptly in 1982, and interest rates shot up. The damage was so severe that ECLAC called the 1980s the 'lost decade' for LA (Table 1.A2 in Appendix) (Ffrench-Davis 2003).
 75. Unemployment in Chile surpassed one-third of the workforce during the worst years of the 1980s crisis, including over 10 per cent of the workforce that was hired by the *empleo mínimo* or minimum employment programmes. In contrast, in Costa Rica, where LAWDS institutions and policies were maintained far more than other countries in the region, unemployment never exceeded 10 per cent of the workforce during the same period (Chapters 9 and 10).
 76. Even today, policy makers in LA seem overcautious in fiscal matters, and overwilling to subordinate social spending to anti-inflationary restrictions, in good part, because they are still afraid of being pinned by Wall Street analysts with the populist label.
 77. Peru under President Alan Garcia (1985–90) may be one example.
 78. Notorious schemes were as the ones implemented by Minister Cavallo in Argentina.
 79. Argentine and Chile, among others.
 80. In the case of Brazil, for example, by the end of the period, exclusion remained quite high, coverage of the educational system was low even at the basic level, and the operation of the enormous social protection machinery was crossed by clientage, resource appropriation, and other bad practices. The authoritarian governments had also accentuated the conservative-corporate features that Brazilian experience had evidenced since the beginning. As a result, the model was subject of widespread criticism on the part of democratic and social movements at the onset of the liberalization and democratization period in the mid-1980s (Draibe 1989, 2002).
 81. It was in effect put in place by force.
 82. Everywhere, though in a more or less comprehensive manner, Neoliberal reforms promoted fiscal restraint, privatization and market-oriented policies, as well as more or less full openness and integration to the trends of globalization, together with deregulation of labour markets and social policy reform, as a way for both economic development and social policies.
 83. Chile represented one extreme, pioneering the experience, and applying the model with extreme unilateralism. This may be explained, in part, by the particular historical origins of the Chilean elite and the characteristics of the Pinochet dictatorship. Brazil may represent the opposite face of the Neoliberal experience in LA. In this giant country, out of particular historical circumstances as well,

democratic governments did not buy the *Washington Consensus* wholesale and neither did the elite, which never became too enthusiastic with Neoliberalism. In the Argentinean case, a *Peronista* government, democratically elected and re-elected during the 1990s, made frequent and strident allegiances to the *Washington Consensus*, and reforms inspired in this paradigm were certainly enforced to a certain extent, in this country as well as Uruguay, which culminated in a cataclysmic crisis in 2002. Nevertheless, the significantly better overall condition of this region regarding social policies could not be entirely disregarded by Neoliberal reformists, and in practical terms, such policies were applied in lesser degree than in the Chilean case. Costa Rica, for its part, applied a very moderate version of the new model, meanwhile Cuba has skipped it altogether (see previous section and Chapters 2 to 9 and Tables 1.A1–9 in appendix).

84. Even in pioneering Chile, the transitional democratic governments that succeeded the military dictatorship during the 1990s were themselves responsible for a good part of Neoliberal implementations. Nevertheless, they certainly marked strong differences with their predecessor, especially regarding social policies.
85. Perhaps this may explain why Chile became the only LA country where Neoliberal reforms implied a quite brutal reduction of the state during the Pinochet dictatorship. Particularly within the realm of social policy, where public spending was slashed in the wake of the coup, as said, and public social policy institutions have yet to recover their pre-coup level (Figure 9A.3 in Appendix to Chapter 9).
86. In Chile, for example, Pinochet's ruthless manner of complying with the Chilean agrarian reform law threw peasants out to the roads by the hundreds of thousands in the wake of the 1973 coup, meanwhile other 'loyal' peasants and the old landowners' sons were assigned the small farms that they were entitled by the law (Chapter 9). Civil wars that raged through Central America and Peru during recent decades, and that still go on in countries like Colombia, have provoked the same kind of forceful expulsion of peasants.
87. In Brazil, it has been estimated that due to these changes, the personal income of medical doctors, for example, has been reduced by as far as 20 per cent, which may introduce some ambiguity in their demands, no longer for differentiated market provided social services but for universal high quality public services as well.
88. The only LA country that lowered its public social expenditure during the crisis was Colombia (–1.7 GDP percentage points), while Ecuador stagnated.
89. Maria Graham, a friend of Charles Darwin who lived in Chile for a few years in the 1850s, was a keen observer of the lifestyles of the Chilean 'upper' classes at the time. She wrote that more comforts could be found in a fisherman's hut in Scotland, than in the 'mansions' of the Chilean elite.
90. In fact, 'change' was the central campaign motto of Joaquin Lavín, the rightist candidate narrowly defeated by Lagos. Lavín rarely, if ever, mentioned traditional Neoliberal slogans, such as privatization or reduction of the state, during his campaign, being quite aware of their unpopularity.
91. Public social expenditure indeed slowed the fast growth pace experienced during the previous democratic governments, and Lagos' finance minister remained quite deaf to calls from ECLAC to increase the public expenditure and deficit in order to overcome the long recession (Ffrench-Davis 2001, 2002, 2003). Free trade agreements (FTA) continue to be signed all around, including with the US

and the EU. Meanwhile, relations with bordering countries show worrying strains that had not been experienced for several decades.

