GOVERNING THE POOR

*The Transformation of Social
Governance in Argentina and Chile*

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DECLARATION

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ABSTRACT

A crucial phenomenon during the last two decades has been the transformation of social governance. New orientations in social policy have radically altered the roles of the state, market and civil society in social provision. The thesis proposes a framework for understanding this transformation of social governance that links political leaders' strategic calculations to the particular political challenges they face as a result of changes in the socioeconomic environment as well as to the ideas and institutions that shape their reform attempts. Importantly, it shows how the "pluralist" social policy approach that was initiated by governments all over the developing world in the 1990s may lead to different modes of social governance with contrasting effects on state-society relations. By drawing on a comparative analysis of Argentina and Chile, the thesis shows how this is highly contingent on regime institutions. In Argentina, regime institutions provide politicians with wide discretion in distributing social funds. The result has been a populist mode of social governance in which neo-clientelism serves to politicize the linkages between the political elites and subaltern sectors. In Chile, by contrast, regime institutions provide politicians with very little discretion in distributing social funds. This has resulted in a technocratic mode of social governance in which neo-pluralism serves to depoliticize the linkages between the political elites and subaltern sectors. Both outcomes differ markedly from widely made assumptions that couple the pluralist social policy approach with more participatory governance and poor people's empowerment.

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AD	Alianza Democrática/Democratic Alliance (Chile)
AG	Auditoría General de la Nación/National Audit Office (Argentina)
CENOC	Centro Nacional de Organizaciones Comunitarias/National Center for Community Organizations (Argentina)
CG	Contraloría General de la República de Chile/Office of the Comptroller General of Chile
CIS	Comité Interministerial Social/Inter-ministerial Social Committee (Chile)
COFEDESO	Consejo Federal de Desarrollo Social/Federal Council for Social Development (Argentina)
CS	Sistema Chile Solidario/Chile Solidario System
CUT	Central Única de Trabajadores/United Labor Federation (Chile)
ECLA	United Nations Economic Commission for Latin America
FONAVI	Fondo Nacional de la Vivienda/National Housing Fund (Argentina)
FOSIS	Fondo de Solidaridad e Inversión Social/Social Investment and Solidarity Fund (Chile)
FREPASO	Frente País Solidario/National Solidarity Front (Argentina)
GS	Gabinete Social/Social Cabinet (Argentina)
IDB	Inter-American Development Bank
INDEC	Instituto Nacional de Estadística y Censos/National Institute of Statistics and Censuses (Argentina)
JG	Jefatura de Gabinete de Ministros/Office of the Cabinet Chief (Argentina)
MIDEPLAN	Ministerio de Planificación y Cooperación/Ministry of Planning and Cooperation (Chile)
MECON	Ministerio de Economía/Ministry of Economy (Argentina)
MOF	Minsterio de Hacienda/Ministry of Finance (Chile)
MSAS	Ministerio de Salud y Acción Social/Ministry of Health and Social Action (Argentina)
ODEPLAN	Oficina de Planificación Nacional/National Planning Office (Chile)
PAN	Plan Alimentario Nacional/National Food Program (Argentina)
PDC	Partido Demócrata Cristiano/Christian Democratic Party (Chile)

PJ	Partido Justicialista/Justicialist Party (Argentina)
POSOCO	Programa de Políticas Sociales Comunitarias/Community Social Policy Program (Argentina)
PPD	Partido por la democracia/Party for Democracy (Chile)
PROMIN	Programa Materno Infantil y Nutrición/Mother and Infant Nutrition Program (Argentina)
PROSOL	Programa Federal de Solidaridad/Federal Solidarity Program (Argentina)
PROSONU	Programa Social Nutricional/Social Nutrition Program (Argentina)
PS	Partido Socialista/Socialist Party (Chile)
SERPLAC	Secretaría Regional de Planificación y Coordinación/Regional Secretariat for Planning and Coordination (Chile)
SIGEN	Sindicatura General de la Nación/Comptroller General of the Nation (Argentina)
SIEMRO	Sistema de Información, Monitoreo y Evaluación de Programas Sociales/System of Information, Monitoring and Evaluation of Social Programs (Argentina)
UCR	Unión Cívica Radical/Radical Civic Unión (Argentina)
UDI	Unión Democrática Independiente/Independent Democratic Union (Chile)
SB	Sociedad de Beneficencia/Society of Beneficence (Argentina)

THE FRAMEWORK AND COMPARATIVE ANALYSIS

THE POLITICS OF TRANSFORMING SOCIAL GOVERNANCE

A crucial phenomenon during the last two decades has been the transformation of social governance, i.e. the methods for managing and distributing social welfare. New orientations in social policy have radically altered the roles of the state, market and civil society in relation to social provision. Few countries have remained immune to the pivotal trends towards privatization, decentralization and targeting of social welfare. A major development has also been the new emphasis on participation as a key principle around which to organize social welfare provision. The implications of this new social policy approach are profound. Changes in social services and programs not only affect daily living conditions and levels of social integration, but they also have far-reaching effects on the nature of linkages between state and society. Indeed, at the center of this global wave of social policy reform is the remolding of state-society relations.

Latin America has been at the forefront of this policy revolution. In the beginning of the 1990s most governments in the region initiated reforms that sought to transform social governance. Major emphasis was put on poverty alleviation and the creation of social programs that relied heavily on the involvement of civil society organizations. In contrast to traditional state-based welfare schemes that operated almost exclusively from the public sphere, the new social policy approach was designed to provide incentives for private actors to organize social provision through non-profit and for-profit organizations. It included the design of demand-driven subsidies for anti-poverty projects, co-participation schemes based on partnerships between different levels of government, private enterprises, NGOs and community organizations in defining program priorities and financing projects, as well as the decentralization of policy implementation to local governments, community groups and social organizations.

As such, these new pluralist social policies[1] marked a significant departure from the corporatist social policies that dominated in Latin America until the 1970s. At the same time, it signalled the re-emergence of the social question as a real concern in Latin America, after the "lost decade" of the 1980s, when economic adjustment and austerity policies dominated the policy agenda to the detriment of social issues.[2] By the 1990s, a remarkable consensus had emerged about the need to go beyond economic reform and the mere reliance on the "trickle down" effects of economic

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[1] It is often referred to as "New Social Policy" (e.g. Molyneux, 2008), but the term says little about the nature of these social policies. "Pluralist" social policy is more descriptive.
[2] To be sure, privatization, decentralization and targeting formed part of the structural adjustment policies in the 1980s, but a major shift to a more participatory approach and a preoccupation with issues of social equity and poverty alleviation can be discerned from the beginning of the 1990s onwards.

growth to alleviate poverty. Instead, the new social agenda put emphasis on fighting poverty head-on through social policy and participatory anti-poverty programs.[3]

Despite the obvious importance of this redefinition of social policy for economic, political and social life, scholarly attention has mainly focused on economic policy and efforts to remold the role of the state in the economy.[4] Social sector policies have received much less attention as a facet of larger development strategies in Latin America and elsewhere.[5] The research usually concerns the technical dimensions of social policy. The World Bank, the IDB and the different UN agencies, among others, have produced numerous studies that deal with how the social sectors should be reorganized so as to put social spending into more effective and equitable use. This body of research, however, reveals little about the political interests and processes that drive reform initiatives, how these initiatives may become diluted or blocked in the process of implementation, or the political effects of social reforms. In order to develop an understanding of social reform politics in developing countries it is imperative to look beyond merely the technical and juridical aspects of social policy formation.

This study contributes to our general understanding of the political aspects of social policy and social reform efforts. It shows how social policy is deployed as a strategic asset to manage state-society relations. Political elites commonly attempt to mold state-society relations to fit the interests they represent and ensure governability. In this respect an important tool is provided by social policy. It functions as a means to co-opt and control subaltern sectors. These are often viewed as an

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[3] For an overview, see Grindle (2000); Barrientos, Gideon and Molyneux (2008), and Molyneux (2008). See also Raczynski (1995a; 1998).
[4] E.g. Haggard and Kaufman (1992); Smith, Acuña, and Gamarra (1994); Geddes (1995); Oxhorn and Starr (1998); Teichman (2001); Weyland (2002).
[5] For some recent literature, see Tulchin and Garland (2000); Abel and Lewis (2002); Haagh and Helgo (2002); and Kaufman and Nelson (2004).

active or potential threat to political order, requiring pre-empting and controlling measures. At the same time, they may be viewed as a potentially powerful base for political and socioeconomic development, requiring measures to mobilize and co-opt (O'Donnell, 1977). The different social policy approaches by which political leaders attempt to manage such state-society relations range from the use of paternalistic, state-based welfare programs to the encouragement of autonomous, self-help solutions.

Up until the late nineteenth century in Latin America, social policy was of little use for the political elites. Patron-client relations served as an effective check on lower class social forces. Social provision was largely confined to philanthropic welfarism in which the Catholic Church played a central role. This *philanthropic social policy approach* was "designed to support the colonial state treating the urban and rural poor with paternalistic but disciplinary benevolence" (Molyneux, 2008: 777). The *corporatist social policy approach* that emerged from the 1920s was designed to use social benefits as a means to control and channel the increasing mobilization of subaltern sectors. It involved the gradual expansion of social security benefits to the most organized and vocal groups in society in exchange for subordination to the system of corporatist controls. Major emphasis was put on supply-driven mechanisms in which the state took the central role along corporate interests and groups. Standardized welfare schemes were developed with little adaptation to local conditions. Hardly any space was given to private markets and community initiatives. Finally, from the late 1980s, a new set of social policies has been brought to the fore in an effort to recast linkages between state and society along more pluralist lines. The *pluralist social policy approach* has brought new actors into social provision by increasing the participation of private companies, NGOs and other third sector organizations. Emphasis has been

put on demand-driven mechanisms in which citizens themselves engage in setting priorities for social policy and implementing social projects. A central element has become the targeting of social programs that are demand-driven and decentralized to allow for increased participation, co-responsibility and local variation. Targeting, decentralization and pluralization of service providers, along with greater reliance on the market and the participation of beneficiaries have become central components of social policy.

My study looks at this transformation of social governance in Argentina and Chile. It shows how it has evolved in conjunction with changes in the socioeconomic, ideational and political-institutional environment. Political leaders respond to such changes by adopting new social policies by which to manage state-society relations. In the process, reformist leaders often delegate considerable authority over policy reform to technocratic experts so as to be able to bypass vested interests and facilitate the implementation of reform. Yet this process is conditioned by regime institutions in important ways. Depending on regime institutions, the political outcome of reform efforts may vary considerably across cases.

The central focus of this study is on the pluralist social policy approach – why it was adopted, how it was implemented, and what its political implications are. A central tenet of pluralist reform has been the prioritization of poverty relief. In Argentina and Chile a host of new agencies and programs were set up to target the poor and promote their participation in the resolution of social problems. The study examines these initiatives, such as FOSIS in Chile and *Plan Trabajar* in Argentina, using them as a lens through which to examine larger questions regarding the relationship between pluralist social policy reform and state-society relations. Anti-poverty initiatives play a critical role in forging links between state actors and impoverished societal groups. For

subaltern sectors such as the poor, anti-poverty policy has a vital impact on their levels and forms of integration to political life. For the political elites, anti-poverty policy functions as a strategic asset in forging political support and social control. More than just providing technical solutions to problems of poverty, anti-poverty policy is a means to "govern the poor".

Drawing on the comparison of Argentina and Chile, the analysis shows how pluralist social reform may result in different modes of social governance with far-reaching effects on social integration and political development. Inherent in these modes of social governance are the relationships that link society with the state on the social policy arena. In Argentina, the new social policy approach has facilitated the establishment of neo-clientelist relationships between the political elites and subaltern sectors. Targeted and participatory social programs have been politically manipulated to facilitate clientelistic incorporation of the poor, helping populist leaders maintain a popular constituency despite macroeconomic reforms that sharpen inequalities and drive up unemployment. Participation has thus mainly taken the form of clientelist brokerage whereby civil society organizations are enlisted to act as middlemen in doling out benefits to political loyalists. At the same time, the new clientelistic ties serve to politicize the linkages between the political elites and subaltern sectors. These linkages constitute mechanisms through which subaltern sectors can make demands upon the state and whom the politicians compete to command. The case of Argentina suggests that such a populist mode of social governance is inherently unstable as it feeds overspending and is prone to sudden outbursts of counter-mobilization.

In Chile, by contrast, the new social policy approach has provided for the establishment of neo-pluralist relationships through which the state is able to control social-demand making and set the terms for civil society participation in social

policymaking. Unlike Argentina, Chilean technocrats remain in charge of implementing the new social policies providing for a highly non-partisan and technical process in allocating benefits from the new targeted and participatory programs. Participation mainly revolves around project implementation. NGOs and community organizations are invited to submit project proposals and compete for anti-poverty funds on the highly technical terms set by the welfare bureaucracy. The aim with these project competitions is to develop innovative and cost-effective programs of social development. At the same time, by introducing competitive tendering as a major mechanism for allocating social funds, civil society organizations are provided with strong incentives to adjust their agendas so as to be able to compete for these funds. In the process, they often come to downplay some of their earlier political functions as advocacy groups for the subaltern sectors and reduce their demands on the government. As such, these new "participatory" structures serve to depoliticize the linkages between state and society and help deflect popular mobilization away from encompassing political activity towards grassroots social efforts. By inviting NGOs and community groups to take over responsibility for welfare provision and incorporate them into funding relationships in which they mainly acquire the role of implementers of social programs, the state is thus able to impose greater political discipline upon civil society. The case of Chile suggests that while such a technocratic mode of social governance provides pluralistic access to social benefits, technocratic control over the distribution of benefits serves to depoliticize social policymaking making it difficult for subaltern sectors to demand encompassing social change.

In explaining these contrasting outcomes, the study finds that regime institutions play a major role. Regime institutions shape the political process – the actors that are included, their powers, and their incentives and constraints. In Chile, a centralist-

unitary regime structure coupled with a "protected" type of democracy that provides for strong checks and balances gives technocratic experts extensive control over the policymaking process and prevents politicians from politically manipulating social funds. By contrast, in Argentina, a decentralized-federal regime structure coupled with a "delegative" type of democracy that provides for weak checks and balances puts technocratic experts in a weak position and gives politicians, both at the national and sub-national levels, opportunities to divert social funds for populist and clientelist purposes. Depending on regime institutions, pluralist social policy reform may thus end up supporting both populist as well as technocratic modes of social governance. Both outcomes differ markedly from assumptions that couple the new social policy approach with more effective popular participation and representation in the social policy arena.

To summarize, this study attempts to make a number of contributions to existing literature on social policymaking and state-society relations in developing countries. First, it contributes to our general understanding of the political aspects of social policy. By showing how the evolution of social welfare provision is intrinsically linked to larger issues of governance, the present study highlights the importance of looking beyond merely technical and juridical aspects of social policy formation. Second, and related to the above, it provides a theoretical framework for understanding the politics of transforming social governance. The framework is relevant to scholars and activists interested in issues of governance and state reform. It links governments' strategic and instrumental calculations to the particular political challenges they face as a result of changes in the socioeconomic environment as well as to the ideas and institutions that shape the process of transforming social governance. Third, by drawing on a comparative analysis of Argentina and Chile, the present study refines the literature

that hitherto has tended to highlight external influences in explaining social policy reform. It shows how explanations of social policy change must also pay close attention to the domestic level and how the impact of external influences is filtered through domestic contexts and power constellations. Crucially, it shows how the process of pluralist social policy reform may result in widely different political outcomes. As such, it addresses the critically important debate about the consequences of the new pluralist social policy approach.

THE PLURALIST APPROACH AND ITS INITIATION

A major issue in this study concerns the shift to a pluralist social policy approach. The pluralist approach refers to social policy orientations that are designed to promote institutional pluralism in welfare provision. In this approach, a diverse set of actors (different levels of government, private enterprises, NGOs and community organizations) collaborate in setting and implementing social policy priorities. This contrasts with the corporatist approach that relies on "massive welfare bureaucracies to manage social demands channeled in a highly centralized fashion through political parties and labor unions" (Garland, 2000: 2). In the corporatist approach nationally standardized welfare schemes are administered by the public sector, providing for a centralized, bureaucratic and sectorally segmented system of welfare provision. In Latin America, this approach contributed to a system ruled by corporate interests and political patronage. Adequate social protection was confined to those in formal employment, while large segments of the population, especially urban poor and rural workers in the informal sector, remained excluded from social services.

The new pluralist approach represents a radically different relationship between government agencies and the popular sectors. Central government no longer plays such a dominant role in managing social welfare. Pluralist social policies are designed to pave the way for flexible, targeted and participatory welfare schemes that respond more effectively to diverse local needs and demands. These objectives are typically associated with reforms based on the devolution of social service provision to lower tiers of government and the private sector, the introduction of market mechanisms such as vouchers, microcredit and competitive tendering, and re-directing social spending towards targeted programs that make use of the participation of civil society organizations. Pluralist reforms focuses on increasing collaboration with the private sector in social affairs and creating space for new intermediaries between the government and the subaltern sectors, such as NGOs and community organizations. An important instrument of the pluralist approach is the organization of public bids in which local community organizations or NGOs are invited to develop project proposals and compete for funding. The idea is a system that is energetic, flexible and efficient in managing diverse social needs and demands.

Little is known about the political foundations for this policy change. A prominent view suggests that the shift to a pluralist approach can be attributed to "globalization" and the influence exerted by international financial institutions (IFIs) such as the World Bank and the IDB as well as international donors. These international actors began to push strongly for the new social policy approach in the late 1980s and early 1990s (see Bräutigam and Segarra, 2007; also Mackintosh, 1995; Cortés, 2008). The background to this newfound international concern with social policy and poverty alleviation lay in the negative experiences with adjustment strategies in the wake of the debt crisis (see Grindle, 2000). It was also part of the wider reformulation of the development

paradigm that shifted "from a cruder market-based model of state-society interaction that shaped development programs after the debt crisis, toward more sophisticated and deeply political analyses of the type of state and society required to sustain economic and political development" (Segarra, 1997: 495). Throughout, it prompted an interest in the potential of social participation. "The political turbulence that accompanied structural adjustment programs in many developing countries made working with social actors increasingly important, either to promote consensus over the course of economic reforms or to increase effective aid delivery in alleviating poverty and softening the impact of structural reforms on the poor" (Bräutigam and Segarra, 2007: 152).

The World Bank played a central role in the development of this new paradigm. Focusing on the development problems in Africa, World Bank policy analysts came to the conclusion that the development crisis had not only to do with imprudent fiscal structures, but also the lack of state capacity and "good governance" (World Bank, 1989). What was needed above all was building a "pluralistic institutional structure" and creating intermediaries - NGOs and grassroots organizations - between the government and the people (World Bank, 1989; 1992; see also Williams and Young, 1994). This clearly marked a watershed in the emergence of "second-generation reforms" and the greatly expanded interest in the role of civil society in promoting better governance. This interest was reinforced by academic research regarding the positive role of civil associations in development and democratic governance (e.g. Bebbington and Thiele, 1993; Putnam, 1993). All in all, these intellectual developments among international agencies spearheaded the renewal of donor strategies and conditions.

According to many arguments, the pressures and influence of the World Bank and other international actors has played a critical role in the shift to a new social policy approach in developing countries, including Latin America.[6] One line of argument, often associated with economic-structuralists, emphasizes the financial "leverage" borne by IFIs (Stallings, 1992; also Laurell, 2000; Goldman, 2005; Huber, 2005). IFIs constitute important channels of financial assistance and it is assumed that this makes for a powerful instrument that can be used to impose policies such as structural adjustment and new practices on reluctant governments in need of aid. As this argument goes, "international agencies promise financial support in exchange for specified policy changes, threatening to withdraw aid if these conditions are not met" (Hunter and Brown, 2000: 117).

Yet, much recent scholarship casts doubt on the assumption that international agencies have exerted a strong influence on the enactment of social reform in developing countries (Hunter and Brown, 2000; Weyland, 2003; Kaufman and Nelson, 2004; Bräutigam and Segarra, 2007). Financial aid seems to affect reform politics in ways more complex than the fairly simple notion of IFI leverage suggests. The evidence shows that governments retain powerful levers to block pressure from international organizations. External pressures for specific social policy measures are usually ineffective, unless they coincide with domestic priorities. Especially in technically complex and politically sensitive policy areas, such as social policy, IFI conditionality is a rather blunt instrument that limits the influence that the World Bank and other similar international organizations can exert over decision-making. Social policy reform

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[6] For a discussion, see Weyland (2003). Also Bräutigam and Segarra (2007), and Kaufman and Nelson (2004).

often requires far-reaching institutional reorganization and agreement between many different branches of government, some of which do not respond to external pressure.