92. Following a pattern that has been followed for much of the last decade, the main destiny for Chilean direct investment abroad during the first quarter of 2004 was Argentina, country that accounted for 70 per cent of operations. Countries that followed were Peru (5.4 per cent), Colombia (3.8 per cent) and Ecuador (3.8 per cent). Accumulated figures show Argentina accounts for slightly over half of foreign direct investment by Chilean entrepreneurs between 1990 and 2004, with a figure of over US \$ 14,000 million. Brazil, even though less active during the last quarter, retains second place, with 14.5 per cent of the overall total, closely followed by Peru (13.8 per cent) (CENDA 2004: 04/04).
93. Tables in the Appendix are available for download in Excel format at:<http://cep.cl/UNRISD/Papers/Introduction/Introduction.xls>.

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Appendix 1.A: Tables and Figures ⁹³

Table 1.A1 Latin American and the Caribbean countries, by demographic transition groups

Classes of Demographic Transition: CELADE Definition	Countries
<p><i>Group I. Early Transition</i> Countries with high birth rate and mortality, with moderate natural growth, around 2.5 per cent. Countries in this group have a very young age structure, and a high dependency ratio.</p>	Bolivia and Haiti
<p><i>Group II. Moderate Transition</i> Countries with high birth rate, but moderate level of mortality. Because of this, their natural growth natural is still high, around 3 per cent. Lowering of mortality, especially during the first year, has caused a rejuvenation of the age structure, which also causes a high dependency ratio.</p>	El Salvador, Guatemala, Honduras, Nicaragua and Paraguay
<p><i>Group III. In Full Transition</i> Countries with moderate birth rates and low or moderate mortality, which determines a moderate natural growth rate, around 2 per cent. As lowering of fecundity is recent, the age structure is still relatively young, even though the dependency ratio has already decreased.</p>	Brasil, Colombia, Costa Rica, Ecuador, México, Panama, Peru, Dominicana Republic, Venezuela, and Guyana, Surinam and Trinidad and Tobago in the Caribbean
<p><i>Group IV. Transition avanzada</i> Countries with low birth rates and low or moderate mortality rates, which translates in low natural growth rates, around one per cent.</p>	Argentina, Chile, Cuba and Uruguay; Bahamas, Barbados, Guadalupe, Jamaica, Martinique and Puerto Rico, in the Caribbean.
<p>Two sub-groups may be defined: Countries that have had low fecundity and mortality for a long time (Argentina, Uruguay and, in lesser terms, Cuba) and consequently, have growth and age structures that are similar to developed Countries; Countries that, although having recently attained very low fecundity and mortality rates, still have higher growth rates because their population is relatively young.</p>	

Source: CELADE, 1992; CELADE/BID 1996.

Table 1.A2 Population and GDP: Latin America and the Caribbean countries, by demographic transition groups

Transitional categories / countries	Total population (thousands)			Total population growth 2000-2010 (%per year)	GDP (ppp), 2002 (millions of international dollars)	GDP per capita (ppp US\$) 2001	GDP per capita (rankings) 2001	GDP growth (average % per year)				
	2005	2010	2025					1960-2002	1960-1970	1970-1980	1980-1990	1990-2000
	2005	2010	2025					1960-2002	1960-1970	1970-1980	1980-1990	1990-2000
<i>Early transition</i>	18,361	20,223	25,650	1.9	34,996	2,081	145	1.6%	1.5%	4.1%	-0.1%	1.3%
Bolivia	9,219	10,229	13,131	2.1	21,650	2,300	138	2.6%	2.7%	3.9%	0.1%	3.7%
Haiti	9,141	9,994	12,519	1.8	13,346	1,860	153	0.6%	0.2%	4.3%	-0.4%	-1.3%
<i>Moderate Transition</i>	39,293	44,078	57,955	2.3	138,102	4,109	112	3.6%	5.4%	4.8%	0.9%	3.7%
Belize	266	294	370	2.0	1,539	5,690	90	5.4%	5.2%	7.3%	4.9%	4.5%
El Salvador	6,840	7,441	9,062	1.7	31,378	5,260	97	3.0%	5.6%	2.3%	-0.4%	4.6%
Guatemala	12,932	14,631	19,816	2.5	48,908	4,400	106	3.9%	5.5%	5.7%	0.9%	4.1%
Honduras	7,286	8,203	10,656	2.4	17,701	2,830	128	3.9%	4.8%	5.4%	2.4%	3.3%
Nicaragua	5,771	6,529	8,696	2.5	13,190	2,450	135	2.4%	6.8%	0.3%	-1.4%	4.1%
Paraguay	6,199	6,980	9,355	2.4	25,386	5,210	99	4.2%	4.3%	8.9%	2.8%	2.0%
<i>Full Transition</i>	418,623	447,502	520,995	1.3	2,968,667	7,164	73	4.2%	6.0%	6.8%	1.7%	3.0%
Brazil	181,109	192,240	220,509	1.2	1,354,997	7,360	69	4.5%	6.1%	8.5%	1.5%	2.7%
Colombia	45,876	49,665	59,758	1.6	278,562	7,040	73	4.1%	5.3%	5.5%	3.6%	2.5%
Costa Rica	4,421	4,857	5,929	1.9	34,855	9,460	55	4.7%	6.1%	5.6%	2.4%	5.2%
Ecuador	13,762	14,899	17,796	1.6	45,921	3,280	121	3.8%	4.3%	7.0%	2.0%	1.8%
Guyana	891	923	1,045	0.7	3,261	4,690	103	1.5%	3.5%	1.3%	-3.4%	4.9%