Another line of argument, associated with ideational theorists, does not stress so much the financial leverage borne by IFIs as their role in diffusing "knowledge" and ideas among policy-makers in developing countries (Bräutigam and Segarra, 2007; see also Weyland, 2003). In this view, major international actors such as the World Bank act as "teachers" who transmit knowledge and policy ideas to developing countries "through the research they conduct, the publications they circulate, the training sessions they offer, the technical assistance they provide, and the speeches their leaders make" (Hunter and Brown, 2000: 118). In this process, domestic technocrats assume an important role as interlocutors for the transfer of external policy preferences. Through concepts such as international "policy networks" (Teichman, 2001) and "epistemic communities" (Haas, 1992) this argument is better able to link the international and domestic level in explaining the shift to the new pluralist social policy approach. In this view, international technocratic linkages serve as a critical gateway to social policy reform, and in the process policy specialists and experts play a pivotal role in shaping the reform agenda. Top level technocrats in Latin America have often developed strong ties to international policy networks, through education in the United States or working for international organizations. Through intense professional contacts and "social learning" (Bräutigam and Segarra, 2007) these technocrats often come to share IFI views, norms and ideas. Their standing as domestic experts enhances their credibility in transmitting policy ideas and from their positions in government agencies they come to exert influence over the policymaking process and in persuading the executive about the desirability of the new social policies.

This argument helps explain the wavelike character of social policy reform in Latin America. Indeed, much scholarship supports the view that policy specialists with international technocratic linkages play a central role in reform processes (Williamson, 1994; Centeno and Silva, 1998; Teichman, 2001). As policymaking has become ever more complex, the need for professional expertise has increased. Yet, the political weight of technocrats should not be exaggerated. Although policy specialists are often instrumental in initiating the "import" of foreign models, ideas, and experiences, the fate of reform proposals rest decisively with politicians and politics more broadly. As pointed out by Weyland (2003: 19-20), technocratic reformers depend on "political decisions not only for getting their proposals enacted, but also for their own appointment to governmental positions in the first place". To be successful, technocrats need to garner sufficient political support for their reform initiatives. While the famous "Chicago Boys", for instance, almost exclusively depended on the benevolence of General Pinochet, democratization has enhanced the number of veto players. Also, while first-generation macro-economic reforms can often be put into effect fairly swiftly by a tightly knit "change team" of high economic officials with the backing of a top political authority, second-generation social reforms usually require years to implement and involve a great number of actors at different levels of government (Nelson, 2000). This complexity makes for a more overtly political process of reform. It helps institute veto opportunities and paves the way for a number of potential veto actors who may have an interest in blocking or diluting pluralist social policy reform. The literature on the politics of reform has pointed at how interest-groups with vested interests in the status quo, such as workers' unions and professional associations, come to oppose reform initiatives and complicate implementation efforts (Nelson, 2000). Other sources of opposition come from

members of the bureaucratic apparatus who are sceptical about change and want to maintain established procedures, practices and reward-systems (Weyland, 1996). As such, this literature highlights a number of political factors that come to complicate reform efforts. The role of internationally linked technocrats thus needs to be embedded in a more overtly political explanation.[7]

In short, these international-level arguments have usefully highlighted some important aspects behind the shift to a pluralist social policy approach, most notably the influence of international organizations. But international factors cannot on their own account for this shift and the influence of international organizations is transmitted in ways more complex than the relatively simple notions of financial "leverage" and policy "diffusion" suggest. IFIs have been instrumental in shaping the new social agenda and altered ideas regarding social policy. But domestic policymakers retain powerful levers over policy choice and their interests do not necessarily reflect global economic and ideational forces, but are also shaped by domestic political contexts and institutions. Clearly, policy experts are of major importance for the content of reform. The detailed design of reform initiatives and proposals are usually the work of fairly small teams of technocrats. But in order for their proposals to prosper, backing from the executive branch remains crucial. Whether and how pluralist reforms move forward depend in large part on the constraints and opportunities politicians face and their strategic calculations about political gain. Any account of the reform process must therefore also pay close attention to the domestic level and how the impact of globalization is filtered through domestic contexts and power constellations.

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[7] For an example of such an approach in relation to economic reform, see Teichman (2001).

POLICY IMPLEMENTATION AND ITS CONSEQUENCES

Another major issue with regard to recent social reform efforts relates to their political effects. Changes in social welfare provision have far-reaching consequences for the nature of the linkages between state and society. Social policies and programs produce structural and institutional linkages between the state and a large body of citizens, with profound impacts on social equity, levels of social integration, the forms of representation and participation in policymaking, as well as the dynamics of power and control. The new pluralist social policies represent a radically different relationship between government and civil society, which raises important questions regarding the access and influence that the subaltern sectors exercise in this new configuration of social welfare provision. Ultimately, the nature of this new relationship has a direct bearing on the quality of democracy.

One hypothesis that merits attention is that the pluralist social policy approach is reflected in a more collaborative style of governance. International discourses and policies emphasize the need of partnership, collaboration and connections between state and societal actors for effective and democratic governance.[8] Advocates of the pluralist approach argue that it helps to produce new types of links between the state and subaltern sectors that allow for more effective citizenship and better representation of popular interests. The new institutional mechanisms of public participation in social welfare production, such as the design of demand-driven subsidies, competitive bids for project funds and co-participation schemes for the implementation of social projects, contribute to open up spaces and opportunities for subaltern sectors to bargain with state officials over the management of social welfare

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[8] For a discussion, see Bräutigam and Segarra (2007). See also World Bank (1992); Bebbington and Thiele (1993); Newman, Barnes, Sullivan and Knops (2004).

resources. The view offers an image of a new mode of social governance in which old clientelist and corporatist arrangements for welfare provision have been replaced by new pluralist and participatory structures, which link the subaltern sectors and their organizations to decision-making centers in the state through "associative networks" that "process and reshape contending political claims through relatively open-ended and problem-focused interactions" (Chalmers, Martin and Piester, 1997: 545). As such, these new welfare networks have helped to extend the boundaries of policymaking to a new set of actors such as NGOs and community organizations that are able to represent the interests of subaltern sectors. The result is a transformation of governance from hierarchies to networks and a reconfiguration of political representation around more plural institutions.

But perhaps because this theory originates from public management and social policy literatures concerning advanced democratic countries, such as Britain and the United States, it underemphasizes problems of policy implementation. This literature portrays policy implementation as a relatively straightforward process in which private and local actors become involved in the new welfare networks. It pays little heed to the ways in which pluralist reforms may lend themselves to manipulation and capture, particularly in conditions of weak state capacity and underdevelopment. In practice, reform initiatives often become diluted in the process of implementation, leading to outcomes quite different from those originally intended by reformists (e.g. Grindle, 1980). In developing countries, the "implementation gap" and principal-agent problems are especially confounding. States in developing countries are usually weak and riveted by internal factions and struggle over political and administrative turf. In addition, local "strongmen" are often able to capture parts of the state and its policies for private ends (see Migdal, 2001). Hence, it is by no means clear that a shift to the

pluralist social policy approach will automatically result in more open, effective and participatory social governance. For the outcome of reform, the process of policy implementation is of decisive importance.

Unfortunately, studies of social policy reform have tended to focus on the process of policy design and initiation to the detriment of factors that may aid, dilute or block implementation. All too often has it been assumed that once the policy elite have mounted the "political will", reforms will be implemented and the desired results will come about. The few studies that pay attention to this implementation gap in social policy reform have often pointed to the lack of sufficient technical capabilities and organizational resources, especially at decentralized levels of administration (Grindle, 1997; Tendler, 1997). These observers emphasize the need to strengthen the technical and administrative skills of local governments through human-resource training and the creation of administrative systems that incorporate incentives for worker productivity and norms of commitment and professionalism. Indeed, the nature of social policy administration is complex and subject to a multitude of challenges that require ongoing adjustment, learning and supervision.

But the problem of implementation is not only a matter of "getting the policies right" and strengthening administrative capacity. Many studies show that the new social funds and targeted programs often fall victim to political abuse (Dresser, 1994; Roberts, 1995; Penfold-Becerra, 2007). The powers invested in technocratic reformers and policy implementers are often not sufficient to overcome politicians bent on diverting the policy's purpose. Also, reformers must often contend with local resistance to new rules and practices. Efforts to strengthen social participation and pluralistic access to social funds may threaten the interests of local party chiefs, governors and district leaders. These actors strive to maintain their local control over

political resources. In this, they often come to work at cross-purposes with state leaders and policy specialists in charge of social policy reform. In contrast to technocratic reformers who are motivated by policy ideas and loyal to the overarching technocratic goals of pluralist reform, "topocrats"[9] – local political elites – are motivated by political survival and loyal to territory. While technocratic reformers view the central state as a vehicle to change the rules for social provision across the country, topocrats seek to maintain their own rules for who gets what, when and how. They may have far more to gain from capturing targeted funds for their own political use than helping state leaders and technocrats instil pluralistic access to these resources.

Pluralist reform is thus inherently a contentious process in which conflicting interests struggle for influence and control. Previous studies offer some clues to what have driven the shift to a pluralist social policy approach, but they have largely ignored the political motivations and incentives that moud the process of reform. Also, existing work comes short of offering sufficient insights about the effects of pluralist reform on resulting governance structures and state-society relations. Proponents of the pluralist approach herald its modernizing effects on development. They optimistically predict that the new policy mechanisms will deepen democracy by opening up the policy process for participation and paving the way for more accountable social governance (Graham, 1994; Segarra, 1997). By contrast, opponents of the pluralist approach warn of its anti-democratic effects. They argue that it is a means of privatizing social welfare that will not only minimize the social rights of citizenship, but also raise greater obstacles for lower-class political action. These critics assert that the new social policy instruments, such as the system with competitive bids for projects funds, places poor

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[9] See Reilly (1995) for a related discussion of the term.

communities in competition with each other, weakening their capacity for collective action. In this view, therefore, the net effect of pluralist reforms has been to atomize the subaltern sectors and stifle their political activity (e.g. Schild, 2002).

Neither perspective pays sufficient attention to the possibility that the political outcome of pluralist reform need not be uniform across cases. Indeed, depending on political constellations and institutions, the effects of the shift to a pluralist approach can be expected to vary significantly between countries and regions. Yet, the role of political institutions in explaining diverging modes of social governance has largely been ignored. By ordering "the distinctive roles, relations and procedures that mark how the parts of the state interact with one another and how they tie into groups both inside and outside society" (Migdal, 2001: 246), political institutions have a crucial impact on the nature of social governance. As such, however, political institutions are never the sole "cause" of political outcomes, but should be seen as a set of intervening variables (Immergut, 2002).

In sum, existing work does not offer a satisfactory framework for understanding the transformation of social governance in the wake of the dual transition to neoliberalism and democracy. Building such a framework requires new conceptual and analytical tools. This is the task of the next section.[10]

THE POLITICS OF TRANSFORMING SOCIAL GOVERNANCE: **A** FRAMEWORK

This section develops a framework for analyzing the politics of transforming social governance, i.e. the methods for managing and distributing social welfare. The framework is based on an understanding of social policy as a political asset and a

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[10] In this, my study draws inspiration from Snyder (2001).

resource for governance. There are good reasons for adopting such a political perspective.[11] First, the distributive consequences of social policymaking give it an inherently political dimension. "Benefits designed to increase or stabilize the 'welfare' of selected groups are created by policies that generate resources out of a combined process of enforced savings and income transfers which directly affects overall levels of equality and inequality" (Malloy, 1979: 5). These distributive consequences give politicians strong incentives to harness social policy for political purposes and gain. Benefits from social policy are "scarce goods" and their distribution makes it possible for political actors to enlist the support of societal groups and help "generate the resources by which to govern" (Bates, 1983: 131). In democratic contexts in particular, we should thus expect politicians to try to deploy social policy as a means to build support and compete for power.[12]

Also, by establishing a set of institutionalized ties between the state and societal groups, social policy directly affects structures of political representation and participation. As Malloy (1979: 5) has emphasized, social policy "can facilitate or block the integration of new or previously excluded social groupings into the mainstream of modern social, economic, and political life". For example, corporatist welfare arrangements help institute access for organized interest associations such as labor unions to political and administrative power. Under these arrangements, corporatist labor organizations often emerge as powerful socio-political actors and the most important representatives of popular sector interests. By contrast, pluralist welfare arrangements provide relatively more room for NGOs and community organizations by

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[11] For a discusson of the political aspects of social policy, see Malloy (1979).
[12] For a similar argument, but in relation to regulatory policy, see Snyder (2001: 7).

way of decentralizing and targeting social programs. As a result, social welfare systems have an important effect on how citizens participate in modern socio-political life.

Finally, social policy directly connects with the classic political question of governability. A basic characteristic of modern capitalist states is the recurrent tension between the necessity to sustain capital accumulation and the conflicts over socio-political inclusion and distribution (Barrett, 1999). The challenge of modern governance is to provide the conditions for capital accumulation while at the same time ensuring social peace and generating popularity for the existing regime (O'Connor, 1973). Social policy functions as an important means for relieving this tension between accumulation and legitimation. The challenge of governance is particularly daunting for states in developing countries who simultaneously confront requests for social justice, political participation and economic growth. An important motivation for states to engage in social policymaking is to be able to manage this multiplicity of contradictory pressures that arise in the process of development (Baretta and Douglass, 1977). Modern social protection policies in Western societies, such as the program developed by Bismarck in 1883, arguably emerged out of concerns for the potentially disruptive effects of market-based economic development. Specifically, social welfare policies were linked to the emergence of the industrial working class and the need to reorganize the links between society and prevailing structures of domination and control. As such, the formulation of social protection policies formed a conscious political attempt to reshape state and social structures that had been disrupted by emerging industrial capitalism, war and the specter of revolution (Malloy, 1991). These social protection policies were not only aimed at protecting the underprivileged from hardship, but also as a reformist way of dealing with the tension between accumulation and legitimation.

The recognition that social policy forms part of a conscious political attempt to manage state-society relations and the problem of governance puts political leaders' strategic calculations at the center of analysis. Their strategic calculations will in important ways be conditioned by the political challenges that they face as a result of changes in the policy environment. Such changes often relate to major economic and social transformations to which political leaders must respond. Their choices of social policy approach will also in important ways be shaped by prevailing ideas about appropriate policy response and course of implementation. Yet political leaders are not completely free to adopt any course of action that fit their political interests and ideological conceptions of appropriate social governance. They are constrained by political institutions that place strict boundaries on their reform strategies that to a large extent define their capabilities of overcoming vested interests in the process of implementation. To explain the resulting mode of social governance, we thus need a framework that links political leaders' strategic and instrumental calculations to the particular policy challenges they face as well as the ideas and institutions that shape the process of social reform.

Socioeconomic Structure

The socioeconomic structure helps shape political leaders' strategic calculations about social policy formation. In this respect, the major economic and social changes associated broadly with the process of globalization provide a critical backdrop for understanding social reform efforts.

Post-war social welfare arrangements, such as corporatist welfarism in Latin America, were sustained by the socioeconomic structures associated with the

Keynesian or import-substituting industrialization era.[13] During this "golden age" of the welfare state, the productive structures "created conditions [in] which relatively homogeneous working classes could be organized, and in which organized labor could deliver both social peace and working-class votes" (Levitsky, 2003: 5). In this context, governments were motivated to design social policies for the benefit of organized labor. At the same time, the combination of global economic expansion and the Bretton Woods system for regulating international economic relations provided governments with the resources and policymaking autonomy to maintain generous social protection programs.

The profound structural changes associated with the decline of the Keynesian-ISI model and the shift to neoliberal economic strategies has undermined this mode of social governance. First, the fiscal constraints associated with this shift have eroded the economic bases of post-war welfare arrangements. Stagflationary pressures and rising debt generated fiscal crises that put pressure on governments to cut social spending. Subsequent neoliberal economic restructuring has also put strict boundaries on social policy options. As economic liberalization proceeds, formerly protected economies become confronted with global market forces demanding enhanced competitiveness, including cuts in employer contributions to social security schemes. The enhanced factor mobility that accompanies liberalization also creates the need to attract private investment and diminish the risk of inflation. As a result, governments face compelling incentives to cut labor costs through social policy reform.[14]

At the same time, changing class structures have eroded the socio-political bases of post-war social welfare arrangements. The decline of blue-collar workforces has

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[13] See Levitsky (2003) for a discussion of how this constellation sustained labor-based political coalitions.
[14] For a discussion, see Brooks (2007).

weakened a central pillar on which the traditional welfare state has been built. Importantly, the changes in the workforce have usually been accompanied by a decline in union membership. "The globalization of production, the decline of mass production forms, and the growth of tertiary, informal and self-employed sectors have weakened industrial unions and centralized labor confederations" (Levitsky, 2003: 6). Industrial unions have increasingly become marginal players in social policymaking. As a consequence, the capacity of organized labor to mobilize in support of encompassing welfare policies has been severely reduced. Concomitantly with this weakening of organized labor, the growth of the urban informal sector in many countries, including Latin America, has also provided political elites with compelling incentives to remold their relationships with the popular sectors.

Hence, the major structural transformations associated with the process of neoliberal globalization have been an important catalyst for social reform efforts. By changing the economic and socio-political bases of social governance, these structural transformations put pressure on policymakers to enact social policy reform. To maintain social governability, governments need to adjust their social policies to both new economic constraints as well as changing structures of social organization. Both developments create incentives to adopt a pluralist social policy approach. First, the new fiscal constraints associated with neoliberalism makes Keynesian-ISI welfare arrangements economically less viable. By shifting to a pluralist social policy approach, with its emphasis on targeting and civil society participation, public social spending can be cut and redirected toward human and social capital formation, so as to better serve the new neoliberal economic model. Second, the changes in social structure associated with post-industrialism have created political incentives for governments to rearticulate old linkages to the popular sectors. By adopting the pluralist approach,

social policy can be used to build new links to civil society organizations and the urban poor.

Yet, the appearance of new structural incentives is no guarantee that policymakers will have either the will or the capacity to enact pluralist reform. In fact, much of the literature is deeply pessimistic of the chances of successful implementation of social reform (Weyland, 1996; Nelson, 2000). In pursuing reformist policies, governments need to contend with multiple sources of opposition. Entrenched bureaucrats, powerful interest groups, and politicians with vested interests in the status quo will all come to resist reform efforts. Reformist governments may lack a sufficiently strong political base to pursue social policies that run counter to such vested interests. Moreover, even if government are able to mount the political will and capacity to override opposition, state fragmentation in developing countries often complicates efforts to implement reform (Migdal, 2001; Weyland, 1996). Lack of administrative capacity and oversight, especially at decentralized levels of government, provide opportunities to "capture" these new social policies for personal gain. As we shall see, much will depend on how political institutions structure the policy process and the power invested in reforming technocrats.

To sum up, focusing on structural transformations helps explain the constraints and opportunities political leaders face in trying to manage the problem of governance. However, such a focus serves more to reduce the limitations of the range of feasible policy approaches than to explain actual enactment of social reform. To account for the enactment of pluralist reform, we thus also need to consider additional factors.

Policy Ideas and Experts

While socioeconomic transformations put pressure on political leaders to enact social reform, the specific reform approach is in important ways shaped by prevailing policy ideas and norms prescribing the appropriate response to such changes within the socioeconomic context. Policy ideas refer here to the organized principles and causal beliefs in which the proposals for how to deal with the problems of accumulation and legitimation are embedded. They generate interpretations of the very problem and thus also "the political terrain within which solutions are debated" (Kurtz, 2002: 294). For this study, the most relevant policy idea is the pluralist social policy approach that acquired legitimacy and became internalized into domestic political debates against the background of the major socioeconomic transformations during the 1980s.