Mexico	105,831	112,891	130,196	1.3	904,570	8,430	62	4.4%	6.7%	6.7%	1.8%	3.5%
Panama	3,062	3,266	3,779	1.3	18,127	5,750	89	4.4%	7.9%	4.1%	1.4%	5.1%
Peru	27,741	29,885	35,518	1.5	134,079	4,570	105	3.0%	5.3%	3.6%	-0.8%	4.0%
Dominican Republic	9,101	9,708	11,165	1.3	57,190	7,020	74	5.2%	5.8%	6.9%	2.6%	5.9%
Suriname	434	452	525	0.8	1,998	4,599	104					
Venezuela	26,395	28,716	34,775	1.7	135,107	5,670	91	2.3%	5.1%	2.7%	0.8%	2.0%
<i>Advanced</i>	<i>79,926</i>	<i>83,718</i>	<i>93,617</i>	<i>0.9</i>	<i>779,478</i>	<i>10,262</i>	<i>61</i>	<i>2.6%</i>	<i>4.1%</i>	<i>2.9%</i>	<i>0.4%</i>	<i>4.7%</i>
<i>Transition</i>												
Antilles Dutch	227	237	257	0.9								
Argentina	39,266	41,474	47,160	1.1	412,666	11,320	49	1.9%	3.9%	3.0%	-1.5%	4.5%
Bahamas	330	354	415	1.4	5,089	16,270	38	3.9%	8.2%	2.8%	2.9%	1.8%
Barbados	276	282	297	0.4	4,114	15,560	40	2.8%	6.6%	2.8%	1.2%	1.5%
Chile	16,105	17,010	19,548	1.1	153,086	9,190	57	4.2%	4.1%	2.9%	3.8%	6.5%
Cuba	11,345	11,516	11,798	0.3	59,662	5,259	98					
Guadalupe	483	510	569	1.1								
Jamaica	2,693	2,816	3,245	0.9	10,421	3,720	117	1.8%	4.8%	-0.8%	2.5%	0.7%
Martinique	409	421	450	0.6								
Puerto Rico	4,015	4,158	4,478	0.7	95,811	23,860		4.9%	7.9%	4.3%	3.6%	4.1%
Trinidad and Tobago	1,334	1,374	1,493	0.6	12,299	9,100	59					
Uruguay	3,444	3,566	3,907	0.7	26,330	8,400	63	1.4%	1.4%	3.0%	0.0%	3.0%
<i>Latin America & Caribbean</i>	<i>556,203</i>	<i>595,521</i>	<i>698,217</i>	<i>1.4</i>	<i>3,921,243</i>	<i>7,050</i>	<i>73</i>	<i>3.8%</i>	<i>5.5%</i>	<i>6.0%</i>	<i>1.4%</i>	<i>3.2%</i>

Sources: CELADE, UNDP, ECLAC, ILO, WB. Calculations based on data sheets available at <http://cep.cl/UNRISD/Papers/Introduction.xls>. Classification criteria was established by CELADE, based on demographic data.

Table 1.A3 Urbanization: Latin America and the Caribbean countries, by demographic transition groups

Transitional Categories/Countries	Percentage of urban population						Population of the two main Metropolitan Areas			
							Percentage of total population		Average annual growth rates	
	1960	1985	2005	2015	1970	1980	1990	1970-1980	1980-1990	
<i>Early transition</i>										
Bolivia	26.2	38.9	55.2	61.0	12.6	17.5	28.3	3.4	4.5	
Haiti	36.8	50.5	68.2	73.1		19.3	28.3	3.4	4.5	
	15.6	27.2	41.8	48.4	12.6	15.6		3.5		
<i>Moderate Transition</i>										
Belize	33.4	42.5	50.9	54.7	19.4	22.1	22.9	3.7	3.3	
El Salvador	54.0	48.7	48.2							
Guatemala	38.3	46.9	57.8	62.6	16.7		23.1			
Honduras	32.4	37.5	39.9	41.2	20.6	20.9	20.7	2.2	2.4	
Nicaragua	22.7	37.7	52.1	59.5	10.2	16.0	19.1	6.1	4.7	
Paraguay	39.6	51.4	56.7	59.4	24.2	24.2	21.7	4.4	3.0	
	35.6	44.9	59.7	65.7	26.5	29.9	32.7	3.1	4.0	
<i>Full Transition</i>										
Brazil	47.4	68.7	78.4	81.2	19.7	21.2	20.9	3.7	2.1	
Colombia	45.6	71.0	81.7	84.2	15.7	16.4	16.9	3.6	1.4	
Costa Rica	49.1	66.9	76.6	80.0	21.1	21.9	22.6	3.4	2.1	
Ecuador	34.3	44.8	52.3	56.1	23.8	27.5		3.7		
Guyana	34.4	51.3	65.8	70.7	22.2	25.6	27.0	4.5	2.9	
	29.0	31.7	41.5	48.0						

Mexico	50.8	68.6	77.2	80.2	21.5	24.2	22.1	4.2	1.1
Panama	41.3	51.7	59.5	62.9	36.6	39.3	40.5	2.7	3.2
Peru	46.3	66.3	73.5	75.5	26.7	28.5	30.6	3.0	9.6
Dominican Republic	30.2	52.3	62.9	67.3	20.6	28.2	27.1	6.2	
Suriname	—	60.4	77.3	81.4					
Venezuela	61.2	81.6	88.8	90.8	26.6	24.9	22.5	2.4	1.8
<i>Advanced Transition</i>	69.3	84.2	86.5	89.0	36.7	37.4	36.8	1.7	1.3
Antilles Dutch									
Argentina	73.6	84.9	90.6	92.0	39.1	39.2	38.2	1.7	1.2
Bahamas	74.3	79.7	90.0	91.5					
Barbados	35.4	42.3	52.9	58.3					
Chile	67.8	81.1	86.9	88.8	38.3	41.1	40.7	2.6	1.7
Cuba	54.9	71.6	81.9	84.7	24.0	23.4	23.4	0.9	
Guadalupe	—								
Jamaica	33.8	49.2	58.5	63.5	28.3	28.1	28.1		
Martinique	—								
Puerto Rico	44.5	69.2	75.9						
Trinidad and Tobago	—	66.2	76.1	79.3	37.3	38.4	38.4		
Uruguay	80.1	89.2	93.1	93.9	50.9	52.3	53.3	0.8	0.5
<i>Latin America & Caribbean</i>	48.9	68.1	76.7	79.3	21.7	23.3	23.5	3.4	2.1

Sources: CELADE, UNDP, ECLAC, ILO, WB. Calculations based on data sheets available at <http://cep.cl/UNRISD/Papers/Introduction/Introduction.xls>. Classification criteria was established by CELADE, based on demographic data.

Table 1.A4 Structure of the economically active population: Latin America and the Caribbean countries, by demographic transition groups

Transitional categories/countries	Structure of the economically active population by sector of economic activity, 1970-1980-1990								
	Agriculture c			Industry d			Services e		
	1970	1980	1990	1970	1980	1990	1970	1980	1990
<i>Early transition</i>									
Bolivia	63.2	57.7	39.3	13.6	14.0	16.8	23.2	27.8	42.2
Haiti	74.4	45.5	39.3	20.0	19.7	16.8	27.9	33.8	42.2
		70.0		7.1	8.2		18.5	21.8	
<i>Moderate Transition</i>									
Belize	58.2	52.3	43.9	16.3	17.7	18.3	25.5	30.0	35.5
El Salvador	56.0	43.2	36.1	14.4	19.3	20.5	29.6	37.5	41.4
Guatemala	61.2	56.9	52.5	17.1	17.1	19.4	21.7	26.0	27.8
Honduras	64.9	60.5	43.9	14.1	16.2	15.9	21.0	23.3	33.1
Nicaragua	51.5	46.5	43.2	15.5	15.8	14.0	33.0	37.7	42.8
Paraguay	52.6	48.6	35.4	20.2	20.6	20.5	27.2	30.8	41.2
<i>Full Transition</i>									
Brazil	43.3	33.1	23.1	22.3	25.9	25.8	34.4	41.1	50.1
Colombia	44.9	31.2	22.7	21.8	26.6	27.8	33.3	42.2	49.5
Costa Rica	39.3	34.2	26.9	23.3	23.5	21.9	37.4	42.3	51.2
Ecuador	42.5	30.8		20.0	23.1		37.5	46.1	
Guyana	50.6	38.6	30.8	20.5	19.8	17.9	28.9	41.6	48.3
	31.9	26.8		28.5	25.8		39.6	47.4	

Mexico	44.1	36.6	22.6	24.3	29.0	27.8	31.6	34.4	47.7
Panama	41.6	31.8	28.8	17.6	18.2	14.8	40.8	50.1	55.1
Peru	47.1	40.0	26.7	17.6	18.3	15.9	35.3	41.7	50.3
Dominican Republic	54.7	45.7	21.3	14.2	15.5	28.3	31.1	38.8	50.4
Suriname	24.8	19.9	20.9	20.9	19.8		54.3	60.3	
Venezuela	26.0	16.1	13.3	24.8	28.4	25.1	49.2	55.5	61.6
<i>Advanced Transition</i>	20.5	16.3	12.4	31.1	30.3	25.9	48.4	53.5	60.8
Antilles Dutch									
Argentina	16.0	13.0	11.0	34.3	33.8	25.3	49.7	53.2	62.7
Bahamas									
Barbados	18.2	9.9		26.0	20.8		55.8	69.3	
Chile	23.2	16.5	15.8	28.7	25.2	27.4	48.1	58.3	55.8
Cuba	30.3	23.8		26.7	28.5		43.0	47.7	
Guadalupe									
Jamaica	33.2	31.3		18.1	16.4		48.7	52.3	
Martinique									
Puerto Rico									
Trinidad and Tobago	18.6	10.2		35.2	38.6		46.2	51.2	
Uruguay	18.6	18.8	11.9	29.1	29.2	25.2	52.3	55.0	63.0
<i>Latin America & Caribbean</i>	41.8	32.8	23.6	22.8	25.5	25.0	35.4	41.7	50.3

Sources: CELADE, UNDP, ECLAC, ILO, WB. Calculations based on data sheets available at <http://cep.cl/unrisd/papers/introduction/introduction.xls>. Classification criteria was established by CELADE, based on demographic transition. Such criteria was established by CELADE, based on demographic data.