Policy ideas are not only chosen by policymakers out of ideological conviction but for highly pragmatic reasons as well. The combination of increasing pressures from the "new social question" and the severe constraints on social spending provided by the neoliberal model has precipitated a search among policymakers for ways "to do more with less". Within this context, the pluralist approach presents chief executives with a credible option for how to renew social policymaking to fit the new socioeconomic structures and help recast state-society linkages.

However, before reforms may be adopted, the new policy idea must come to the attention of leading policymakers and become "perceived as an attractive option for reform" (Brooks, 2007: 37). The dissemination of the pluralist paradigm was spearheaded globally by the World Bank, along with international agencies such as the IDB, various UN organizations, and other international donors and think-tanks. By playing a central role in the training of experts, these organizations help form

international "policy networks"[15] and "epistemic communities" that shape the intellectual and technical tools that domestic policy experts apply in social policymaking. As defined by Haas (1992: 3), an epistemic community is "a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy relevant knowledge within that domain or issue-area". From their positions in state agencies these internationally-linked technocratic experts exert influence on domestic social policy by diffusing ideas about "appropriate policy", framing the way decision-makers think of the policymaking context, and constrain the set of acceptable policy measures (Chwieroth, 2005).

Technocrats are policy experts who gain influence from their claim to objective knowledge on the basis of their credentials, education and professional experience. They are concerned with formulating policies to serve the state as a whole, as opposed to the interests of particular groups. This appeal to encompassing state interests distinguishes technocratic rule from conventional politics where policies are often proposed or defended to serve factionalist goals (Centeno and Silva, 1998). As opposed to politicians who base their actions on calculations about re-election, technocrats look to technical criteria for guidance to optimal decision-making. Hence, in contrast with most interest groups, technocratic experts do not derive their power from the satisfaction of particularistic demands, but from their credibility as transmitters of objective knowledge and their ability to fulfil specified policy functions independently from vested interests. Hence, policy experts play a critical role in the process of social reform. To the extent that they are able to form coherent "change teams" (Waterbury, 1992) and receive backing from the chief executive, they may

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[15] See Teichman (2001).

exert considerable influence over the design of reform proposals and their implementation.

But why would presidents delegate authority over the reform process to technocratic change teams? Due to the changes in socioeconomic context, chief executives are under pressure to enact social reform. However, considering the distributive consequences of social policy changes, the reform process is likely to raise strong opposition from vested interests. By deploying technocratic change teams, chief executives try to bypass attempts by such vested interests to resist or overturn reform. Unlike more entrenched bureaucrats, these technocratic experts are not driven to protect institutional turf but to dismantle and remake the old social policy model in accordance with their pluralist vision of social governance. As such, technocratic change teams can more easily be insulated from legislative and interest group pressures, as well as from routine bureaucratic processes, allowing for technically sound and swift enactment of reform. Also, as members of international policy networks, technocratic experts are ideally placed to tap international sources of development finance and aid, providing additional funding for social projects during times of fiscal austerity. Often these policy technocrats also have extensive connections with civil society organizations, helping the formation of relations with major NGOs and other social actors, and facilitating their co-optation.

Hence, a central element of chief executives' strategies to pursue social reform is the use of technocratic change teams empowered to bring about policy change. During the 1990s, political leaders in a number of developing countries have delegated authority over policy change to such teams of pluralist technocrats. But the outcome of reform efforts is by no means certain. Successful implementation of the new pluralist model of social provision is no mean feat. Pluralist change teams will have to

compete with other policymakers and presidential advisors for influence. In particular, economic policymakers may have different views on what reforms are needed. In addition, politicians, bureaucrats and organized labor all have their own interests in trying to capture reform. The change teams' ability to control the reform process will in important ways determine the fate of reform.

Crucially, this ability is also determined by regime institutions. Technocratic reformers operate within a web of politically consequential institutions that may limit reform achievements (Williams, 2002). Not all institutional contexts are equally conducive to implementing pluralist reforms. Technocratic reformers often discover that existing regime institutions are "stacked" against them, weakening their control of policy implementation. While traditional opponents to pluralist reforms such as labor unions have been weakened, technocratic reformers still depend on presidential backing for successful implementation of the pluralist approach. Chief executives may face strong political incentives to divert pluralist social projects for populist goals. Also, depending on institutional context, in order to implement the pluralist approach reformers may depend on local political elites. In politico-institutional contexts where politicians' incentives to use patronage to achieve their political goals are high and controls on discretionary spending are weak, the pluralist approach may facilitate "neopopulist" strategies and new forms of clientelism (see Roberts, 1995, and Weyland, 1996b, 1999a). Hence, in order to understand the reform process, especially its outcome, it is necessary to pay close attention to institutional structure.

Regime Institutions

Regime institutions are the procedural rules, both formal and informal, that define how the establishment and conduct of government is territorially and politically

organized. The *political regime* regulates the selection and behavior of public authorities. The *territorial regime* specifies the division of powers between national government and the governments of sub-national territorial units (Gibson, 2008). As such, regime institutions create constraints and opportunities for different actors in social policymaking, and structure their relations with one another. Like all institutions, regime institutions favor some actors over others, providing greater or fewer opportunities to influence social policy reform. By the same token, regime institutions will also shape politicians' incentives by defining their room of maneuver in pursuing their goals. By structuring political interaction in ways that limit what some actors can do, and enable others to do things that they could not do under a different regime, regime institutions have an important impact on the politics of transforming social governance (Williams, 2002).

Figure 1.1 illustrates four types of territorial regime. These are divided on the basis of two common analytical dimensions for distinguishing between territorial regimes: the degree of centralization versus decentralization, and federal versus unitary systems.

Figure 1.1 Types of Territorial Regime

	Unitary	Federal
Relatively more centralized	Centralized Unitarism	Centralized Federalism
Relatively more decentralized	Decentralized Unitarism	Decentralized Federalism
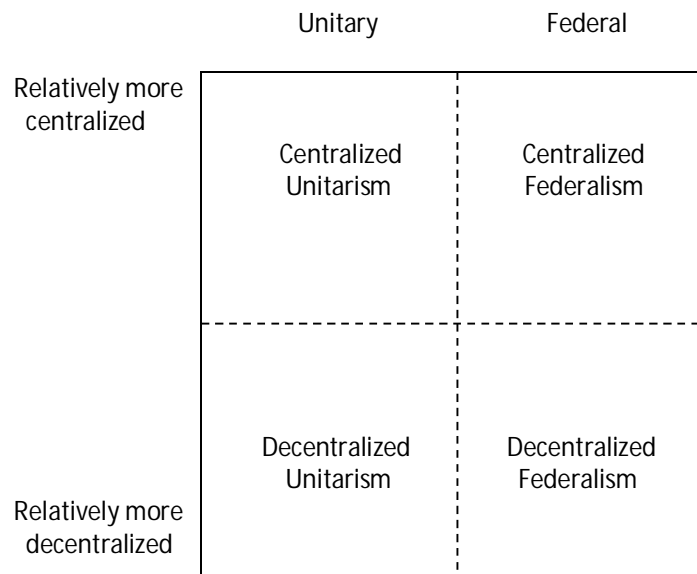
The type of territorial regime is important as it defines the authority of topocrats – sub-national political actors - in social policymaking. In contrast to technocratic reformers, topocrats are not foremost loyal to national goals and universalistic principles, but to territory and the protection of their political turf. As such, they often have diametrically opposite interests from pluralist reformers and may come to impose severe constraints on the central government in its efforts to implement the pluralist approach. The greater the authority of such local powers, the more difficult it will be for the center to impose its will on the localities and regions. For example, in decentralized federal regimes (lower right quadrant), topocrats are crucial actors in social governance as they hold authority over vital political resources. Not only may topocrats hold authority over aspects of social policy in their jurisdictions, but they also play an important role in the politics of national coalition building. In order to consolidate governability, win elections and carry out major reforms, chief executives need to build viable national coalitions. In a context of decentralized federalism,

topocrats, with their abundant supplies of voters and legislators, exercise considerable leverage. As a result, central government reformers will need to compromise with these local powers. The effects of such political bargaining between central state officials and topocrats may constitute a formidable obstacle to the successful implementation of pluralist reform. At the very least, technocratic reformers will find their control over the implementation process circumscribed by such political interests.

By contrast, in centralized-unitary regimes (upper left quadrant) topocrats have limited opportunities to assert their interests' vis-à-vis the central state. Structures of a largely "prefectoral" character ensures a high degree of political and administrative control from the center over regions and localities. In case of local resistance, central state actors can make use of such prefectoral structures to impose pluralist reforms. On the whole, chief executives have less need to engage in territorial politics and bargaining games with topocrats as these are not likely to command any vital political resources.[16] When presidents do not depend on topocrats for political survival, they are more likely to insulate social change teams from topocratic interests. This paves the way for technocratic reformers to assert control over the process of implementation. Depending on presidential backing, pluralist technocrats may become empowered with great autonomy to implement the pluralist approach and transform social governance.

Besides territorial regime institutions, political regime institutions will also shape the policy making process. At the most general level, we may distinguish between authoritarian and democratic regimes. In *authoritarian* regimes chief executives face few constraints in enacting social reform. As a result, social policy is likely to reflect the

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[16] For a discussion of territorial politics, see Gibson (2004; 2008).

interests and political styles of the top leadership and their advisors. In an authoritarian context, technocratic change teams will have greater autonomy from topocratic and societal interests. Yet, internal cracks between top leadership often complicate reform efforts. Depending on the institutional structure of the decision-making process, particularly the extent to which power has been concentrated with one reformist dictator as against a *junta* structure, reformists may be bogged down by more conservative leadership elements. In any case, the political outcome of the reform process is not likely to reflect a pluralist framework. While authoritarian institutions are conducive to the dismantling of the old corporatist mode of social governance, these very same institutions make the adoption of the pluralist approach less urgent. Social disruptions and opposition can be muted by the circumcision of political and civil rights, and if necessary by force. Policymakers in authoritarian regimes, therefore, have less incentive to use the pluralist approach to social policymaking as a strategic approach to manage state-society relations and the problem of governance.

By contrast, in democratic regimes repression is not an option. Instead, social policy provides an important means to manage state-society relations and the problem of governance. To the extent that the pre-democratic regime has dismantled the old social policy approach, democratization will put pressure on the new political leaders to deal with the social question. This presents democratic leaders with a delicate dilemma. They will need to attract voter support by catering to the large mass of poor people expecting social improvements, but due to economic constraints, they will have little leeway to increase or redistribute social benefits. Moreover, the lifting of prohibitions on social and political organization raises the specter of mass mobilization against austerity policies. Stripped from old corporatist mechanisms for regulating

social demands and pressures, the new political elites will need to find new ways to manage state-society relations. Under such circumstances, the pluralist approach provides an attractive option. By targeting social assistance and incorporating civil society organizations in the implementation of social programs, new ties can be established with the subaltern sectors. As such, in addition to major structural and ideological transformations, and in conjunction with such changes, recent transitions to democracy have also provided important impulses to enact pluralist reform.

However, important variations exist between democracies with regard to their institutional configuration and such variations will condition the process of implementing pluralist reform. O'Donnell (1994, 1999), among others, has called attention to institutions of public accountability and how important these are for understanding differences among democracies. The concept of public accountability refers to the answerability and responsibility of public officials. Institutions of public accountability thus denote constraints placed on the behavior of public officials by agencies and constituencies with the capacity to demand an accounting of such officials and/or the power to apply sanctions on them. These institutions limit the use and sanction the abuse of political power. Hence, accountability "rests largely on the effectiveness of the sanctions and the capacity of accountability institutions to monitor the actions, decisions, and private interests of public officials" (World Bank, 2000: 40).

O'Donnell's seminal discussion distinguishes between "vertical" and "horizontal" dimensions of public accountability in democracies.[17] The former refers to the accountability of state agents to citizens, while the latter refers to the accountability

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[17] I refer here to O'Donnell (1994, 1999). For further explorations on this theme, see Mainwaring and Welna (2003), Przeworski, Manin, and Stokes (1999); and Schedler, Diamond, and Plattner (1999).

between different branches of the state to one another.[18] Vertical accountability results from properly institutionalized elections that are designed to insert popular power into the state. It implies a representative relationship between the citizens and their elected officials who have been authorized to exercise governmental power on citizens' behalf. Through the electoral mechanism, citizens can hold governments responsible for their actions, producing governments that are accountable and responsive to public interests. For this mechanism of vertical accountability to be effective, elections not only need to be free, fair, competitive and inclusive – a prerequisite for any political democracy – but also, de facto, empower elected officers with decision-making authority over government policy. Scholars of democratization have repeatedly noted how "reserved domains", "tutelary powers" and "violent participation" may infringe upon the ability of citizens to exercise vertical control. Also, "institutionalized bias" with respect to electoral rules may weaken the mechanism through which citizens act to demand responsiveness of governmental policies to their preferences. Such "perverse institutionalization" is designed to restrict popular power and, thus, repel threats to elite interests by electoral democracy. Hence, a prerequisite of strong vertical accountability is the proper institutionalization of meaningful elections in the sense of them being consequential.

With respect to social policymaking, institutions of vertical accountability will thus shape politicians' strategies to enact social reform. In regimes with strong institutions of vertical accountability, incumbents are immediately accountable to popular

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[18] Conceptions of vertical and horizontal accountability largely correspond to the electoral and constitutional dimensions of liberal democracy, respectively. For a discussion, see Wigell (2008). Scholars have repeatedly emphasized how third-wave democracies vary along these two dimensions, scoring "high" on one dimension and low on the other or vice versa. This calls for a typology of democracies, whereby the effects of such differences on social reform politics can be assessed. Such a typology can readily be constructed on the basis of O'Donnell's insightful conceptualization of democratic accountability.

interests and will face compelling incentives to respond to societal demands. In such a context, social reform projects are likely to reflect politicians' need to attract electoral support and pander to societal interest groups. By contrast, in regimes with weak institutions of vertical accountability, popular interests hold weaker leverage over government policy. Through "perverse institutionalization", incumbents are constrained by elite interests that may come to exert decisive influence over social reform strategies.

Horizontal accountability, on the other hand, results from the constitutional checks and balances that are designed to prevent democracy from degenerating into electoral autocracy. It implies that governmental actions do not infringe the law and due process. Through a system of intrastate checks and balances that delimit state activity into rigorously circumscribed competencies, governmental actions are held in check under the rule of law. According to O'Donnell (1999: 39), for mechanisms of horizontal accountability to be effective, "there must exist state agencies that are authorized and willing to oversee, control, redress, and if need be sanction unlawful actions by other state agencies". As such, a prerequisite of strong horizontal accountability is an effective system of separation of powers and checks and balances. It includes the classic institutions of the executive, the legislature, and the judiciary; but in contemporary democracies it also extends to various oversight agencies such as ombudsmen, general accounting offices, fiscalías, and the like. Such agencies of horizontal control must not only have constitutional authority but also, de facto, sufficient autonomy with respect to other branches of government, particularly the executive, in order to be able to fulfil their function in upholding the rule of law.

With a view to social policymaking, strong institutions of horizontal accountability are thus essential for preventing and deterring clientelist practices and the

discretionary use of social funds. They impose constraints on politicians as to how social policy can be used to further their private and political goals. By contrast, in a context of weak institutions of horizontal accountability politicians are free to use social policy resources in a clientelistic manner to improve their political or electoral backing. Indeed, as the likely costs for transgressing "the codes of conduct" are low, rational politicians will have an incentive to capture these social funds for clientelist ends.

Figure 1.2   Types of Democratic Regime

HORIZONTAL
ACCOUNTABILITY
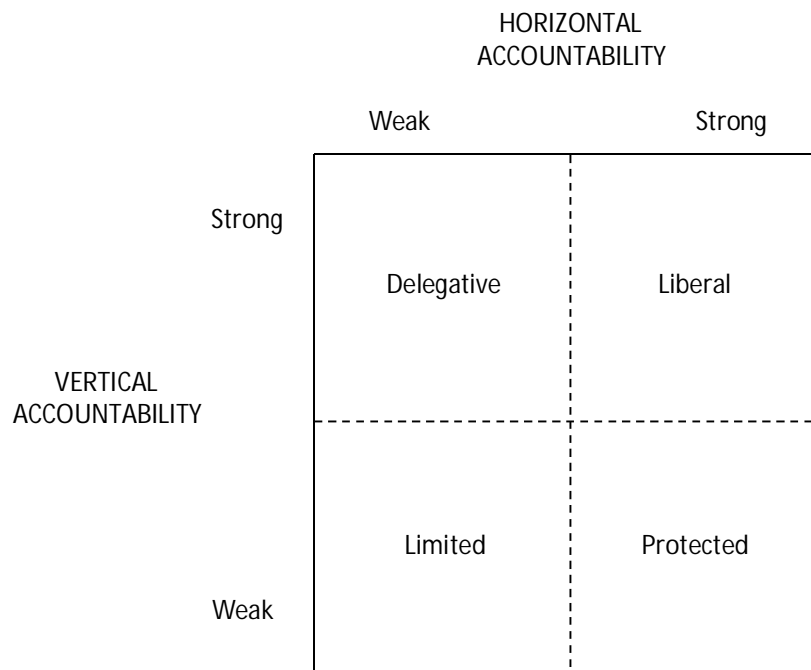
The type of democratic regime will thus have an important effect on the process of implementing the pluralist approach. This can readily be understood by utilizing the typology illustrated in Figure 1.2. For example, in "delegative" democracies, strong institutions of vertical accountability put pressure on government leaders to respond to popular demands. At the same time, weak institutions of horizontal accountability

give these leaders wide discretion in allocating social funds. Under such circumstances, the process of implementing the pluralist approach is likely to follow a populist trajectory in which pluralist reforms are strategically manipulated for electoral purposes. Targeted funds are designed to provide selective access for supporters in clientelistic fashion and participatory mechanisms are fitted to co-opt civil society organizations. When combined with decentralized federalism, such discretion extends to topocrats who face similar incentives to make use of a "delegative mandate" to consolidate clientelistic networks in their respective "fiefdoms". Unchecked by agents of horizontal control such as legislatures, judiciaries or accounting offices, topocrats face compelling incentives to capture pluralist reforms and allocate these resources using clientelist rather than universal criteria.

By contrast, in "protected" democracies, institutions such as tutelary powers, reserved domains and other non-majoritarian prerogatives constrain government leaders in responding to popular demands and pressures. Instead, government leaders are forced to share authority over social policy with elite actors. At the same time, strong institutions of horizontal accountability help prevent "capture" of social policy. Agencies of horizontal control such as controllers, fiscalías, ombudsmen, accounting offices, and legislative committees are charged with effective powers to monitor and sanction wrongdoings which helps to deter clientelistic usage of social funds and invokes universalistic rules of conduct in allocating social policy resources. In a protected democracy, politicians have few means to strategically manipulate pluralist reforms for their immediate political purposes. Instead, the implementation of the pluralist approach is likely to follow a highly technocratic trajectory in which rational-bureaucratic criteria prevail over political considerations. Such technocratic governance in protected democracies is all the more prevalent when combined with

unitary centralism, a system in which topocrats have very few means to influence the enactment of social policy. Under such circumstances, sub-national government is largely reduced to an extension of central state bureaucracy.

Political Outcome: Modes of Social Governance

This study argues that the structural and ideological changes associated with the demise of the state-centric matrix have provided important impulses for policymakers to initiate pluralist social policy reforms. The shift from state-led to market-oriented economic strategies has rendered corporatism increasingly obsolete as an approach to organize state-society relations. Organized labor, a bastion of corporatist mediation, has been dramatically weakened by these economic changes. At the same time, the reconstitution of social organization around base-level activity has provided incentives for political elites to adjust their agendas to be able to make inroads into these new potential social constituencies and build new links to intermediary organizations in the wake of the demise of corporatism. These economic and social changes were exacerbated in Latin America as a result of the debt crisis and structural adjustment policies that put severe constraints on social policy options. Political leaders have been forced to look for new methods and policies to manage the dilemma between accumulation and legitimation. In many parts of the region, re-democratization has made it even more imperative for governments to address perceived needs and demands, as voters put high hopes on democracy to solve the social question. The solution for maximizing both economic and political returns from the distribution of scarce social funding has been to target the increasing mass of urban poor and devolve the implementation of social programs to NGOs and community organizations.