Table 1.A5 Non-farm occupational structure: Latin America and the Caribbean countries, by demographic transition groups

Transitional categories/countries	Non-farm occupational structure, Formal Jobs, 2000 (% of total occupied workforce)		Non-farm occupational structure, Informal jobs, 2000 (% of total occupied workforce)		MICRO-FIRMS
	Total Public Sector	Small, medium and large private firms	Total Self-employed	Domestic service	
<i>Early transition</i>					
Bolivia					
Haiti					
<i>Moderate Transition</i>					
Belize	39.3	29.2	60.7	5.5	15.6
El Salvador					
Guatemala					
Honduras	39.3	29.2	60.7	5.5	15.6
Nicaragua					
Paraguay					
<i>Full Transition</i>					
Brazil	52.4	39.3	46.8	6.5	15.4
Colombia	52.9	38.8	47.1	9.4	13.7
Costa Rica	44.4	37.3	55.6	5.3	18.1
Ecuador	54.8	38.5	45.2	6.0	19.5
Guyana	48.4	30.7	51.6	5.3	15.3

Mexico	60.8	14.5	46.4	39.2	18.3	3.7	17.2
Panama	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Peru	40.8	7.8	33.0	59.2	36.4	5.4	17.4
Dominican Republic							
Suriname							
Venezuela	49.4	16.1	33.3	50.6	34.5	2.3	13.8
<i>Advanced Transition</i>	<i>54.2</i>	<i>12.4</i>	<i>41.7</i>	<i>45.8</i>	<i>21.9</i>	<i>6.3</i>	<i>17.7</i>
Antilles Dutch							
Argentina	50.7	12.7	38.0	49.3	22.7	0.0	20.3
Bahamas							
Barbados							
Chile	62.0	10.8	51.2	38.0	19.7	5.9	12.5
Cuba							
Guadalupe							
Jamaica							
Martinique							
Puerto Rico							
Trinidad and Tobago							
Uruguay	56.9	17.1	39.8	43.1	22.5	7.5	13.1
<i>Latin America & Caribbean</i>	<i>53.1</i>	<i>13.0</i>	<i>40.1</i>	<i>46.9</i>	<i>24.6</i>	<i>6.7</i>	<i>15.6</i>

Sources: CELADE, UNDP, ECLAC, ILO, WB. Calculations based on data sheets available at <http://cep.cl/UNRISD/Papers/Introduction.xls>. Classification criteria was established by CELADE, based on demographic transition. Such criteria is established by CELADE, based on demographic data.

Table 1.A6 Human development: Latin America and the Caribbean countries, by demographic transition groups

<i>Transitional categories/countries</i>	<i>HDI ranking, 2001 (a)</i>	<i>Human development index (HDI) value 2001</i>	<i>Life expectancy at birth (years) 2001</i>	<i>Adult literacy rate (% age 15 and above) 2001</i>	<i>Combined primary secondary and tertiary gross enrolment ratio (% 2000-01)</i>
<i>Early transition</i>	132	0.57	56.2	68.5	68.1
Bolivia	114	0.67	63.3	86.0	84.0
Haiti	150	0.47	49.1	50.8	52.0
<i>Moderate Transition</i>	110	0.68	68.3	75.8	61.6
Belize	67	0.78	71.7	93.4	76.0
El Salvador	105	0.72	70.4	79.2	64.0
Guatemala	119	0.65	65.3	69.2	57.0
Honduras	115	0.67	68.8	75.6	62.0
Nicaragua	121	0.64	69.1	66.8	65.0
Paraguay	84	0.75	70.5	93.5	64.0
<i>Full Transition</i>	65	0.78	70.3	89.6	82.9
Brazil	65	0.78	67.8	87.3	95.0
Colombia	64	0.78	71.8	91.9	71.0
Costa Rica	42	0.83	77.9	95.7	66.0
Ecuador	97	0.73	70.5	91.8	72.0
Guyana	92	0.74	63.3	98.6	84.0
Mexico	55	0.80	73.1	91.4	74.0
Panama	59	0.79	74.4	92.1	75.0
Peru	82	0.75	69.4	90.2	83.0
Dominican Republic	94	0.74	66.7	84.0	74.0
Suriname	77	0.76	70.8	94.0	77.0
Venezuela	69	0.78	73.5	92.8	68.0

<i>Advanced Transition</i>	41	0.83	74.8	96.4	83.0
Antilles Dutch					
Argentina	34	0.85	73.9	96.9	89.0
Bahamas	49	0.81	67.2	95.5	74.0
Barbados	27	0.89	76.9	99.7	89.0
Chile	43	0.83	75.8	95.9	76.0
Cuba	52	0.81	76.5	96.8	76.0
Guadalupe					
Jamaica	78	0.76	75.5	87.3	74.0
Martinique					
Puerto Rico					
Trinidad and Tobago	54	0.80	71.5	98.4	67.0
Uruguay	40	0.83	75.0	97.6	84.0
<i>Latin America & Caribbean</i>	65	0.78	70.3	89.2	81.0

Sources: CELADE, UNDP, ECLAC, ILO, WB. Calculations based on data sheets available at <http://cep.cl/unrisd/papers/introduction/introduction.xls>. Classification criteria was established by CELADE, based on demographic transition. Such criteria was established by CELADE, based on demographic data.

Table 1.A7 Total public social expenditure: Latin America and the Caribbean countries, by demographic transition groups

Transitional categories/countries	Total social public expenditure														
	2000–2001 Period					Change since 1996–1997					Change since 1990–1991				
	per capita 1997 dollars	% of GDP	% of fiscal Budget	per capita 1997 dollars	GDP percentage points	per capita 1997 dollars	GDP percentage points	per capita 1997 dollars	GDP percentage points	per capita 1997 dollars	GDP percentage points	per capita 1997 dollars	GDP percentage points		
<i>Early transition</i>	183	17.9	60	36	3.3	–	–	–	–	–	–	–	–		
Bolivia	183	17.9	60	36	3.3								66		
Haiti													66		
<i>Moderate Transition</i>	97	8.0	40.4	20	1.6	53	3.2	48							
Belize															
El Salvador	82	4.2	30.9	12	0.4	82	4.2	51							
Guatemala	109	6.2	45.6	36	1.9	57	2.8	46							
Honduras	77	10.0	38.7	21	2.8	17	2.1	45							
Nicaragua	61	13.2	38.4	14	1.9	13	2.1	28							
Paraguay	148	8.5	43.8	(2)	0.5	91	5.4	70							
<i>Full Transition</i>	618	14.2	54.3	70	1.1	156	2.6	161							
Brazil	936	18.8	61.6	93	1.5	150	0.7	185							
Colombia	337	13.6	33.5	(66)	(1.7)	179	6.8	97							
Costa Rica	689	18.2	40.5	121	1.4	220	2.6	189							
Ecuador	131	8.8	29.8	(3)	0.6	43	3.3	45							
Guyana															
Mexico	456	9.8	61.5	104	1.3	197	3.3	190							
Panama	853	25.5	49.7	200	4.6	356	6.9	199							

Peru	187	8.0	46.8	21	0.9	111	4.0	58
Dominican Republic	170	7.6	45.2	62	1.6	110	3.3	67
Suriname	402	11.3	37.9	85	3.0	82	2.8	178
Venezuela	1,445	20.2	65.1	110	2.0	464	3.1	335
<i>Advanced Transition</i>								
Antilles Dutch								
Argentina	1,650	21.6	62.4	66	1.6	439	2.3	385
Bahamas								
Barbados								
Chile	936	16.0	69.7	218	3.0	495	4.3	238
Cuba								
Guadalupe								
Jamaica								
Martinique								
Puerto Rico								
Trinidad and Tobago								
Uruguay	1,494	23.5	75.0	104	2.2	606	6.6	213
<i>Latin America & Caribbean</i>	686	14.8	55.1	71	1.4	194	2.7	175
	7.9							5.1

Sources: CELADE, UNDP, ECLAC, ILO, WB, Calcula.

Table 1.A8 Public expenditure in education and health: Latin America and the Caribbean countries, by demographic transition groups

Transitional categories/countries	Public expenditure on education				Public expenditure on health					
	2000-2001 period		Change since 1996-1997		Change since 1990-1991		2000-2001 period		Change since 1996-1997	
	per capita 1997 dollars	% of GDP	per capita 1997 dollars	GDP percentage points	per capita 1997 dollars	GDP percentage points	per capita 1997 dollars	% of GDP	per capita 1997 dollars	GDP percentage points
<i>Early transition</i>										
Bolivia	66	6.5	7.0	0.6	-	-	38	3.7	4.0	0.3
Haiti	66	6.5	7.0	0.6			38	3.7	4.0	0.3
<i>Moderate Transition</i>										
Belize	48	3.9	11.7	1.1	22.4	1.7	22	2.1	4.1	0.4
El Salvador	51	2.6					29	1.5		
Guatemala	46	2.6	18.0	0.9	22.0	1.1	19	1.1	6.0	0.3
Honduras	45	5.8	17.0	2.3	12.0	1.5	24	3.1	7.0	0.9
Nicaragua	28	6.1	8.0	1.1	10.0	1.8	22	4.8	5.0	0.5
Paraguay	70	4.0	(4.0)	0.2	47.0	2.9	19	1.1	(4.0)	(0.1)
<i>Full Transition</i>										
Brazil	161	3.9	22.8	0.4	43.0	0.8	111	2.7	9.1	0.2
Colombia	185	3.8	28.0	0.6	23.0	0.1	151	3.0	13.0	0.2
Costa Rica	97	3.9	(30.0)	(0.9)	34.0	1.2	107	4.3	21.0	1.1
Ecuador	189	5.0	41.0	0.6	76.0	1.2	199	5.3	40.0	0.6
Guyana	45	3.0	(11.0)	(0.4)	-	0.1	16	1.1	(2.0)	
Mexico	190	4.1	37.0	0.4	86.0	1.6	86	1.9	(4.0)	(0.3)
Panama	199	6.0	19.0	0.3	75.0	1.4	274	8.2	64.0	1.5