Coupled with these socioeconomic transformations are the ideational changes that have cemented the predominance of the pluralist approach. In conjunction with the rise of neoliberalism, the old corporatist social policy approach has been discredited, being seen as corrupt, inflexible and inefficient. In this process, social policy experts have played an important role as transmitters of pluralist social policy ideas and proposals. Under pressure from structural changes to enact social reform, political leaders find it convenient to delegate authority over the enactment of reform to technocratic experts so as to be able to bypass vested interests and present the reform project with appeals to "objective knowledge".

However, the political outcome of such pluralist social policy initiatives is by no means uniform across cases. This study argues that the politics of pluralist reform leads to divergent modes of social governance. Social governance refers to the methods for managing and distributing social welfare. As such, social governance has a direct bearing on state-society relations. Modes of social governance thus articulate ways of managing state-society relations and the problem of governance. Depending on trajectories of implementation, pluralist reform may end up supporting both populist as well as technocratic solutions to the problem of governance. As such, the political outcome will differ markedly from the theoretical assumptions coupling the pluralist approach with participatory modes of social governance. Even if reformist politicians initiating the new social policy approach are committed to pluralist inclusion, patronage politicians and topocrats may have strong incentives to try to "milk" the reforms in the implementation phase, thus potentially corroding its participatory goals and principles. Also, reformist technocrats in charge of the enactment of social reform may want to retain control over the policy process, and

thus effectively exclude societal actors from vital policymaking arenas. Mode of social governance thus has a major importance for issues of citizenship and social change.

At one end we find *technocratic* modes of social governance that provide for "neo-pluralist" inclusion of subaltern sectors and in which social funds are allocated on the basis of predominantly non-partisan and technical criteria. Neo-pluralism refers here to the structures that link society with the state on the social policy arena. Its pluralist aspect comes from the absence of any state-imposed representational monopolies characteristic of corporatism. "Organized labour becomes one actor among many, albeit weaker, with fewer privileges and in a less-unified form than in the past" (Oxhorn, 1998: 200). Like classical pluralism, neo-pluralism provides for voluntary participation in the administration of social programs and invokes free competition for access to social funds. However, unlike classical pluralism, neo-pluralism is characterized by its strong technocratic bent through which the state is able to control social-demand making and set the terms for civil society participation in social policymaking. Societal participation mainly revolves around policy implementation. NGOs and community organizations are invited to submit project proposals and compete for funds on the highly technical terms set by the welfare bureaucracy. The aim with such competition is to develop innovative and cost-effective programs of social development. At the same time, by introducing competitive tendering as a major mechanism for allocating social funds, these organizations are provided with strong incentives to adjust their agendas so as to be able to compete for these funds. In the process, they often come to downplay some of their earlier political functions as advocacy groups for the subaltern sectors and reduce their demands on the government. As such, these structures serve to depoliticize the links between state and society, and help deflect popular mobilization away from encompassing political

activity towards grass-roots social efforts. By inviting NGOs and community groups to take over responsibility for welfare provision and incorporate them into funding relationships in which they mainly acquire the role of implementers of social programs, the state is thus able to impose greater political discipline upon civil society. Consequently, even though these organizations help to establish institutionalized ties between the subaltern sectors on the one hand, and the state on the other, they lead neither to increased pluralistic pressure group politics nor to class polarization.

Hence, as a political outcome of pluralist reform, technocratic modes of social governance differ markedly from the rhetoric that connects the pluralist approach with participatory governance and the empowerment of the poor. Technocratic governance does not exclude participation; indeed, it makes community groups share responsibility for government policies by devolving welfare tasks to them. But these participatory mechanisms do not empower subaltern sectors to effectively articulate encompassing social demands. In technocratic modes of social governance participation is structured by the technocrats within the welfare bureaucracy, who remain in charge of policy design and spending priorities. Participation is reduced to the process of program implementation. While these structures allow for the rationalization of social policymaking by instituting technical criteria into the administration of social welfare, this de-politicization concomitantly provokes apathy and de-mobilization among the subaltern sectors. As opportunities to challenge decision-making are few, subaltern sectors have few incentives to mobilize. Also, pluralistic competition between civil society groups for access to social benefits often lead to atomization and fragmentation of social organization. The system of contract-based funding helps to institute competitive relationships between subaltern sectors as community leaders and their organizations compete for the scarce resources

offered by the welfare bureaucracy. These competitive relationships work against social capital formation as some neighbourhoods may become included into social programs, while other similar and adjacent neighbourhoods are left out. Moreover, because of the highly technical requirements for participation, those most in need of assistance, but who lack the capabilities of taking advantage of participatory opportunities, often become excluded. Under these circumstances, business groups and more technically endowed NGOs often acquire advantages in competitive biddings for tendering contracts. In summary, while technocratic modes of social governance provide for pluralistic access to social benefits, scarce resources and technocratic control over the distribution of benefits serve to depoliticize social policymaking making it hard for subaltern sectors to demand encompassing social change.

At the other end we find *populist* modes of social governance that provide for "neo-clientelist" inclusion of subaltern sectors, in which social funds are allocated on the basis of predominantly partisan and political criteria. Clientelism refers to relationships of political subordination in exchange for material rewards. It entails the use of selective benefits through which leaders attempt to command political loyalty. By entering clientelist networks, subaltern sectors acquire some degree of resources and security. In traditional clientelism, the freedom of the clients in choosing to enter or exit these patron-client relationships, and on which terms, is severely constrained. "The patron usually held virtual monopoly over the means of livelihood of his clients, so that not entering or exiting the relation was often prohibitively costly" (Piattoni, 2001b: 12). However, in neo-clientelism, the clients are not "forced" to enter clientelist networks, but choose to do so in order to gain privileged access to public resources and make demands upon the state. Also, neo-clientelistic ties are less individualistic. As Gay (1998: 14) has emphasized, clientelism is increasingly: "A means to pursue the

delivery of collective as opposed to individual goods. This means that political clienteles are less likely to assume the form of loose clusters of independently negotiated dyads than organizations, communities or even whole regions that fashion relationships or reach understandings with politicians, public officials and administrations". Neo-clientelism can thus be seen as a strategy whereby politicians (the patrons) try to gain and maintain power by distributing divisible benefits to subaltern sectors, while the subaltern sectors try to obtain selective access to state-administered goods by granting their vote to the politicians (Piattoni, 2001a). In populist modes of social governance, social benefits are allocated according to partisan and political criteria, which enable the establishment of such neo-clientelist relationships. Participation thus mainly takes the form of clientelist brokerage whereby civil society organizations are enlisted to act as middlemen in doling out particular benefits to political loyalists. The aim is to marginalise political opposition and build local bases of political support. Pluralist reforms, such as targeting and decentralization, are politically manipulated to facilitate clientelistic incorporation of the poor. At the same time, such clientelistic ties serve to politicize the linkages between the political elites and subaltern sectors. These linkages constitute mechanisms through which the multiple categories of subaltern sectors can make demands upon the state and whom the political elites compete to command. This process feeds political mobilization as political elites dole out particularistic benefits in return for attendance at political rallies and other political services. As such, to the extent that these welfare benefits are open to discretionary allocation procedures, populist modes of social governance run counter to technocratic modes of social governance, but in ways that preserve the essentially elitist character of the socio-political order.

Hence, as a political outcome of pluralist reform, also populist modes of social governance differ markedly from the rhetoric that connects the pluralist approach with participatory governance and poor peoples' empowerment. Populist governance does include some sort of participation; indeed, political parties and civil society organizations become heavily involved in allocating social funds and performing welfare tasks. However, these participatory mechanisms are essentially structured from above. Politicians hold tight control over discretionary funds and decisions regarding allocation are heavily influenced by political considerations. Social programs are manipulated by personalist leaders seeking political support. Such forms of selective incorporation help these leaders, both national and sub-national, maintain a popular constituency despite macroeconomic reforms that sharpen inequalities and drive up unemployment. Yet, populist governance is inherently unstable and prone to sudden outbursts of counter-mobilization. As populism tends to cause chronic overspending, it often leads to fiscal crisis. "While such crisis can be postponed for a while by cumulating public debt, it finally has to be faced" (Piattoni, 2001b: 28). The very logic of populism (and clientelism) is bound to drive up expectations and "trigger a backlash if it leads to large public deficits, widespread corruption, and the disintegration of public institutions" (Ibid.: 26). In sum, populist modes of social governance provide for clientelistic access to social benefits. But while these clientelist exchanges may intensify patterns of social inequality as certain groups gain "privileges" others do not, political control over the distribution of benefits serves to politicize social policymaking whereby opportunities may open up for subaltern sectors to articulate more encompassing social change.

Between these two extremes (technocratic versus populist) we may find intermediate outcomes, such as participatory modes of social governance that provide

for "associative" inclusion of subaltern sectors and in which social funds are allocated on the basis of cognitive processes that involve both technical and political considerations. At least, this is what a growing literature on participatory governance and "associative networks" claim to have found. "Associationalism" refers to the networks that link society with the state on the social policy arena. Associative networks are "non-hierarchical structures formed through decisions by multiple actors who come together to shape public policy" (Chalmers, Martin, and Piester, 1997: 567). As such, these networks allow societal actors to place demands on the state and promote state responsiveness through inter-organizational ties that "process and reshape contending political claims through relatively open-ended and problem-focused interactions" (Ibid.: 545). By breaking down the hierarchical relations of dependence and connecting segments of civil society with the state, these networks expand opportunities to organized collective coordination structures for the pursuit of group interests. While associative networks may provide arenas for tri-partite negotiations and neo-corporatist participation, in contrast to traditional corporatist modes of social governance, these networks do not privilege corporatist structures over other associative forms and potential participatory organizations such as NGOs. Instead, participatory modes of social governance provide for more flexible state-society interactions that grow out of the need to solve relatively specific problems of social coordination between multiple actors. As a consequence, mass participation is seldom the result, "but rather more diffuse participation focused on relatively specific purposes" (Ibid.: 562).

As discussed above, pluralist reforms are often assumed to give way for such participatory modes of social governance. The mechanisms for targeting and decentralizing inherent in the pluralist social policy approach have been designed to

promote participation and collaborative solutions in the management of social policy. Yet in this study, as we shall see, participatory outcomes do not figure prominently. Rather, the study shows how the pluralist approach may give way to contrasting outcomes, most prominently a technocratic mode of social governance (Chile), on the one hand, and a populist mode of social governance (Argentina), on the other hand.

To explain these contrasting outcomes, this study argues that regime institutions play a major role. In regimes where decentralized federalism is connected to a delegative type of democracy the political outcome of pluralist reform will be a populist mode of social governance. As a consequence of decentralized federalism, topocrats are influential actors in social policymaking. This will circumscribe the ability of central-state technocrats to control policy implementation. Also, as a result of delegative democracy, politicians (both at the national as well as the sub-national level) have an incentive to foster clientelist linkages with the subaltern sectors. Weak institutions of horizontal accountability offer plenty of opportunities to depredate public resources for clientelist ends. Clientelist arrangements presuppose a state which leaves substantial room for political discretion. It is also in such political systems where populism as a political strategy is most viable. Strong institutions of vertical accountability put pressure on political leaders to cater to the large mass of poor people expecting social improvements. However, providing programmatic public goods for lower-class constituencies may be costly for political leaders and their parties in economic and organizational terms, as they face constraints in pursuing social policies; and parties may wish to simultaneously court wealthier constituents who can finance campaigns and who oppose social spending. Hence, politicians in delegative democracies with many poor voters have an incentive to replace programmatic

appeals with clientelist hand-outs.[19] As such, by providing opportunities for political manipulation of social funds (weak horizontal accountability) as well as strong incentives for a populist strategy to gain voter support (strong vertical accountability), politicians in delegative democracies are prone to use the pluralist approach for clientelist ends. The result is a populist mode of social governance.

Alternatively, in regimes where centralized unitarism is connected to a protected type of democracy, the political outcome of pluralist reform politics is a technocratic mode of social governance. Because of centralized-unitarian institutions, topocrats have few means to influence the policy process. Instead, technocrats retain control over the process of policy implementation preventing local capture of pluralist reforms. Importantly, as a result of protected democracy, politicians are constrained in using populist and clientelist means as a way of fostering political support. Strong institutions of horizontal accountability provide few opportunities for discretionary use of social funds. Agencies of horizontal control such as controllers general are authorized with effective powers to audit officials and governmental agencies and exercise oversight in the formulation and execution of social spending. As such, they have a series of tools available for ensuring compliance with nonpartisan principles and preventing abuse of social funds. At the same time, "reserved domains" and other constitutional prerogatives ensure responsiveness of political leaders to elite interests, which effectively deter political leaders from crafting populist strategies. Instead, under circumstances of protected democracy political leaders have an incentive to craft neo-pluralist links to subaltern sectors through which popular organizations can be co-opted into funding relationships controlled by the techno-bureaucracy and at

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[19] For a discussion of why political parties in poor democracies use clientelism as an electoral strategy, see Brusco, Nazareno, and Stokes (2002). Also, Levitsky (2003).

the same time stave off social unrest that could trigger an authoritarian backlash. Hence, by putting severe constraints on the use of social funds (strong horizontal accountability) as well as providing disincentives for politicians to take populist measures (weak vertical accountability), politicians in protected democracy find it convenient to let technocrats control the process of implementing the pluralist approach. The result is a technocratic mode of social governance.

RESEARCH DESIGN

The following chapters apply the politics of transforming social governance framework to the cases of Argentina and Chile. Thus, the present study is more case-oriented than variable-oriented (see Ragin, 1987). It deploys an analytical strategy known as "paired comparison" – the structured analysis of two cases.[20] According to Tarrow (2010: 243), paired comparison is a "distinct analytical strategy for working through complex empirical and historical materials using the leverage afforded by the differences and similarities of comparable cases". By combining controlled case comparison with a close sensitivity to case material it is well suited to delineate important empirical processes and causal mechanisms that furthers our understanding of social governance transformations and help build middle-range theory.

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[20] One may argue that, in fact, the analysis conducted in my study involves more than two cases as it not only compares the shift to a pluralist social policy approach in Argentina and Chile during the 1990s, but also conducts a comparative-historical analysis of the earlier shift to a corporatist social policy approach in these countries. This analysis finds the framework developed in this chapter useful for explaining the adoption of the corporatist social policy approach and its political outcome in Argentina and Chile. As such, it helps increase the inferential leverage of my causal model in which socioeconomic structure, policy ideas and experts, and regime institutions interplay to produce specific modes of social governance. Hence, one could perhaps speak about a double-paired comparison conducted in this study, in which, nevertheless, the bulk of the analysis is focused on comparing the shift to the pluralist social policy approach during the 1990s in Argentina and Chile.

While small-N comparison lacks the degrees of freedom of large-N comparisons that furthers inferential leverage and lets the researcher make precise probabilistic statements, it compensates for this problem by directly observing the mechanisms and processes that connect the independent and dependent variables of interest. As such, it facilitates what Collier, Brady and Seawright (2004) calls "process-oriented" causal inference as against "correlation-based" causal inference. Herein, "process tracing" provides a common method that enables the investigator to focus on processes of change within cases and "how various initial conditions are translated into outcomes" (George and McKeown, 1985: 35). Thus, such in-depth qualitative research is especially appropriate for the political perspective adopted in this study that puts policymakers' strategic calculations at the center of analysis and infers the way they are being shaped by structural, ideational and institutional variables.

Importantly, paired comparison permits what Tarrow (2010) calls "dual-process tracing", which sensitize the investigator to the possibility of multiple conjunctural causation and the possibility that a supposed determining variable may not be as critical as it seems from the perspective of a single-case study. For instance, tracing through the process of social policy reform in Argentina during the Menem era may lead the investigator to conclude that World Bank leverage is a critically important variable in explaining the shift to a pluralist social policy approach. Indeed, the World Bank took an active role in formulating and financing pluralist social policy projects in Argentina. Yet, when tracing through the process of social policy reform in Chile during the Concertación era one finds hardly any sign of the World Bank, save for references by some policy experts to the pluralist practices and ideas promoted by the World Bank that point towards a process of international diffusion rather than leverage. Thus, by resorting to dual-process tracing, the risk of overstating the effect of a supposed

determining variable can be reduced. The leverage afforded by the differences and commonalities revealed in the analysis of comparable cases permits a scientifically more rigorous, yet nuanced, understanding of the politics of transforming social governance.

Based on extensive field research that included in-depth interviews and archival research, as well as a thorough review of scholarly work on the history of the Argentine and Chilean welfare state, the present study provides a longitudinal analysis of the unfolding of social reform efforts in Argentina and Chile. The field research was carried out in Argentina by the author in 2004-2005 and 2006, and in Chile in 2006. In both countries, in-depth interviews were conducted with experts and key participants in the policymaking process as well as delivery personnel and NGOs involved with the new social programs. The interviewees were selected with a view to their positions and the specific knowledge I believed they had about the issues under investigation. The interviews were conducted as conversations and all questions were open-ended in order to let the informants offer their own nuanced responses.[21] To complement interview evidence, various documentary sources – newspapers, institutional reports and publications, speeches, internal analyses and investigations of governmental and non-governmental agencies, statements presenting their positions, etc. - were reviewed by investigating the archives of key ministries, foundations and research centers. Together the interviews and archival research served several purposes. First of all, they provided an understanding of the interests and influence of key actors in the policymaking process. Secondly, they helped situate the strategic interactions of policymakers and participatory organizations in the context of structural, ideological

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[21] Most interviews were confidential so I will not generally cite them in the text or they will be referred to in very general terms.

and institutional constraints. Finally, by providing tentative evidence for an assessment of the political outcome of the new social policy approach, they helped detect the causal mechanisms that connected initial reform impulses with the particular mode of social governance that resulted from the process of implementation.

Why were Argentina and Chile selected for this study? Argentina and Chile have many commonalities that make it easier to assess the impact of remaining differences. They share a number of historical and cultural background characteristics, many of which have to do with Spanish colonial legacy, have followed similar developmental stages, and gone through similar ideological periods from national populism to state-led industrialization to neoliberalism. Hence, by comparing Argentina and Chile, a number of factors can be held fairly constant. But they also differ in important respects. In terms of factors that are often seen as crucial for explaining the initiation of social policy reform, namely exposure to external influence, Argentina under Menem was much more dependent on IFIs than Chile under the Concertación. With regard to policy implementation and the political outcome of pluralist social reform, different types of regime structures permit an assessment of the impact of regime institutions on the mode of social governance. It is precisely this combination of commonalities and differences that make Argentina and Chile excellent cases for the paired comparison conducted in this study. Subsequent chapters will explore these commonalities and differences in more detail, thus providing for a "structured, focused comparison" (George and Bennett, 2005) with the aim of producing theoretically suggestive findings concerning the politics of transforming social governance.

ORGANIZATION OF THE STUDY

The study is organized as follows. Chapter 2 provides a comparative overview of the politics of transforming social governance in Argentina and Chile by summarizing the main findings from the rest of the study. This cross-perspective highlights important commonalities and differences between the two cases. The chapter shows how changes in the policy environment prompted both the Argentine and the Chilean governments to initiate pluralist social policy reform. It also shows how differences in regime institutions account for the contrasting political outcomes of the reform attempts. As such, the chapter demonstrates the usefulness of the politics of transforming social governance framework developed above.

The study then turns to an in-depth longitudinal analysis of the transformation of social governance in the two countries. Part II conducts a historical analysis of the evolution of social governance in Argentina and Chile. The analysis adopts a cross-sectoral perspective, focusing on key social policies with a view to the formation and retrenchment of the old corporatist mode of social governance. Chapter 3 examines the origin, evolution, and erosion of the corporatist mode of social governance in Chile. Chapter 4 extends this analysis of welfare corporatism and its demise to Argentina. Together these two chapters show how the framework developed above stands the scrutiny of such a historical perspective. By focusing on the attempts by the political elite to manage the tension between accumulation and legitimation in response to changing socioeconomic, ideational and politico-institutional conditions, the rise and fall of corporatism can be accounted for.