Peru	58	2.5	1.0	—	28.0	0.8	41	1.8	7.0	0.3
Dominican Republic	67	3.0	26.0	0.7	51.0	1.8	42	1.9	17.0	0.5
Suriname	178	5.0	59.0	1.9	49.0	1.5	50	1.4	8.0	0.3
Venezuela	335	4.7	52.5	0.8	152.4	1.5	308	4.3	22.2	0.4
<i>Advanced Transition</i>										
Antilles Dutch	385	5.0	49.0	0.8	159.0	1.4	379	5.0	17.0	0.4
Argentina										
Bahamas										
Barbados	238	4.1	69.0	1.0	151.0	1.7	165	2.8	37.0	0.5
Chile										
Cuba										
Guadalupe										
Jamaica										
Martinique										
Puerto Rico										
Trinidad and Tobago										
Uruguay	213	3.4	16.0	0.4	84.0	1.0	175	2.8	12.0	0.3
<i>Latin America & Caribbean</i>	175	4.1	25.8	0.5	57.7	1.0	130	2.9	10.5	0.2
	5.1						8.1			

Sources: CELADE, UNDP, ECLAC, ILO, V.

Table 1.A9 Public expenditure in social security, housing and others: Latin America and the Caribbean countries, by demographic transition groups

Transitional categories/ countries	Public expenditure on social security				Public expenditure on Housing and Others				
	2000-2001 period		Change since 1996-1997		2000-2001 Period		Change since 1996-1997		
	per capita 1997 dollars	% of GDP	per capita 1997 dollars	GDP percentage points	per capita 1997 dollars	% of GDP	per capita 1997 dollars	GDP Percentage points	
<i>Early transition</i>	47	4.6	19.0	1.8	-	33	3.2	7.0	0.7
Bolivia	47	4.6	19.0	1.8		33	3.2	7.0	0.7
Haiti									
<i>Moderate transition</i>	16	1.0	4.4	0.3	10.0	12	1.2	1.5	0.0
Belize	2					1			
El Salvador	19	1.1	7.0	0.4	7.0	26	1.5	6.0	0.3
Guatemala	2	0.2	1.0	0.1	1.0	7	0.9	(4.0)	(0.6)
Honduras	1	0.2	1.0	0.2		10	2.2	2.0	0.2
Nicaragua	56	3.2	6.0	0.6	36.0	3	0.2	(2.0)	(0.1)
Paraguay	320	7.1	34.6	0.5	127.0	27	0.7	5.1	0.0
<i>Full transition</i>	588	11.8	52.0	0.8	187.0	12	0.2	2.0	
Brazil	109	4.4	(52.0)	(1.8)	49.0	26	1.0	(5.0)	(0.2)
Colombia	235	6.2	40.0	0.5	88.0	67	1.8	1.0	(0.2)
Costa Rica	68	4.6	17.0	1.5	41.0	3	0.2	(7.0)	(0.4)
Ecuador									
Guyana									

Mexico	131	2.8	56.0	1.0	120.0	2.6	50	1.1	16.0	0.2
Panama	192	5.7	10.0	(0.1)	37.0	(0.1)	188	5.6	107.0	3.0
Peru	77	3.3	13.0	0.5	52.0	2.0	13	0.6	2.0	0.1
Dominican Republic	31	1.4	19.0	0.7	26.0	1.0	33	1.5	3.0	(0.2)
Suriname	128	3.6	19.0	0.7	55.0	1.6	46	1.3	-	0.1
Venezuela	653	9.2	32.4	0.7	173.4	0.7	151	2.1	4.4	0.1
<i>Advanced Transition</i>										
<i>Antilles</i>										
<i>Dutch</i>										
Argentina	705	9.2	1.0	0.4	136.0	0.1	183	2.4	2.0	0.1
Bahamas										
Barbados										
Chile	435	7.4	100.0	1.4	198.0	1.1	99	1.7	11.0	0.1
Cuba										
Guadalupe										
Jamaica										
Martinique										
Puerto Rico										
Trinidad and Tobago										
Uruguay	1,075	16.9	75.0	1.6	485.0	5.8	31	0.5	1.0	-
<i>Latin America & Caribbean</i>	338	6.8	31.6	0.6	125	2	44	1.0	4.8	0.1
	13.9						4.6			

Sources: CELADE, UNDP, ECLAC, ILO, V.

Table 1.A10 Income distribution: Latin America and the Caribbean countries, by demographic transition groups.