Part III then turns to analyzing the new politics of poverty alleviation from the beginning of the 1990s onwards. Discarding the broad focus on traditional sectoral social policies of Part II, the focus is now delimited to the specific policies and

programs initiated to confront the issue of poverty. Having played only a minor role in the old corporatist social policy approach, anti-poverty policy became a central tenet of social governance in the 1990s. Chapter 5 analyzes the case of Chile during the Aylwin, Frei and Lagos administrations. It finds that pluralistic anti-poverty policy has been conducted in a highly technocratic fashion leaving little room for subaltern sectors to demand encompassing social change. It shows that such technocratic governance has been contingent on Chile's regime institutions, which constrains political discretion and paves the way for strong technocratic control over policy execution. While helping ensure long-term governability, this technocratic mode of social governance fails to enhance citizen participation. The opposite scenario is seen in Chapter 6, an analysis of anti-poverty policy in Argentina during Menem, where after having initiated pluralist anti-poverty reform, technocratic reformers were unable to shield it from political capture. It shows how Argentina's regime institutions provided politicians, both at the national and sub-national level, with wide discretion to divert social funds for clientelist machinations. At the same time, such politicization of anti-poverty policy helped undermine long-term governability and contributed to the counter-mobilization that culminated with the 2001 crisis.

THE TRANSFORMATION OF SOCIAL GOVERNANCE

IN ARGENTINA AND CHILE

In the early 1990s, the Argentine and Chilean governments initiated a reformulation of social policy toward an emphasis on poverty alleviation and civil society participation. In both countries new social policy institutions were inaugurated to coordinate this new anti-poverty effort. In Argentina, the government led by President Carlos Menem created the National Secretariat of Social Development (*Secretaría de Desarrollo Social de la Nación*, SDS) that was made responsible for the design of new anti-poverty programs and for the integration of civil society participation. A number of targeted programs were created that were based on the active involvement of NGOs and community organizations. New programs were also set up inside the traditional social ministries. Programs such as the Mother and Infant Nutrition Program (*Programa Materno Infantil y Nutrición*, PROMIN) and *Plan* Trabajar were set up with autonomous organizational bases and given responsibilities for many functions that previously had been handled by more traditional administrative units within these ministries. Older social programs, such as the National Housing Fund (FONAVI), were decentralized and reforms were initiated to shift to a more pro-poor and participatory approach. In Chile, the first government of the Concertación, under the lead of President Patricio Aylwin, similarly created the Ministry of Planning and Cooperation (*Ministerio de Planificación y* Cooperación, MIDEPLAN) that was put in charge of coordinating the new anti-poverty strategy and for managing new targeted programs, most notably the Solidarity and Social-Investment Fund (FOSIS). FOSIS, like other social funds created to target

poor and vulnerable sectors in Chile as well as in Argentina, was set up to finance anti-poverty projects based on a participatory manner of demand generated by local groups and screened against a set of eligibility criteria. Across the social sectors new instruments were adopted to install a more pluralistic institutional framework in the provision of social welfare. A common instrument used is the organization of public biddings in which local actors present project proposals and compete for funding. Proposals are technically evaluated by professionals and funding granted according to a set of selection criteria. The ministry in charge only defines programs and lays the rules for project competition that are then implemented by various agents at the local level – decentralized state bodies, municipalities, NGOs, community organizations, or private enterprises. What factors explain this new approach in Argentina and Chile?

The first part of this chapter provides an account for this shift towards a new social policy approach. The new anti-poverty projects were initiated by executives in an effort to overcome the acute political challenges that faced them in the wake of the dual transition to neoliberalism and democracy. The dual transition presented a fundamental dilemma for the governing elite – how would they reconcile the tension between political and economic liberalization? This dilemma is well described by Kurtz (2004a: 7): "The crux of the problem is that the economic reforms essential to economic liberalization – inter alia privatization, deregulation, trade opening, fiscal austerity, and tax reform – produce harmful material consequences for the vast majority of citizens. In the context of democratic politics, this provides fertile ground for the emergence of 'nationalist' or 'populist' politicians seeking office based on promises to reverse the reforms". The recent backlash against free market democracy in countries such as Bolivia, Venezuela and Russia reminds us of the inherent difficulty in rendering free markets and democratic politics compatible. According to Kurtz

(Ibid.), "the key to reconciling democracy and the market thus involves the construction of a political coalition capable of sustaining reforms in a politically open context".

For the governments of Argentina and Chile, the pluralist social policy approach formed part of the new governing strategy whereby they sought to construct such as socio-political coalition and respond to the dilemma of the dual transition. The transition to free market democracy had made the old corporatist mode of social governance obsolete. Stripped from old corporatist and clientelist channels for managing social demands, governing elites in Argentina and Chile began to seek new instruments for social governance congruent with the new socioeconomic structures. The shift from import substitution policies to a neoliberal model put severe constraints on social policy options and produced strong incentives for politicians to target new constituencies among the growing popular strata outside the formal labor market.[22] The pluralist social policy approach provided a means to rebuild the support base by incorporating informal sector constituencies and territorially-based popular organizations at relatively low cost. In addition, by adopting this new social policy approach promoted by multilateral development banks and donors, the Argentine and Chilean governments could tap international aid resources and also receive additional resources for social governance.

In this process, technocratic experts played an important role.[23] Through their links to international policy networks and their experience with NGO activities, social technocrats were the first to embrace the new pluralist social policy approach. In both Argentina and Chile, the design of pluralist reform initiatives was to a large extent the

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[22] For a related argument, see Roberts (1995). Also Dresser (1994), and Weyland (2002).
[23] On the role of technocratic experts in Latin American reform politics, see, for instance, Teichman (2001).

work of such technocratic social reform teams. By delegating authority to policy experts within the executive, the Argentine and Chilean presidents were able to bypass opposition from vested interests and build a "wall of contagion" against bureaucratic or corporatist meddling. In both countries, social technocrats were thus endowed with considerable policymaking capacities to drive pluralist reform.

Yet, this new social policy approach in Argentina and Chile has not led to a more participatory mode of social governance, as anticipated by many advocates of pluralist reform. The second part of this chapter deals with this issue. The argument is consistent with survey evidence and research on popular participation in Argentina and Chile (e.g. World Bank, 2002; PNUD, 2004). Despite much rhetoric about empowerment and inclusive governance through new partnerships between the state and societal actors, in neither country have "associational networks" become the dominant mode of social governance. In both countries, horizontal linkages between civil society actors are found missing and "social capital" wanted. Instead, social governance remains a highly top-down process in which state actors dominate decision-making and in which societal actors, particularly the most vulnerable sectors, remain disempowered and riveted by internal conflicts. Indeed, a striking consequence of the new social policy approach seems to be the disaggregation of societal organization and the confinement of political articulation, foremost, to the local level.

In Argentina the politics of pluralist reform resulted in a *populist* mode of social governance. As it was conceived in Chapter 1, in a populist mode of social governance social benefits are allocated according to partisan and political criteria enabling the establishment of neo-clientelist relationships. In Argentina, pluralist social policy reforms, such as targeting and decentralization, were politically manipulated to facilitate clientelistic incorporation of the poor. At the same time, such clientelistic ties

have served to politicize the linkages between the political elites and subaltern sectors. These linkages constitute mechanisms through which the multiple categories of subaltern sectors make demands upon the state and which the political elites compete to command. In Chile, by contrast, the politics of pluralist reform resulted in a *technocratic* mode of social governance. As it was conceived in Chapter 1, in technocratic modes of social governance social benefits are allocated according to non-partisan and technical criteria, which provide for the establishment of neo-pluralist relationships. Through these relationships the Chilean state is able to control social demand-making and set the terms for civil society participation in social policymaking. As such, these structures serve to depoliticize the linkages between state and society, and help deflect popular mobilization away from encompassing political activity towards grass-roots social efforts. What explains these diverging outcomes?

This study argues that a major variable in explaining diverging modes of social governance is regime institutions. As the second part of this chapter shows, these regime institutions in Argentina and Chile are very different. In accordance with the expectations laid out in the politics of transforming social governance framework developed in Chapter 1, a centralist-unitary regime structure in Chile gives technocrats within the central state welfare bureaucracy strong control over the policymaking process. In contrast, a decentralized-federal regime structure in Argentina provides provincial governors with strong control over the policymaking process. Also, strong institutions of horizontal accountability in Chile prevent politicians from capturing social funds. In Argentina, weak institutions of horizontal accountability coupled with strong institutions of vertical accountability give politicians compelling incentives to divert social funds for populist and clientelist purposes. The result has been the sharply

diverging modes of social governance in Argentina and Chile. The comparative analysis that follows summarizes the main findings from the core chapters of this study.

THE CHALLENGE OF THE DUAL TRANSITION: MANAGING THE NEW SOCIAL QUESTION

The dual transition to political democracy and economic liberalism provides a critical backdrop for understanding the shift to the new pluralist social policy approach in Argentina and Chile. Despite different sequences, by the beginning of the 1990s both Argentina and Chile had undertaken significant political and economic liberalization. For the new political elites, the dilemma of the dual transition was how to reconcile the tension between the political imperative of inclusive, democratic governance with the economic imperative of fiscal discipline and market-oriented growth. At the heart of this dilemma lay the "new social question". The debt crisis, structural adjustment policies and neoliberal reforms had produced regressive distributional outcomes. Income inequality increased, poverty became more extensive and the basic social infrastructure deteriorated.[24] This raised the specter of uncontrolled mass mobilization and radical redistributive demands, not least in the absence of effective political controls. Democratization had unleashed a host of social expectations and demands, particularly among the popular sectors who had borne the burden of economic restructuring under neoconservative authoritarianism. At the same time, in the context of free market democracy, traditional corporatist mechanisms were no longer able to channel demands, secure control and mobilize support for incumbent governments. Spearheaded by such concerns over the consolidation of free market

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[24] For a discussion of these trends, see Grindle (2000).

democracy, social reform emerged as a major issue in Argentina and Chile. In both countries the pluralist policy approach was adopted in order to craft a new socio-political coalition capable of sustaining the neoliberal model under political democracy. As such, the pluralist approach formed part of a new governing strategy that was decisively molded by the structural and ideological transformations in conjunction with the process of globalization and the dual transition to free market democracy.

Structural Transformations

A major consequence of the dual transition has been the dismantling of the patronage networks that served as a primary mechanism of state-society linkage in the pre-neoliberal era. During the period of national-populism in Argentina and Chile, these networks, organized around corporatist and clientelist principles, were instrumental in incorporating and processing the demands of social groups (Collier and Collier, 1991; see also Chalmers, Martin and Piester, 1997). State-sponsored corporatism and clientelism provided a tool for governments to limit the autonomous expression of social forces by establishing a set of structural linkages between the state and social groups. Governments manipulated these structural linkages to ensure political support, while social groups demanded services and benefits in exchange. This system of state-society mediation was sustained by the socioeconomic structures associated with the import-substitution model (ISI). ISI was characterized by a large public sector, the promotion of national industry, and a Fordist process of production and regulation. These productive structures created conditions for the organization of a relatively homogeneous working class. Indeed, under ISI, corporatist labor unions emerged as the most important representatives of popular sector interests (Collier and Collier,

1991). As a result, welfare policies became geared toward unionized workers in an attempt to defuse their disruptive potential and make inroads to labor constituencies. The corporatist social policy approach helped to foment broad political coalitions through which the governing elite could mediate social struggles and generate political power (Malloy, 1991). At the same time, the expansion of social programs served to subsidize the reproduction of the labor force and expand domestic markets.

Until the mid-1960s, favorable global economic conditions helped finance this expansion of social protection in Argentina and Chile. The expansion, however, was accompanied by systemic biases in the distribution of benefits, reflecting the varying strength of social groups at different points in time to effectively pressure the state for concessions. The outcome was a highly stratified system in terms of access, range of coverage, and quality of benefits (Mesa-Lago, 1994; also Filgueira and Filgueira, 2002). Reforming this system proved difficult as "insiders" were reluctant to give up their privileged welfare schemes and patronage bases. Efforts to streamline the social policy system and extend it to groups outside the urban-industrial complex led to increasing public spending that fed budget imbalances and intensified inflationary pressures within the ISI model. This model ran into deep trouble with the worldwide slowing of economic growth from the mid-1960s onwards. In the end, the exhaustion of the ISI model fed increasing political struggle that culminated with the breakdown of democracy.

Under neoconservative authoritarianism, Argentina and Chile abandoned ISI and began a new project of deep socioeconomic transformation. The military believed it necessary to forcefully transform the socioeconomic structure to build a new basis for governability and prevent the kind of deep ideological polarization that had culminated in Argentina and Chile in the beginning of the 1970s. To this end, the

repression of political and social organizations, as well as the imposition of a neoliberal developmental model became instrumental (Schamis, 1991). Neoconservative authoritarianism thus allowed for a set of structural transformations that undermined the socioeconomic bases of corporatism.

The new socioeconomic structure put constraints on social spending and provided incentives for governing elites to reshape their links to the popular sectors. Under the new economic model, labor costs and taxes needed to be kept relatively low in an effort to sustain competitiveness and attract private investment. This reduced space for social spending was exacerbated by the debt crisis, which imposed severe fiscal constraints just as rising unemployment and poverty sharply raised demands for public social assistance. The ability to respond to these rising needs was further constrained by the narrowing contributory base for social protection systems and, particularly in Argentina, by the spending limits stipulated by austerity programs and structural adjustment policies agreed with the IMF and other financial institutions as a condition for debt refinancing (Brooks, 2007: 33). Such transformations sharply reduced the economic viability of traditional corporatist welfare arrangements.

Concomitantly, class-structural changes also reduced the political viability of these corporatist welfare arrangements. The collapse of the state-centric matrix and the attack launched by the military regimes on organized labor contributed to dramatically weaken industrial labor organizations, limiting their capacity to deliver the votes, resources and social peace that had been an important foundation of the corporatist mode of social governance.[25] This process of corporatist decay was accelerated by neoliberal reformers seeking to liberalize the economy and reduce the scope of state

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[25] For a discussion of the decay of corporatism, see Hagopian (1998). Also, Collier and Handlin (2005); Oxhorn (1998); and Roberts (2007).

patronage. Neoliberal restructuring provoked a series of dramatic changes in the socioeconomic structure, particularly as a result of large layoffs of the formally employed. Jobs disappeared in the public sector and in traditional industries that had formed the most militant and best organized sectors of the working class.[26] The result of these changes was a sharp drop in union membership and the weakening of the labor movement (see Table 2.1). As a direct result, the corporatist institutions that had been put in place to control the incipient mobilization of industrial workers became increasingly obsolete as a device for organizing state-popular sector relations.

Table 2.1 Change in Union Density, 1970s-1990s

	1970s Union Density	1980s Union Density	1990s Union Density	Net Change in Union Density
Argentina	58.8[1]	36.3[3]	25.7[5]	-33.1
Chile	32.0[2]	10.0[4]	11.3[6]	-20.7

Source: Cardoso (2004); Dirección del Trabajo (2006)
Notes: [1]1975; [2]1973; [3]1985; [4]1986; [5]1998; [6]1998

At the same time, rising poverty and the growth of the urban informal sector provided a structural basis for alternative forms of popular organization around neighborhoods and voluntary associations (see Appendix 2). Indeed, a major consequence of neoliberal restructuring was the proliferation of popular sector organization around "subsistence" issues (Oxhorn, 1995; Lehmann and Bebbington, 1998). The initial emergence of such alternative popular-sector associations was a result of the repression of party and union activity during neoconservative dictatorship. In fact, popular movements came to play an important part in the process

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[26] For a discussion of these trends, see Portes and Hoffman (2003). Also Gilbert (1997).

of democratization. The debt crisis of the 1980s and the onset of austerity policies further accelerated this reconstruction of social organization. An array of new voluntary organizations sprang up from the grassroots efforts to cope with daily subsistence as well as in connection to the new NGOs that emerged to support this activity. As such, the new economic model dramatically changed the social structural base of politics. With the onset of democracy, political parties faced compelling incentives to reorient their programs, remold their relationships with the popular sectors, and reach out for new constituents among the self-employed poor (Roberts, 1998; Levitsky, 2003).

Comparing these structural transformations and their consequences for socio-political strategy in Argentina and Chile, a major difference relates to the sequence of the dual transition to free market democracy. In Chile, neoliberal restructuring had been taken much further than in Argentina by the time of the return to democracy. During the Pinochet era in Chile, the group of neoliberal technocrats popularly known as the "Chicago Boys" were able to penetrate key policymaking institutions and gain considerable leeway to implement the neoliberal model. Important was the concentration of power achieved by Pinochet that neutralized opposition to neoliberal policy (see Remmer, 1989; also Castiglione, 2001; and Teichman 2001, 2004). With the backing of Pinochet, the Chicago Boys were thus able to implement encompassing neoliberal change that in a more dispersed power structure would have faced problems against more conservative interests. As a direct result, corporatist institutions had largely been dismantled by the return to democracy in 1990. Besides extensive economic liberalization, important measures had been taken to remold the social role of the state. These measures involved the privatization and decentralization of social service provision as well as breaking the control of corporatist organizations

over social security and other welfare funds (see Castiglione, 2001; also Taylor, 2003). At the time of democratization, neoliberalism was thus firmly enmeshed within the socioeconomic structure and organized labor in a weak position to influence policymaking and serve as the social base for the new democratic government. In this context, the corporatist approach was no longer a viable strategy of social governance.

By contrast, in Argentina, neoliberal restructuring during the military regime did not fully accomplish the dismantling of corporatism. The economic team under the lead of Martínez de Hoz encountered considerable resistance against neoliberalism from within the military. Crucially, his team of neoliberal economists did not enjoy policymaking autonomy nearly to the same extent as the Chicago Boys in Chile (Remmer, 1989; Teichman 2004). In Chile the personalist structure of the authoritarian regime that centered around Pinochet had provided the Chicago Boys with considerable decision-making power, but the Argentine technocrats had no such powerful *caudillo* to provide leeway for the implementation of reform. Instead, conservative interests within the military retained powerful levers to block neoliberal policies. These conservative interests benefited from the *junta* structure of the Argentine military regime that dispersed decision making power among the top leadership. Martínez de Hoz and his team of neoliberal technocrats therefore had to spend considerable time trying to convince different military elements of the advantages with their reform program, which contributed to slow down (and often water down) the process of neoliberal restructuring. As well as this, the duration of neoconservative authoritarianism was shorter in Argentina, which helps to explain the less encompassing neoliberal transformation in comparison with Chile. As a result, by the time of the transition to democracy, corporatist institutions had not been fully broken.

Hence, in Argentina, corporatist and clientelist interests resurfaced with the return to democracy, which contributed to complicate efforts to manage the debt crisis and the new economic conditions under the Alfonsín government. These interests were still able to mount considerable opposition to Alfonsín's program of socioeconomic adjustment. As such, major social reforms were watered down or failed to be brought into effect (see Chapter 4). Through energetic strike activity, labor unions were able to obstruct reform efforts. Patronage-based politicians (mainly peronists) were also important, having extensive links to corporatist networks who opposed any anti-union policies. The impasse culminated in the hyperinflationary crisis that provided a powerful lesson for reformist policymakers of the costs of breaking with neoliberal policies and the need to dismantle corporatist networks. Clearly, this helped foment the decisive turn to neoliberalism under the Menem era. In addition, the crisis proved instrumental in dismantling the remnants of labor movement power, as it led to considerable stress for organized labor through higher levels of unemployment and informality (see Appendix 2).

In response to the hyperinflationary crisis in the late 1980s, the government of Carlos Menem initiated a radical neoliberal project in order to restore governability.[27] This economic restructuring succeeded in stabilizing the economy and put Argentina on a path of market-led economic growth from the beginning of the 1990s (see Appendix 2, Table A.2). At the same time, these economic reforms fed severe social dislocations as a result of large layoffs of public workers, higher levels of inequality and sharply reduced public social spending (see Appendix 2, also Chapter 4, Table 4.1). Successively, the Menem government came under pressure to enact social reform so as to be able to manage this rising social question. In this, the need to consolidate

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[27] For a discussion, see Teichman (2001).

economic reform constrained his options by largely ruling out corporatist social policies. Instead, by instituting targeted social assistance programs, social policy could be used to make inroads into the growing informal sector at relatively low cost, shoring up popular support and fend off opposition against the economic program.[28]

In Chile, the government of Patricio Aylwin was also under pressure to address the new social question. However, in contrast with Argentina, for the Chilean government the most pressing concern was not economic restructuring, but securing the consolidation of political democracy. As explained above, the Chilean military regime had managed to dismantle corporatism and institute an export-oriented economic model that had started to generate stable economic growth by the time of democratization (see Appendix 2, Table A.1). Yet, the return to democracy raised the specter of an explosion of social demands that could come to destabilize the newly inaugurated democratic government. Indeed, the enormous social problems caused by authoritarian neoliberalism had given rise to pent-up expectations for "compensation" under democracy. President Aylwin was thus under intense pressure to take social action, but given that Chile's democracy was far from consolidated, it was imperative for the democratic government to avoid stimulating social demands and forms of popular mobilization that could endanger the Right's tacit acceptance of democratization.

The Aylwin government thus faced a delicate dilemma. To preserve popular support and in order to pre-empt mass mobilization against economic policies, the government was under intense pressure to enact social reform. At the same time, Chile's "protected" type of democratic regime and the neoliberal economic model

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[28] See arguments about the uses of anti-poverty policy under Menem by Gibson (1997), Roberts (1995) and Weyland (1996b, 2002).

severely constrained the government's social reform options. Radical redistributive reform was out of the question. Instead, the Aylwin government envisaged a careful strategy of piecemeal social reform that would increase social welfare, but within the confines of the free market model. To this end, targeted social assistance programs provided a means through which the government could help mitigate the effects of market-based development and cultivate political support at relatively low cost. An important part of this anti-poverty effort was also the emphasis on social participation. This emphasis was not only designed to relieve the state from some of the burden of social action and thus help preserve fiscal austerity. Participatory social programs were also considered an efficient device for managing state-society relations. By transferring program implementation to intermediary institutions, such as NGOs and community organizations, the government could build new pluralist links to the popular sectors. Stripped from traditional corporatist channels for managing social demands, the government sought new mechanisms that could ensure social governability. As such, the new social policy approach was not only adopted to strengthen opportunities for social integration, but also to function as a means for social control.

To summarize, structural transformations provided important impulses for the Argentine and Chilean leaders to enact social welfare reform. The new socioeconomic structure put constraints on social spending and provided incentives for governing elites to reshape their links to the subaltern sectors. The transition to free market democracy had rendered the corporatist mode of social governance obsolete in Argentina and Chile. For both governments it thus became imperative to find new means by which to ensure social governability. In this context, new pluralist social policy ideas and practices gained attraction. Thus, while socioeconomic transformations associated with the transition to free market democracy put pressure

on Argentine and Chilean decision-makers to enact social welfare reform, the specific approach adopted was also shaped by prevailing policy ideas and norms prescribing the appropriate response to these changes in socioeconomic structure.

Policy Ideas and Experts

Towards the end of the 1980s, prominent international actors, including the World Bank, the IDB, the United Nations and international donors and development specialists, began to push for the reformulation of the social policy approach in Latin America. These international actors were critical of the traditional role of corporatist organizations in the distribution of social welfare benefits and services. Instead they advocated bypassing corporatist organizations in favor of NGOs and community organizations, and to improve the cost-effectiveness of social policy by redirecting social spending towards targeted social programs. The new pluralist social policy paradigm rested on claims of the inherent failure of the corporatist approach and associated pluralist reform with more democratic and socially equitable ends, such as more efficient poverty alleviation, increased popular participation, and better orientation to demand.

However, this study contrasts with arguments that emphasize the pressures of the World Bank and other international actors in explaining social policy reform in developing countries, including Latin America.[29] These arguments usually emphasize the financial leverage borne by international financial institutions. But the World Bank and the IDB had weak financial leverage in Chile. Clearly, IFI pressures were not a major concern for Chilean policymakers. In Argentina, the Menem administration

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[29] For a discussion, see Weyland (2003). Also Bräutigam and Segarra (2007), and Kaufman and Nelson (2004).

established a close relationship with the IFIs that often attached conditions to project loans demanding pluralist social reforms. Yet, as we have seen, this international concern with policy change coincided with domestic political priorities. Economic crisis, austerity policies and neoliberal reforms had made the traditional corporatist social policy approach increasingly obsolete as a strategy of governance. The new social policy measures formed part of President Menem and his political allies' political strategy to remake *peronismo* and rebuild the party base toward the urban underclass in the informal sector and the rural poor. Top level social technocrats in the Menem administration also widely shared the new social policy norms and priorities promoted by the international development community. They needed no convincing of the importance of reorienting social policy toward targeted interventions and civil society incorporation. Referents interviewed for this study emphasize how IFI officials were considered as "partners" and how no hard bargaining occurred in negotiations over project loans. The World Bank and the IDB clearly did not have to "impose" reform on Argentina. In fact, evidence from these interviews suggests that loan conditions were of no decisive importance in these negotiations and that they were not even seriously monitored, at least with regard to questions about participation and pluralistic access to project funds. Rapid disbursement of funds took precedence over norms of implementation.

Also, when political conditions started to change towards the end of the 1990s in conjunction with deteriorating social conditions and hardened protest against neoliberalism, Argentine politicians effectively resisted efforts by international officials and technocratic reformers to push for more pluralistic social policies. President Menem himself increasingly started using anti-poverty programs for clientelist purposes, discarding the pluralist norms attached to project loans. Under the

subsequent Alianza government, IFI officials testify about their frustration over the reluctance of the Argentine government to co-operate and consult with regard to social welfare reform. All in all, it shows how the Argentine government retained levers to block pressure from these international organizations.

But while international financial leverage was only a weak factor in shaping social reform politics in Argentina and Chile, the role of IFIs in diffusing the new social policy ideas among policy-makers in Argentina and Chile was more important. In this process, domestic technocrats played a pivotal role. As we shall see in Chapters 5 and 6, the policy experts recruited to take charge of welfare reform in Argentina and Chile often shared a common background through education abroad (most commonly in the United States) as well as through professional experience within the NGO universe and work for international organizations. As such, these social technocrats had developed extensive links to international policy networks. Through intense professional contacts and "social learning"[30] they had come to share a strong commitment to the new policy norms and practices, and they were the first to embrace the pluralist approach to social policymaking. In their capacity as policy experts they were also able to wield considerable influence over the social agenda.

In Chile, progressive elites, who after the military coup had taken refuge in international agencies, such as the IDB and various UN organizations, as well a variety of NGOs and research institutes, formed the base for the "policy commissions" that in 1989 gathered to elaborate on a program for the Concertación (Loveman, 1995; see also Teichman 2009). Referents interviewed for this study explain how a broad consensus emerged on the new social policy approach during this process of deliberation. Technical training and professional experience within the auspices of

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[30] For a discussion, see Bräutigam and Segarra (2007).

these NGOs and international agencies had helped produce an ideological conversion to the new pluralist policy ideas and norms. Indeed, many of these policy experts were soon recruited to MIDEPLAN, which in the immediate aftermath of the transition to democracy started to implement the new social policy approach. Others helped initiate pluralist reforms within the more traditional welfare bureaucracy where programs were instituted and molded to better reflect the new pluralist principles.

Similarly, in Argentina during the 1980s, both main parties saw the growing influence of party activists with professional experience in NGOs and international agencies. These technocratic activists helped disseminate the new social policy ideas and norms that rose to prominence during the Menem era. Within the PJ, technocratic activists got involved with the party's "renewalist" movement that gained predominance over the traditional trade union wing by 1987 (Levitsky, 2003). During the Cafiero governorship (1987-1991) in the Buenos Aires province, such technocratic activists played an important role in social policymaking. Under their influence, new targeted social programs were set up and measures taken to incorporate the self-employed poor and their organizations in policy implementation. These policy experts were later recruited by president Menem to take over responsibility for anti-poverty policy. They usually shared a strong hostility toward corporatist institutions that they considered corrupt and anachronistic. Many of these top level social technocrats had earlier professional experience with the World Bank, IDB or other international agencies through which they had become familiar with the new social policy ideas and models. Under the lead of Eduardo Amadeo, a tightly knit team of social technocrats that shared a commitment to new principles in social policymaking was installed in the SDS from where it started to implement the new pluralist social policy approach.

Yet, the new pluralist approach was not chosen by Argentine and Chilean policymakers out of purely ideological conviction, but for highly instrumental reasons as well. As explained above, the combination of increasing pressures from the new social question and the severe constraints on social spending provided by the neoliberal model precipitated a search among Argentine and Chilean policymakers for ways "to do more with less". Both presidents Menem and Aylwin thus had compelling incentives to adopt the pluralist approach.

In Argentina, Menem faced hardened political and societal opposition to his structural reform program from 1993 onwards. By adopting the new social policy approach, with its emphasis on targeted assistance and social participation, he was able to build political support among the urban poor.[31] Also, the decentralization of the FONAVI to the provinces was a carefully calculated device in building support among the provincial governors and securing their adherence to the economic program.

In Chile, the transition to democracy unfolded within the framework determined by the military-drafted constitution of 1980 and the accessory organic laws enacted after the 1988 plebiscite. These institutional features, by securing a "tutelary" role for the military and extensive right-wing influence over policymaking in the new democracy, effectively diminished Aylwin's room of maneuver. In particular, these institutional prerogatives made it very important for the Aylwin government to avoid reigniting mass mobilization, radical redistributive demands and populist politics that could trigger a backlash from conservative forces. Instead, by adopting a pluralist social

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[31] Compare the arguments presented in discussions of neoliberal populism, e.g. Roberts (1995); Weyland (1999a).

policy approach the Aylwin government was able to channel demands into local projects, secure control over associational activity, and mobilize electoral support.

Crucially, a central element of chief executives' strategies to pursue welfare reform was the use of technocratic change teams. In both Argentina and Chile, technocratic reformers were instrumental in setting up new targeted and participatory programs. By deploying technocratic change teams, the presidents of Argentina and Chile tried to resist attempts by actors such as workers' unions, bureaucrats or professional associations with vested interests in the status quo to derail reform. The labor movement had been severely weakened, but, especially in Argentina, it still controlled some important powers within the social welfare system. The pluralist approach was designed to bypass such corporatist remnants by delegating authority over policymaking to technocratic reformers and by encouraging the participation of NGOs and independent popular organizations in the implementation of new targeted social programs. Also, by centralizing policymaking authority with these technocrats, resistance from within the welfare bureaucracy could more easily be overrun.

In Chile, one of the first initiatives of the Aylwin government was the creation of MIDEPLAN. Devoid from more traditional bureaucratic procedures and reward systems, and packed with reform-minded social technocrats, the Aylwin government was trying to insulate this new ministry from corporatist pressures, as well as from routine bureaucratic processes, allowing for the swift implementation of new targeted social programs. At the same time, new programs with autonomous organizational bases were set up inside traditional line-ministries, such as *Chile Barrio* in the Ministry of Housing. Responsibility for running these new units was delegated to technocratic reformers in an effort to help protect them from capture. Unlike more entrenched

bureaucrats, these technocratic experts were committed to the restructuring of the state's role in social welfare in accordance with the new pluralist vision.

Similarly, in Argentina, President Menem instituted the SDS outside traditional line-ministries (which are often deeply entangled with union and partisan interests) in a direct attempt to bypass resistance to social welfare reform. Instead, the SDS was directly subordinated to the presidency, giving Menem direct control over anti-poverty policy. Eduardo Amadeo, a well-known economist with links to the international financial institutions, was brought in to take charge of the new unit. Amadeo explicitly demanded to bring with him his own team of policy experts so as to be able to effectively drive the new anti-poverty approach. With the backing from international financial institutions, particularly the World Bank and the IDB, a multitude of new social programs with autonomous organizational bases were also set up inside traditional line-ministries so as to enlarge reformist control over social policymaking. Chapter 6 will look in detail at some of the most important of these new programs such as PROMIN and *Plan Trabajar*.

In sum, technocratic experts played a pivotal role in initiating pluralist reform. By making use of such technocratic teams, the presidents of Argentina and Chile were able to bypass attempts by bureaucratic and union interests to resist or overturn reform. In the process, government agencies, institutional arrangements and policymaking procedures were significantly revised to ensure the insulation of these technocratic reformers from countervailing pressures. New agencies such as the SSD and MIDEPLAN were set up to centralize decision-making authority and displace conflict over welfare reform. Programs such as PROMIN and *Plan Trabajar* in Argentina and *Chile Barrio* were set up inside line-ministries but with autonomous organizational bases. With strong financial and technical backing from IFIs and support from top

political authority, these new social programs took over vital tasks and responsibilities from more traditional administrative units within the welfare bureaucracy. In accordance with the pluralist approach, these new social programs did not involve labor unions but were instead set up to establish partnerships with NGOs and community organizations. In the process, new constituencies with a stake in the pluralist social policy approach were created, while simultaneously draining patronage-oriented politicians and workers' unions of some of their traditional organizational resources. In addition, new mechanisms and rules were instituted so as to assert technocratic control over social spending. A good example is the use of the bidding mechanism for distributing social funding pioneered by FOSIS in Chile. In this model, civil society organizations submit project proposals that compete for funding in terms of technical quality and cost-benefit ration. As such, it has directly contributed to technifying the procedures for allocating social spending. Weakened by socioeconomic transformations and neoliberal policies, central state bureaucrats and labor unions have found it difficult to resist such changes. The new approach was thus designed to strengthen technocratic control over social policymaking while simultaneously establishing new links to the popular sectors outside traditional corporatist arrangements.

Yet, it bears emphasizing that while technocratic reformers played a crucial role in initiating these pluralist social reforms, political leaders determine whether and how a reform goes forward. In Latin America, including Argentina and Chile, technocrats owe their posts and influence to their political superiors. Indeed, the precarious position of policy experts is demonstrated by the political machinations of President Menem towards the end of the 1990s. Faced with increasing political pressures, Menem

started to replace leading experts at the SDS with loyal party cronies willing to forego the pluralist approach in favor of populism (see Chapter 6).

Also, in both countries, as we shall see in Chapters 5 and 6, the influence of reform-minded officials at MIDEPLAN and the SDS was circumscribed by other agencies. As a result, efforts to achieve better planning and coordination of social policymaking between key agencies largely failed. On both accounts, attempts to invest MIDEPLAN/SDS with authority to coordinate social spending were undermined by the other ministries. In particular, ministers of finance and economy were loath to strengthen the role of MIDEPLAN/SDS. In Argentina, the Economy Minister Cavallo repeatedly clashed with Amadeo over social policy. Similarly, in Chile, Molina was constantly overshadowed by Finance Minister Foxley. Informants explain how Foxley worried that strengthening the authority of MIDEPLAN to plan and coordinate social spending would open up a new target for demand-making, political pressure and rent-seeking that could come to jeopardize fiscal responsibility. Instead, he argued that in order to preserve macroeconomic stability it was essential to protect the authority of the finance ministry over all budgetary matters. In this, he got important backing from Aylwin's advisors at the powerful Ministry General-Secretariat of the Presidency who agreed with the importance of centralizing authority with the finance ministry so as to protect policymaking from pressure group politics. Neither did the other social ministries support MIDEPLAN in its quest for a larger coordinating role as they did not want to give up any of their own control over policymaking and spending matters. Crucially, Aylwin himself sided with his finance minister against Molina, which decided the matter. An important consequence, according to informants, was that finance minister Foxley was given the chairmanship of the inter-ministerial social cabinet that was set up to coordinate social policies. Given Foxley's lack of time and interest in

social policies, the committee only came to function on an irregular basis and with very little impact on the anti-poverty effort. Informants emphasize how subsequent presidents have acted similarly, opting for shielding the power of the Ministry of Finance at the expense of MIDEPLAN's efforts to lead a more coordinated effort in the fight against poverty. All in all, it shows how the position of political leaders is crucial for how reform moves forward.

FROM POLICY TO REALITY: THE ROLE OF REGIME INSTITUTIONS

So far, it has been argued that structural transformations provided important impulses for policymakers in Argentina and Chile to launch pluralist social reforms including new anti-poverty programmes, and that the specific design of these reforms was shaped by the new pluralist policy ideas and the technocratic experts who advocated the pluralist social policy approach. Yet, implementation is in many ways the most problematic phase of the reform process. Chapter 1 argued that regime institutions play a decisive role in the process of implementing reform. By creating constraints and opportunities for different actors in social policymaking, and structuring their relations with one another, regime institutions shape the process of implementing reform, and by extension the political outcome of welfare reform.

Crucially, regime institutions differ markedly in Argentina and Chile. To begin with, Argentina and Chile have diametrically opposite types of democratic regime, as illustrated by Figure 2.1.

Figure 2.1   Types of Democratic Regime in Argentina and Chile

HORIZONTAL
ACCOUNTABILITY

	Weak	Strong
Strong	Argentina	
VERTICAL ACCOUNTABILITY		
Weak		Chile
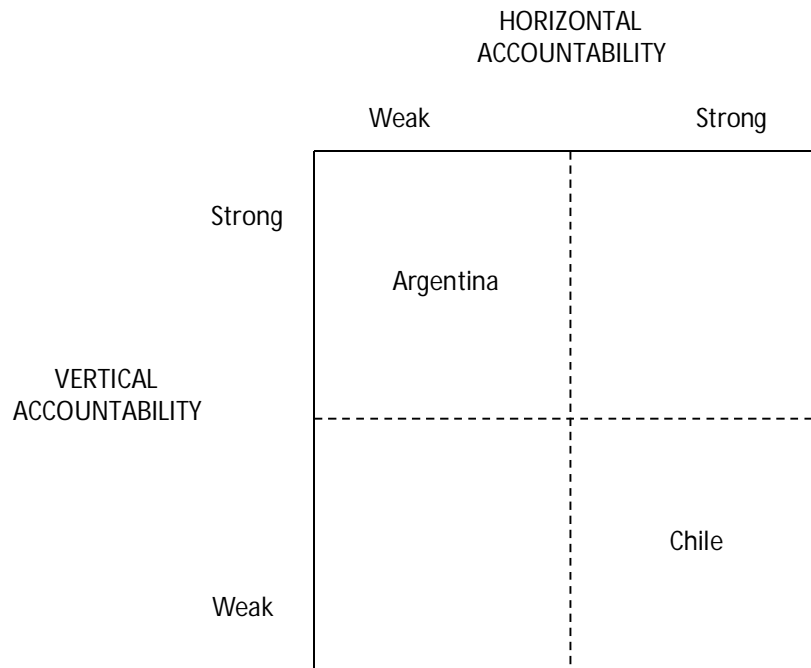
Chile is characterized by a "protected" democracy in which weak mechanisms of vertical accountability (VA) are combined with strong mechanisms of horizontal accountability (HA). The political system is based on the constitution drafted in 1980 by the military authorities and reformed in 1989 and 1991 at the time of the transition to democracy. The 1980 Constitution establishes some important characteristics of Chilean political regime institutions. To begin with, a number of prerogatives designed to protect the interests of the old elite, some of which were already discussed above, contribute to weaken mechanisms of VA (see Valenzuela, 1992). These include unelected senators in the upper chamber of Congress and a grossly biased electoral system that favors conservative political forces by over-representing them. A number of features of the 1980 Constitution also grant the armed forces tutelary power over

civilian political forces.[32] At the same time, these undemocratic features serve as checks on executive power. Together with the more conventional liberal-constitutional checks and balances enshrined in the 1980 Constitution, the system provides for exceptionally strong mechanisms of HA. The more conventional horizontal controls include a bicameral Congress that plays an important role in the policymaking process, an independent judiciary and a powerful comptroller general (see IDB, 2005).

Protected democracy has had important effects on social governance in Chile. Above, it was argued that the constitutional prerogatives designed to protect conservative interests had a decisive influence on the strategy adopted by the Aylwin government to deal with the social question. Given the tutelary role of the armed forces it became imperative for the government to avoid stimulating social demands and forms of popular mobilization that could trigger a military response. Hence, pluralist welfare reform was undertaken not only as a means to strengthen opportunities for social integration, but also as a way to channel social demands towards less disruptive social projects at the local level and pre-empt the emergence of popular organizations that might carry its political activation beyond the limits acceptable to the old conservative elite. Also, deprived of its electoral majority the Concertación was forced to negotiate with the conservative opposition in order to be able to enact policy changes. Important social legislation envisaged by the Concertación government such as labor and tax reform was thus passed only after extensive negotiations with conservative forces who were able to extract important concessions from the executive moderating the original intent of these reform projects (see Chapter 3).

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[32] For a more detailed discussion of this "perverse institutionalization", see Chapter 3.