Transitional categories/countries	Income distribution							
	Mean Income (number of poverty lines)	Participation in overall income of			Relation of mean per capita income			Q ⁵ /Q ¹
		Poorest 40%	Following 30%	20% before richest 10%	Richest 10%	D ¹⁰ /D ^(1,4)		
<i>Early transition</i>								
Bolivia	6.3	10.1	22.3	28.4	39.3	25.0	37.1	
Haiti	6.3	10.1	22.3	28.4	39.3	25.0	37.1	
<i>Moderate Transition</i>								
Belize	6.0	13.2	22.6	27.0	37.2	20.1	23.2	
El Salvador	6.4	14.5	24.7	28.0	32.8	15.1	18.2	
Guatemala	6.6	13.4	21.6	26.2	38.8	20.8	21.9	
Honduras	4.2	11.5	21.7	27.7	39.2	23.6	26.8	
Nicaragua	5.6	11.0	22.1	27.1	39.9	25.0	32.7	
Paraguay	6.9	15.3	24.2	26.6	34	15.9	18.1	
<i>Full Transition</i>								
Brazil	9.3	12.4	20.8	26.7	40.1	24.0	27.0	
Colombia	11.0	9.9	17.8	26.4	46.0	31.9	36.4	
Costa Rica	7.4	11.7	21.7	26.4	40.3	23.9	28.6	
Ecuador	10.7	15.8	26.4	29.8	28.1	11.8	14.6	
Guyana	6	15.9	24.3	26.5	33.3	14.0	14.9	

Mexico	8.5	15.4	22.9	26.3	35.5	16.9	17.1
Panama	11.4	13.8	23.8	27.7	34.8	17.5	20.3
Peru	7.5	13.4	24.1	28.1	34.4	18.3	20.6
Dominican Republic	7.2	11.7	22.4	27.3	38.6	20.2	25.9
Suriname	—	—	—	—	—	—	—
Venezuela	7.8	15.1	24.9	29	31.1	14.1	16.1
<i>Advanced Transition</i>	11.2	14.7	21.6	26.0	37.7	16.6	17.1
Antilles Dutch	—	—	—	—	—	—	—
Argentina	10.9	14.7	21.7	26.3	37.4	16.5	17.1
Bahamas	—	—	—	—	—	—	—
Barbados	—	—	—	—	—	—	—
Chile	12	13.4	20.7	25.6	40.4	18.4	18.7
Cuba	—	—	—	—	—	—	—
Guadalupe	—	—	—	—	—	—	—
Jamaica	—	—	—	—	—	—	—
Martinique	—	—	—	—	—	—	—
Puerto Rico	—	—	—	—	—	—	—
Trinidad and Tobago	—	—	—	—	—	—	—
Uruguay	10.5	21.3	25.4	25.4	27.8	9.1	9.6
<i>Latin America & Caribbean</i>	9	13	21	27	40	23	26

Sources: CELADE, UNDP, ECLAC, ILO, WB. Calculations based on data sheets available at <http://cep.cl/UNRISD/Papers/Introduction.xls>. Classification criteria was established by CELADE, based on demographic data.

Table 1.A11 Population growth for different countries (1900-95)

Country	Growth rate (yearly %)									
	1900-1995	1900-1920	1920-1938	1938-1973	1973-1989	1989-1995				
UK	0.45	0.6	0.5	0.5	0.1	0.5				
USA	1.32	1.7	1.1	1.4	1.0	1.0				
India	1.45	0.3	1.1	1.8	2.2	2.2				
Indonesia	1.60	1.1	1.3	1.7	2.2	1.6				
Chile	1.65	1.3	1.4	2.1	1.6	1.5				
Australia	1.68	1.8	1.4	1.9	1.4	1.4				
Canada	1.84	2.4	1.5	1.9	1.1	2.7				
Peru	1.97	1.0	1.5	2.5	2.5	2.2				
Mexico	2.06	0.5	1.6	3.1	2.6	1.9				
Argentina	2.11	3.2	2.5	1.7	1.5	1.1				
Colombia	2.31	2.2	1.9	2.8	2.1	1.7				
Brasil	2.36	2.1	2.0	2.7	2.4	1.9				

Source: Universidad Católica (2000, Table 91a).

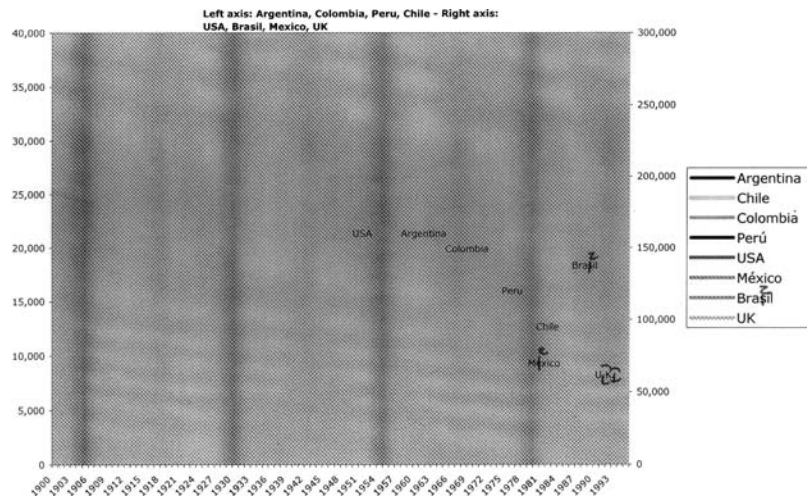


Figure 1.A1 Population for different countries (1900-95)
Source: Universidad Católica (2000).