Importantly, the congressional powers of the conservative opposition have also provided for strong checks on social spending, eliminating room for discretionary allocation of social funds for partisan interests. Siavelis (2002: 97-98), in discussing the 1997 budget negotiations, stresses how the opposition "was able to extract agreements setting a limit on discretionary spending from the public treasury and measures to enhance transparency and efficiency in spending". He also mentions that the government in negotiations with a congressional conference committee (*comisión mixta*) "agreed to select 20 social subsidy programs for evaluation during 1997 to determine whether they should be continued", and how in the 1998 budget negotiations the government agreed to "redouble its oversight of social subsidy programs and to consider an additional 40 programs for systematic evaluation and potential elimination".

These budget negotiations demonstrate how the Chilean Congress acts as an important check on the executive and in reining in discretionary spending. Interviews with key policymakers confirm this view. Referents talk about how congressional oversight and other mechanisms of institutional checks and balances leave little room for discretion and the manipulation of social spending. In this, it also seems that legal provisions play an important role and the fact that the Chilean judiciary is genuinely independent from other branches of government and therefore in a position to sanction any misconduct in the allocation of social funds. What is more, the Comptroller General possesses strong powers to supervise social expenditures. The 1980 Constitution establishes its absolute independence from other powers of the state and according to most analysts its institutional design also accomplishes that goal in practice (e.g. Aninat et al., 2006). The CG has authority to rule on the constitutionality of government expenditures and is charged with monitoring the

actions of the president, as well as overseeing local government ordinances and spending. Referents maintain that any misuse of funds is quickly detected by the CG. Even representatives of the opposition agree that the CG provides an effective check on the manipulation of social funds and that funding has generally been distributed according to strict technical rules. Indeed, evidence of manipulation and clientelism in the distribution of the new social programs set up by the Concertación are scarce and the consensus view suggests that the implementation of these programs have followed a highly technocratic trajectory in which politicians have not found room for political capture. Chile's strong mechanisms of horizontal control effectively prevent the political manipulation of social spending. The inclination of the Concertación government to avoid the "populist temptation" given the neoliberal growth model and the tutelary role of the armed forces in Chile's protected democracy has reinforced the tendency towards technocratic governance. The Concertación leaders have willingly surrendered authority over social policymaking to technocrats in order to pre-empt social pressures that could come to threaten the agreement with conservative forces over social policy.

Argentina, by contrast, is characterized by a "delegative" democracy in which strong mechanisms of VA are combined with weak mechanisms of HA. Argentina's mode of transition to democracy was almost the opposite of Chile's, with the Argentine military regime virtually collapsing following the defeat in the war over the Falkland/Malvinas islands and the armed forces unable to dictate the terms of the transition. As a result, the Argentine presidents from Alfonsín to Menem and De la Rua have not been constrained by the interests of the old elite as in Chile, but instead faced strong incentives to cater to popular demands. No reserved domains or positions outside democratic control are found in Argentina. Neither has the armed forces been in a

position to exercise any tutelage over the Argentine elected government, at least not on a comparable measure with Chile. The electoral system also provides for strong majoritarianism with no comparable over-representation of conservative candidates. At the same time, weak mechanisms of HA gives the Argentine executive wide discretionary powers. The Argentine president enjoys strong decree authority leaving the legislature in a weak position to act as a check on executive power (see Ferreira, Rubio and Goretti, 1996; Mustapic, 2000; see also Morgenstern and Manzetti, 2003). Indeed, many analysts refer to Argentina as a "hyper-presidentialist" regime in which Congress has only limited capacity to exercise oversight (e.g. Nino, 1992). For instance, by resorting to the so-called *decretos de necesidad y urgencia* (decrees of necessity and urgency), the president can impose his/her will and avoid the legislature's participation in policymaking. Also, Argentina lacks an autonomous auditing office or comptroller general with sufficient powers to constrain discretion in allocating public funds. The National Tribunal of Accounts (*Tribunal de Cuentas de la Nación*) was dismantled by President Menem when it became too much of an irritant. The new National Audit Office (*Auditoría General de la Nación*, AG) established in 1992 has been subject to wide political interference and failed to act as an independent agency of oversight (Santiso, 2008). Also, the judiciary in Argentina is deeply politicized (e.g. Prillaman, 2000). Under the Menem administration the courts were brought under executive sway rendering them largely subservient to the whims of the executive will.

A major effect of delegative democracy in Argentina is the widespread manipulation of social funds for political ends. Weak mechanisms of institutional checks and balances provide politicians with ample opportunities to use discretion in allocating resources from social programs. Indeed, studies of social programs provide ample

evidence of politically motivated spending and clientelism.[33] The analysis of anti-poverty policy in Chapter 6 shows how technocratic reformers, while playing a decisive role in initiating pluralist reform in Argentina, were unable to shield the new anti-poverty programs from political interference and manipulation. Targeted programs such as *Plan Trabajar* were rapidly captured by partisan interests and manipulated to mobilize popular support. Referents point toward the lack of oversight and sanctioning mechanisms that would ensure compliance with nonpartisan criteria and prevent the misuse of funds. President Menem, when coming under political pressure towards the end of the 1990s, faced no constraints in pursuing a populist strategy that included allocating resources to his favored constituencies rather than the needy sectors of society and manipulating social programs to feed clientelist networks. Menem's control over the court system coupled with weak congressional oversight and a general auditing office that was highly politicized ensured that he had ample room to exploit resources from social programs for his private political gain. Such misconduct was replicated in sub-national governments where institutional constraints on the exploitation of state resources are even weaker. Using funds from the *Fondo Conurbano*, Governor Duhalde was able to set up a vast clientelist network to secure domination not only of his province but also major influence over national parliamentary affairs. This also brings us to the importance of territorial regime institutions in explaining social governance.

Argentina and Chile have diametrically opposite types of territorial regime, as illustrated by Figure 2.2.

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[33] For an overview, see Dinatale (2004). See also Vinocur and Halperin (2004).

Figure 2.2 Types of Territorial Regime in Argentina and Chile

	Unitary	Federal
Relatively more centralized	Chile	
Relatively more decentralized		Argentina
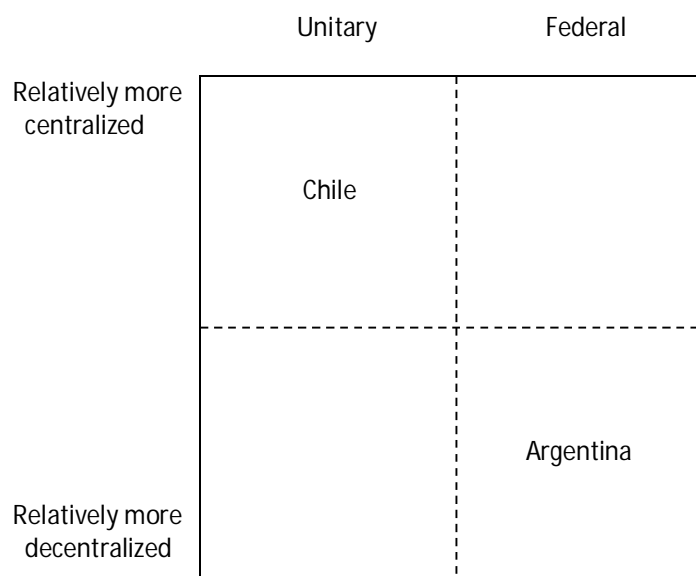
Argentina has a federal system of government with extensive decentralization of political and administrative powers. As emphasized by many scholars, this makes the province the locus of partisan politics and the base of political support for politicians and parties (e.g. Gibson and Calvo, 2000; Levitsky, 2003; Jones and Hwang, 2005; Eaton, 2005; Spiller and Tommasi, 2007). Indeed, according to some analysts, federalism permeates partisan politics in Argentina to the extent that national parties resemble federations of parties run by provincial leaders (Brusco, Nazareno and Stokes, 2002). Political careers are usually province-based and even positions in the national government are often a result of provincial factors. The Argentine constitution gives a great deal of authority over expenditure and tax decisions to the provinces. With regard to expenditures, the only areas in which the national government has exclusive control are those associated with defense and foreign affairs. In the areas of economic and social infrastructure, responsibilities are shared between the national government and the provinces, while the latter have exclusive control in primary

education and local organizations and services (Tommasi, Saiegh and Sanguinetti, 2001). In terms of public spending, Argentina is the most decentralized country in Latin America. In 1995, sub-national government spending accounted for approximately 50 percent of total public sector expenditures (IDB, 1997).

As a consequence, topocrats are crucial actors in social governance as they hold authority over vital institutional and political resources. This is especially true of provincial governors and party bosses (frequently the same person). Given the decentralized federal structure, governors in Argentina exercise considerable influence over the execution of public policy and spending. The federal revenue sharing system automatically transfers funds to the provinces, which are then mostly used at the province's discretion. This usually provides the governors with considerable patronage resources whereby they are able to control provincial-level party organization. Crucially, national legislators are elected on provincial party lists and control over local patronage resources allows governors to control the list-making process. National legislators thus come to depend heavily on provincial leaders for career progression, which means that the provincial elite exert considerable influence over the national legislative process. Indeed, according to some analyses, Argentine legislators are the pawns of their provincial party bosses (Jones and Hwong, 2005; Spiller and Tommasi, 2007). This means that Argentine executives have to negotiate the support of provincial leaders in order to get things done.

Such powers in the hands of topocrats have had important consequences for social reform efforts in Argentina. Clearly, as we shall see in Chapter 6, technocratic reformers at the SDS and other federal welfare agencies have found their control over the process of implementing the pluralist social policy approach circumscribed by local interests. Governors (and to a lesser extent, mayors) exercise considerable influence

over the execution of social policy in their jurisdictions. This influence not only stems from their direct control over the provincial budget but also from their discretionary control of many national government-funded programs (De Luca, Jones and Tula, 2002). Given that much of their ability to launch successful campaigns, both in primary and general elections, is based principally on patronage, pork-barrel politics, and clientelism,[34] the manner in which they choose to execute social policies may differ significantly from the pluralist norms and practices advocated by technocratic reformers in the national government. Indeed, officials at the SDS testify about their deep frustration over provincial politics. In implementing national government-funded social programs, sub-national governments lacked commitment to the programs' pluralist principles and objectives. Mechanisms designed to invoke civil society participation and pluralistic access to social funds were ignored and efforts by program officials to institute a more pluralist approach were frequently undermined by topocrats. In many instances, topocrats were thus able to capture pluralist policies for their local political ends. Also, provincial governments have set up a host of their own social programs that frequently overlap with national programs but seldom invoke pluralist principles of administration. To coordinate the actions of the various jurisdictions, the national government on the initiative of Eduardo Amadeo at the SDS created the Federal Council for Social Development, composed of the social ministers of the twenty-four provinces. However, lack of political support caused the failure of the council to generate coordinated actions. Efforts were also made during the Alianza government, particularly by the minister of social development Graciela Fernández Mejide, to increase federal control over the implementation of social programs in the

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[34] Several scholars emphasize how sub-national politicians in Argentina depend on such activities for electoral success and political influence (e.g. De Luca, Jones and Tula, 2002; Calvo and Murillo, 2004; Jones and Hwang, 2005; Spiller and Tommasi, 2007).

provinces. Designed as a measure to reduce clientelism, these efforts provoked intense resistance from topocrats who managed to block the initiative.

The reluctance of topocrats to adhere to the pluralist principles of social policy and succumb to federal coordination is related to the incentives they face in serving their political goals, which may be very different from those of the national government. Since topocrats' hold on power is based primarily on patronage, pork and clientelist activities, their goals are best served by distributive policy. This directly reflects on their relations with the national government. In exchange for political and legislative support (i.e. the votes of their legislators), they want transfers, subsidies, government posts, and pork to dole out with discretion (Jones and Hwang, 2005). Indeed, Argentina's deeply federalized structure provides ample opportunities to hold the national government to "ransom" in this manner. A good example is the 1992 "Federal Pact" that formed part of President Menem's economic adjustment efforts (see Spiller and Tommasi 2007). To reach this pact, Menem agreed to a number of discretionary financial transfers to the provinces in order to secure their support for the economic program. Annual transfers of $400-700 million helped secure the support of Governor Eduardo Duhalde of Buenos Aires province and "his" legislators in the National Congress. Duhalde used these transfers from the national government to set up a vast infrastructure and social program that became notorious for its clientelism.[35] The devolution of FONAVI to the provinces also formed part of this pact. In practice, this gave the provinces almost complete discretion in the use of resources from FONAVI. All former pretensions to institute a more participatory and demand-driven approach

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[35] The arrangement diverted 10 percent of federal tax revenues to a new *Fondo de Reparación Histórica del Conurbano Bonaerense* directly controlled by Governor Duhalde. The Fund permitted Duhalde to build a powerful party machine that in the 1995 presidential election "was credited with orchestrating President Menem's electoral victories in the greater Buenos Aires region, bucking a general trend of urban electoral losses" (Gibson 1997: fn. 53).

were dropped. Instead, according to my informants, these funds have been used in a clientelistic manner by the provincial governors in order to attract local political support. Subsequent negotiations between the president and the provinces over economic adjustment followed a similar pattern (see Spiller and Tommasi 2007). In order to pass his economic reform projects, Menem needed to gain provincial support. In exchange for this support, provincial governors were given wide discretion over the use of fiscal transfers and the execution of social policy and programs. Such clientelistic tactics not only helped topocrats secure domination in their respective localities, but also made a major contribution to Menem's political support base by delivering votes for his Peronist party.

In stark contrast to Argentina, Chile has a highly centralized unitary system of government. As a consequence, national officials dominate politics and policymaking to a much greater extent than in Argentina. Sub-national authorities hold very few exclusive functional responsibilities. Almost all functions of sub-national government are shared with other levels of government and subjected to central control. Regional government is headed by an *Intendente*, appointed by the President as his representative in the region.[36] The central government ministries maintain regional offices (SEREMIs) that are coordinated by the *Indendente* as a regional cabinet. *Intendentes* are advised in relation to planning and the distribution of funds by the regional agents (SERPLACs) of MIDEPLAN. The *Intendente* also presides over the Regional Council that consists of indirectly elected members who are chosen by municipal councillors for a four year term. But as emphasized by Angell, Lowden, and Thorp (2001), the councilors have no real power to control the *Intendente* and remain

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[36] For a discussion of regional government composition and functions, see Angell, Lowden and Thorp (2001).

marginal actors in regional politics. The allocation of funds for regional development is also basically determined by the criteria of the central ministries, "and there is very little room for maneuver by the regional authorities" (Angell et al., 2001: 95). All in all, regional government plays only a minor political role. Their function is that of co-ordinating central government policy.

The political weakness of sub-national officials is repeated at lower levels of administration. The regions are divided into fifty one provinces, which are headed by an appointed governor. Their function is exclusively administrative and can be used by central government authorities in order to bypass the regional level in the implementation of policies. Below the provincial level, the country is divided into communes with municipal status. As of 1992, the municipal government is chosen in direct elections. Municipal government consists of a mayor and a municipal council. Yet, the role of municipalities is again more to function as service agencies for central government policy than to be autonomous political entities in their own right.[37] Municipal governments have exclusive responsibility for a limited number of functions mostly related to community development. Other responsibilities are shared with central and regional government. Even over matters such as staff levels and structure municipalities have relatively little control. This greatly reduces the ability of mayors to distribute patronage in the form of municipal jobs. Opportunities to use clientelistic tactics to gain political support are further reduced by the SERPLACs which control access to local investment projects. The SEREMIs also have a supervisory and guiding role over municipalities in their sector, whereas the redistribution of municipal funds is controlled by the Ministry of Interior. Finally, the regional *Intendente* and the

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[37] For a discussion of their role, see Raczynski and Serrano (2001).

provincial governor, as the President's agents at the local level, serve as powerful checks on municipal decision making.

Hence, in Chile, topocrats lack real institutional and political resources to perform a major role in social governance. In terms of financial structure, sub-national spending amounts to only 13.6 percent of total government spending (IDB, 1997). In direct contrast to Argentina, the central government does not automatically share any portion of tax revenues with sub-national governments. Instead, as emphasized by Eaton (2004: 42), "national politicians determine on an annual basis, in the course of budget negotiations, the amount of funds transferred to sub-national governments". Importantly, sub-national governments may not borrow in their own right and cannot create new taxes without central government approval. As a result, topocrats cannot hold central government to ransom as in Argentina. Indeed, Chile's deeply centralized-unitary structure is reflected in partisan politics, where the locus is clearly at the national level. Unlike Argentina, Chilean sub-national politicians wield only minor influence over candidate selection and the conduct of national legislators. Instead, as emphasized by many scholars (e.g. Eaton, 2004), the control of national party leaders in Chile at all levels of partisan politics far exceeds what their peers in Argentina can hope to achieve.

The limited role of sub-national government in Chile's political system has important consequences for social policymaking. In stark contrast to Argentina, the Chilean executive has no need to engage in "territorial politics", fighting over local political turf or seeking the loyalty of sub-national heads of government in order to get things done. As the heads of regional government are appointed by the president and directly elected mayors command few political or institutional resources, the executive need not worry about commanding the loyalty of sub-national politicians. As a direct

result, there is no need to use social programs as bargaining chips in negotiations with the heads of regional government or doling them out to mayors in order for these to be able to build a political base independently from and against the regional *caudillo*.

The weakness of sub-national government has been directly reflected in social reform efforts in Chile. The design and management of new social programs have remained heavily centralized. A typical example is FOSIS, a social investment fund that was established to channel targeted resources for productive development projects among the poorest strata. As we shall see in Chapter 5, the various programs set up by FOSIS have been formulated in a top-down manner by FOSIS officials, without much input from local government or lower administrative units. According to Raczynski (2000: 139), "programmes are designed by the central government, are top-down, and arrive at the local level in search of predefined beneficiaries. The local level is a mere recipient for programmes". Not only are programs designed in a top-down manner, but the role of sub-national government has also been limited with regard to their implementation. The same goes for *Chile Solidario*, a more recent anti-poverty program. It reflects the deep suspicion held at the apex of central government as to the technical capabilities of municipalities to administer targeted social programs. Informants stress how FOSIS officials have been reluctant to cede responsibility for programs to local government, preferring instead to work directly through NGOs or by subcontracting technical personnel to administer collaboration with community organizations. In general, collaboration between municipalities and FOSIS has been rare. As a result, "associative networks" (Chalmers, Martin and Piester, 1997) at the local level have rarely been formed or performing well.

Hence, the Chilean regime provides few opportunities for topocrats to capture social programs for their own political purposes. The executive can easily bypass

topocrats that do not share the program principles and commitments by making use of *intendentes* or governors that have been appointed by the president. Indeed, according to MIDEPLAN sources, in implementing FOSIS and similar programs, MIDEPLAN often deliberately circumvent local mayors who showed a reluctance to adhere to the pluralist criteria of operation. Lack of local discretion over the administration of social programs thus reduces "implementation gap" at the local level. In this, the strong role of the Office of the Comptroller and other agencies of "horizontal accountability" further help to ensure adherence to the pluralist principles and objectives. Such agencies have been apt at defending social policy and programs from political manipulation and preventing clientelism. Thus, whereas in Argentina social technocrats have often been frustrated in their efforts to invoke more technical criteria into the administration of social programs by politicians bent on "capturing" these programs for their own political purposes, in Chile social technocrats have remained in control of the process of implementing the pluralist social policy approach and political criteria has not been allowed to steer the administration of social programs. In fact, in Chile even the opposition admits that clientelism has not been a problem in the administration of FOSIS or *Chile Solidario*.

Yet, most analysts maintain the view that while clientelism is not a major problem, lack of decentralization has hampered community participation and the formation of associative networks at the local level. Ultimately, this has made it difficult to respond to various situations of poverty and social exclusion. Or as the analysis of eight social programs carried out by Concha et al. (2001: 187) affirms: "los programas son estandarizados, rígidos, definen soluciones homogéneas y muestran poca flexibilidad para responder a la diversidad de situaciones de pobreza específicas". As local government has not discretion in selecting projects or beneficiaries, the social policy

approach has remained inflexible and bureaucratic. That is the other side of the coin – rigid rules formulated by central level technocrats, which are rigorously monitored for adherence by a strong and fiercely independent Comptroller General as well as carefully designed internal mechanisms for control.

The Chilean government has not been totally deaf to this critique. In the mid-1990s the regional level was politically strengthened somewhat through the introduction of the regional councils and by transferring some functions of social policy to the regions.[38] However, the regional extension offices of the ministries and central state agencies (such as FOSIS) continue to play a dominant role in regional policymaking. For instance, as some responsibilities for the selection of project proposals were devolved to the regional level, SERPLAC (e.g. the technical secretariat of MIDEPLAN at the regional level) was put in charge of the technical evaluation and, guaranteeing that the projects selected apply with the technical standards formulated by MIDEPLAN (or some of its dependent agencies such as FOSIS). In fact, in 1998 it was proposed that SERPLAC would cease to be part of MIDEPLAN, and instead become dependent on the regional government. However, the initiative was blocked by the Office of the Comptroller who was worried about potential politicization of SERPLAC. It demonstrates the strong authority that the Office of the Comptroller commands in enforcing horizontal accountability in Chile. The downside has been a technocratization of social policy.

In short, at no stage in the process do politicians have much opportunity to use social project funds for patronage, as funds are either distributed directly from agencies such as FOSIS to NGOs or the private sector, or are devolved through the

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[38] For a discussion of the functions of regional government and how they have been strengthened, see Serrano (2001).

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technical secretariats at the sub-national level where SERPLAC is in charge of coordinating project execution.

Political Outcome: Divergent Modes of Social Governance

It is the argument of this study that because of different regime institutions pluralist reform has lead to divergent modes of social governance in Argentina and Chile. In Chile, the outcome has been a technocratic mode of social governance. Chile's protected democracy effectively prevents politicians from capturing social funds. Its centralist-unitary system of government also contributes to give technocrats within the central state welfare bureaucracy strong control over the policymaking process. Hence, the institutional configuration in Chile allows for strong technocratic control over the allocation and distribution of social funds. In comparison with Argentina, the technocratization of social governance in Chile contributes to less particularistic procedures with less clientelism and stronger likelihood of social rights being upheld. In Chile, responses to social problems are relatively efficient and in tune with people's real needs. Targeting of social programs is generally thought to have been effective and guided by technical criteria emphasising efficiency in the allocation of funds rather than political expediency (Clert and Wodon, 2002). Indeed, vulnerability has been reduced substantially since the transition to democracy, in no small measure due to the new social policies and programs designed by the Concertación government (see Meller, 1999).

At the same time, this technocratic mode of social governance provides little room for articulating bottom-up pressure on the decision-making process. Thus, the pluralist social policy approach implemented by the Concertación government differs markedly from the discourse that connects it with participatory governance and empowering the

poor. Participation mainly revolves around the devolution of community development projects to non-governmental agencies to aid the implementation of anti-poverty policies and programs designed from above (e.g. Concha et al., 2001). This type of structured participation is inherently conservative. Indeed, civil society activists have voiced heavy criticism of the Concertación for being treated only in their role as project executors (Consejo Ciudadano, 2000). In the process, many NGOs have been forced to adjust their agendas in order to compete in the aid market created through pluralist reform. Technocrats maintain overall control of the allocation of funds to NGOs who have to compete with each other on the highly technical terms defined by MIDEPLAN. NGOs and community organizations that lack adequate resources to compete and submit viable project proposals, often those most in need of aid, become excluded. Programs such as FOSIS designed to have its base in community participation have therefore in reality acquired a highly techno-bureaucratic structure that serve to ensure social control and the marginalization of more radical demands. Indeed, local activists complain about how their demands are ignored by a system that favors technical proficiency over popular participation. The impact of such technocratic governance on the quality of Chilean democracy warrants more specific research, but it does not seem too farfetched to suggest that it has contributed to the rising political apathy and disillusionment found in surveys and studies of the popular sectors in Chile (see Delamaza, 2005; Oxhorn, 1994; PNUD, 1998; Posner, 1997, 2004). Indeed, in her study of political activity, Olavarría finds that the technocratization of politics in Chile "has led to widespread disengagement from formal politics at the grassroots (2003: 14). The perception is that political parties and elected officials have been rendered largely impotent by this technocratization and that politics is unable to realize the tasks that the people propose. While such disengagement from formal politics may

have contributed to the success with consolidating Chilean democracy, it simultaneously feeds a "participation deficit" that hampers democratic deepening.[39]

By contrast, in Argentina the outcome has been a populist mode of social governance. Argentina's decentralized-federal system of government gives topocrats, particularly provincial governors, strong control over the policymaking process while simultaneously reducing the leverage of technocrats within the central state welfare bureaucracy. Its delegative democracy also provides room for politicians to manipulate social funds for personal and partisan ends. Hence, the institutional configuration in Argentina paves the way for wide political discretion over the allocation and distribution of social funds. In comparison with Chile, this politicization of social governance in Argentina contributes to particularistic procedures; clientelism and less likelihood of social rights being upheld. In Argentina, responses to social problems have been inefficient, reflecting political expediency rather than people's real needs. Targeting of social benefits is generally perceived as having been ineffective and guided by partisan interests rather than social criteria. Indeed, studies show how social programs set up during the 1990s by technocratic reformers were captured during the implementation stage by Peronist topocrats who used the benefits from these programs to foster clientelist networks. For instance, various studies have documented how the unemployed have received work under the temporary employment program, *Plan Trabajar*, in return for attendance at party rallies and other political services. As we shall see in Chapter 6, President Menem himself increasingly deemed it necessary to engage in such political manipulation of targeted benefits, using the programs set up by the SDS as a lynchpin for mobilizing political support among poor constituencies. As the 1990s advanced, Menem was increasingly seen inaugurating community works

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[39] For an extensive treatment of this argument, focusing on the Chilean countryside, see Kurtz (2004).

and handing out benefits from these programs, in what appeared to be an attempt to promote a symbolic link between the president and poor communities, by taking advantage of the discretion allowed to him by the weak institutional constraints on such selective transfers. Thus, even when his macroeconomic policies were anti-populist, social policy was used to foster a populist strategy at the community level.

Interestingly, this populist mode of social governance contributed to foster popular mobilization. As several studies have shown (Garay, 2007; Franceschelli and Ronconi, 2005; Svampa and Pereyra, 2003), clientelist handouts contributed to the rise of *piquetero* organizations. As such, however, the pluralist social policy approach implemented under Menem and continued under De la Rua also differs markedly from the discourse that connects it with participatory governance and poor peoples' empowerment. Civic participation in "associative networks" remains weak. Instead, participation revolves around the clientelistic ties that provide mechanisms through which popular organizations such as *piqueteros* can make claims on the state and acquire resources to administer among its members, such as the famous "work plans" from *Plan Trabajar.* As the allocation of benefits are based on political considerations popular organizations face strong incentives to engage in political advocacy, in direct contrast to Chile.

This type of "politicised participation" is inherently prone to conflict. Populist governance will eventually trigger a backlash if it leads to large public deficits and widespread corruption. The politicized nature of public disbursements discredits political parties and the political class. Indeed, the 1990s saw increased public disillusionment with the populist mode of social governance. What Teichman (2004: 36) writes with regard to the market reform experience of Argentina during the 1990s applies equally to the experience with pluralist social policy reform. It is worth quoting

her at length: "While Carlos Menem was able to contain the growing political unrest of the mid 1990s, in 1999 he was defeated at the polls. The depth of public disillusionment resurfaced with a vengeance in late December 2001, when the country erupted in political protest and no less than four presidents resigned from office. Argentina teetered on the brink of financial collapse with a debt of U.S. $132 billion. It is clear that the crisis in Argentina is as much political as economic. It is characterized by deep public disillusionment and anger with both the political leadership and the manner in which policy reforms had been carried out. This political side of the Argentine crisis, the delegitimization of political institutions and leaders, has much to do with the public's perception of the nature of Argentina's reform experience, particularly its patrimonial features".

CONCLUSION

The comparative analysis of anti-poverty policymaking in Argentina and Chile shows the usefulness of the politics of transforming social governance framework that was introduced in Chapter 1. The analysis demonstrates how the major structural, ideational and institutional transformations that accompanied Argentina's and Chile's transition to free market democracy provide a critical backdrop for understanding their shift to the new pluralist social policy approach. Pluralist welfare reform was initiated by the Argentine and Chilean political leaders in order to maintain governability in the new political environment. In this process, they found it useful to delegate wide authority over policy reform to technocratic experts so as to be able to bypass vested interests and facilitate the implementation of reform. Many of these technocrats came from NGOs and were sympathetic to the new pluralist practices in social policy. Yet,

technocrats in Argentina and Chile faced contrasting institutional environments with wide-ranging effects on the political outcome of these reform efforts. In line with the framework introduced in Chapter 1, the analysis shows how differing regime institutions help explain the contrasting outcomes of pluralist reform in Argentina and Chile. Both outcomes contrast with the assumptions that expect pluralist reforms to give way for more participatory modes of social governance and poor people's empowerment.

The next two chapters take us back to the old corporatist mode of social governance. By giving an account for its origins, evolution and erosion in Argentina and Chile, this historical analysis provides further support for the arguments with regard to causal mechanisms that this study makes. It also provides the necessary context for understanding the shift to the new pluralist social policy approach. The subsequent two chapters then come back to the particular case of anti-poverty policy, providing an in-depth look at the complex process of anti-poverty reform as it unfolded in each of the two countries.

THE RISE AND DEMISE OF CORPORATISM

CORPORATISM AND ITS DEMISE IN CHILE

This chapter looks at the evolution of social governance in Chile. It shows how the transformation of social governance has been linked to politicians' attempts to manage state-society relations in response to changing socioeconomic, ideational and political-institutional conditions. The chapter thus strengthens our understanding of the politics of transforming social governance and provides support for the argument presented in Chapter 1.

The chapter is organized in three sections. The first section discusses the period leading up to the military coup in 1973. It shows how early social legislation constituted a direct response to rising working class militancy propelled by changes in the socioeconomic structure. As Scully (1995: 106-107) has pointed out, "political elites sought to mitigate the most conspicuous aspects of working-class exploitation in order to remove the conditions for recurrent social protest". While initially rejected by conservative interests in Congress, military rule enabled the initiation of a corporatist social policy approach by a new cadre of technocrats who took inspiration from the Bismarckian social security system of Germany. From the 1930s onwards, as the new social policies and programs were expanded, a corporatist mode of social governance emerged supported by the structural and ideational features of the ISI model. More than in Argentina, however, the corporatist characteristics of social governance in Chile were combined with clientelistic pluralist elements that were nourished by a vigorous democratic regime in which reformist political parties fiercely competed for popular support. Over time, the corporatist social policy approach led a highly

stratified and internally fragmented social policy system that helped deepen structural problems and political instability.

The second section discusses how the military takeover in 1973 ushered in a period of neoconservative transformation whereby the corporatist welfare state was dismantled. The authoritarian nature of the regime allowed for the massive use of repression against the popular sectors paving way for the reversal of the economic and social policies that had established the basis of the corporatist welfare state. In addition, the institutional structure of the regime that concentrated political power in the hands of General Pinochet and his team of neoliberal technocrats proved decisive for the implementation of a new social policy approach that revolved around the principle of a subsidiary state.

The third section discusses the return to democracy and its effects on social governance. The analysis shows how the combination of structural, ideational and institutional conditions impeded a major overhaul of the social policy approach instituted by the Pinochet regime. Instead, the new democratic government envisaged a cautious approach to transforming social governance. Tax and labor reforms had to be negotiated with the conservative opposition reflecting the institutional constraints inherent in Chile's protected democracy. Great importance was placed on preserving democratic governability in face of the threat posed by military tutelage. This required avoiding the "populist temptation" of inflated social expenditures, while simultaneously enacting piecemeal social reform so as to pre-empt popular mobilization. The pluralist social policy approach adopted by the new democratic government was intended to incorporate the array of autonomous grassroots organizations and NGOs that had formed around subsistence issues. It was shaped by technocratic reformers that had taken refuge in international organizations and NGOs

during military rule. With a view to the need to avoid pent-up social demands from influencing governmental policy in Chile's protected democracy, technocrats were given considerable powers to formulate pluralistic social policy. In Chile's centralized-unitary system of government these technocratic reformers were able to maintain control over the process of implementation.

THE RISE OF THE CORPORATIST WELFARE STATE

Prior to the military coup of 1973, Chile saw the emergence of a corporatist mode of social governance with important clientelistic features. Its roots were in the major structural, ideational and political-institutional changes that spearheaded a process of corporatist social state expansion from the 1920s. In this process new interest groups emerged that pressured the state in search for ever more privileges and benefits. Gradually, the state became the principal referent for social demands to the point where "access to the state seemed a necessity for obtaining satisfaction of demands and claims" (Garretón, 1989: 7). Around 1970, the level of government social spending almost doubled the average in Latin America, even surpassing that of Argentina (Arellano 1985). More so than in Argentina, social governance in Chile also developed stronger clientelistic pluralist elements as the popular sectors and their organizations became tightly linked to political parties. These party-based linkages enabled popular organizations to retain a measure of autonomy from state control. In Chile, state corporatism was thus less prevalent and the mode of social governance in some ways more akin to the societal corporatism of Western Europe.

The explanation for this has to do with regime institutions. From 1932 until 1973 Chile maintained a vibrant democracy characterized by a fierce competition among

reformist parties for popular support. Through the democratic process popular organizations were given substantial leverage as each party protected particular segments of the popular sectors through favorable legislation and administrative prebends. The trajectory of Chile's social state expansion was thus slightly different from Argentina's, as we shall see. Nevertheless, in both countries it resulted in an internally fragmented and stratified system that over time led to severe economic and social inconsistencies that helped undermine governability. In Chile, these problems reached unprecedented levels during the government of Salvador Allende (1970-73) that ultimately led to the breakdown of democracy and a dramatic restructuring process under neoconservative authoritarianism.

The Social Question and Early Social Legislation

During the 19th century and until the 1920s social provision in Chile was largely in the hands of philanthropic institutions and, most importantly, the Catholic Church. Most of the population lived in the rural sector where patron-client relations helped uphold oligarchic control. The regime established with the constitution of 1833 restricted political participation through limited suffrage and permitted the president to control potential political opposition with constitutional provisions for regimes of exception (see Loveman, 2004). In such a system of "authoritarian republicanism", the ruling elite had little need for social policy.

The nitrate boom beginning in the 1880s helped fuel major changes to the socioeconomic structure with wide-ranging repercussions for state-society relations that eventually put pressure on the political elite to pay more attention to social welfare. Importantly, this period saw the rise of the working class that began to organize in response to the dismal social conditions. From 1890 onward strike and

protest activity increased considerably. It was often met with police and sometimes military repression leading to outbreaks of extreme violence in which thousands of workers lost their lives. Increasingly, the "social question" became a source of concern for the political elite. Collier and Collier (1991) emphasize the salience of the social question and how the fear of the threat posed by the working class was particularly high in Chile. In relation to this they note how "the strike wave that began in 1917 was a convincing indication to both the traditional oligarchy and the middle sectors that something had to be done" (1991: 189).

From the late 1880s onwards some bills were introduced in Congress to improve the situation, particularly in relation to the housing problem and the expansion of primary education (see Arellano, 1985). Yet these were timid measures with little effect in relation to the deep social dislocations that characterized the era. Analyzing the political system up to 1925, Remmer (1984: 154) noted how it "impeded state activity on behalf of subordinate groups". With the end of World War I and the recession that immediately followed, manifestations of social discontent reached new levels. The emergence of the labor movement put considerable stress on a political system that did not accommodate working-class interests. Galvanized by the Russian Revolution, workers and students alike became increasingly radical in their actions (Collier and Sater, 2004).

In the campaign for the presidential election of 1920 the "social question" was one of the major issues (Arellano, 1985). The election was won by Arturo Alessandri on the basis of a reformist program. Similarly to Yrigoyen in Argentina, as we shall see, Alessandri pressed for the enactment of social legislation, particularly the creation of social security and a labor code. Lacking Yrigoyen's "delegative" democratic powers, however, Alessandri was unable to override conservative resistance in the legislature.

As a result of the restructuring of the presidential system to a quasi-parliamentary one in the 1890s, the presidency had been severely weakened in relation to Congress, a relationship that prevailed until the 1920s. It was against this background of a political impasse and the ensuing economic and social disorder that the armed forces stepped in to bury the so-called Parliamentary Republic in September 1924 (see Collier and Sater, 2004).

Under military rule, a corporatist social policy approach was adopted to deal with the social question. Instrumental in shaping the new approach was the coalition of experts, mostly doctors of medicine, which made an alliance with the military. These social technocrats came to occupy the new Ministry of Hygiene, Social Assistance and Security created in 1924 (Illanes and Riesco, 2007). Under their influence, a process of social state expansion was initiated that was modeled after the Bismarckian social security system of Germany.[40] Between 1924 and 1925, labor legislation was established that formed the legal basis of unionization and insurance funds were created for blue and white-collar workers, as well as for civil servants, journalists and the police. The creation of these new institutions brought an immediate increase in personnel and fiscal expenditure, laying the foundation for massive growth of the corporatist welfare state in the coming years.

During the Ibáñez dictatorship from 1927 to 1931 the corporatist approach was intensified in order to better be able to control the labor movement. As explained by Collier and Collier (1991: 185): "It was primarily a response to the social question posed by the challenge of a newly activated militant labor movement, in which the goal was to deradicalize the union movement by providing a legal framework and alternative union structures that would 'harmonize' class relations, substituting class

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[40] See also Abel and Lewis (1993).

collaboration for class conflict". The approach had three main components: "first, the repression of existing leftist-oriented unions; second, a paternalistic extension of certain benefits to workers to eliminate some of the underlying causes of worker protest; and third, the promotion of an alternative form of legalized state-controlled and state-sponsored unionism" (Ibid.). By making use of dictatorial powers, Ibáñez thus laid the groundwork for a corporatist mode of social governance in Chile, anticipating what occurred under Perón in Argentina.

Indeed, there are interesting parallels with Perón. Inspired by the ideas of Primo de Rivera and Mussolini, and largely unconstrained in their use of executive powers, both Ibáñez and Perón attempted to resolve the social question by way of state corporatism. Ibáñez was cut short in his efforts by the Great Depression, which put Chile on a democratic path that, while far from circumcising the corporatist social policy approach, helped add stronger clientelistic pluralist elements to social governance. In Argentina, Perón was in power for more than ten years and was thus able to go further in consolidating state corporatism, a point that will be discussed in detail in the next chapter.

Hence, we see how the framework proposed in this study is useful for understanding Chile's trajectory of social state expansion. The basis for the creation of the first social policies was the attempt by political elites to restore governability in face of escalating working class militancy propelled by major changes in the socioeconomic structure. These attempts were shaped by the policy ideas in vogue during the time and by the experts who took charge of implementing the new social policies, such as the social policy advocacy coalition led by Dr. Alejandro del Río during

the mid-1920s to which was referred above.[41] Important boundaries were put on these efforts by the nature of regime institutions, as evidenced by the Alessandri´s failure to implement social laws under the constraints of the Parliamentary Republic. Only under military dictatorship could conservative opposition to social legislation be overridden. The role of regime institutions becomes particularly clear in a comparison with Argentina. Comparing Yrigoyen and Alessandri it is evident that regime institutions are the main variable in explaining their different fortunes in implementing social reform. It was also noted how authoritarian institutions under Ibáñez and Perón led to similar efforts to establish a corporatist mode of social governance. As Chile was put on a democratic path, however, some differences again appeared in the nature of social governance between the two countries, as the next section will more clearly show.

Democratic Competition and Social State Expansion

Constitutional order was restored in 1932 under the Constitution promulgated in 1925 but that initially had been rejected. From 1932 until 1973 Chile maintained a stable democracy in which parties on the right, center and left competed for elective office. This democratic regime allowed for the political incorporation of the popular sectors and set the basis for a mode of social governance in which, in addition to important corporatist features, state-society relations were defined by clientelistic ties in higher measure than in Argentina. Borzutzky (1998: 91-92) writes: "Clientelism gave the parties political support and clientelistic politics affected legislation more so than ideology. By the end of this period the legislative process had become almost entirely devoted to the solution of particular problems, the concession of special benefits, or

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[41] On the role of ideas in informing social policy formation during the period, see Abel and Lewis (1993).

exemptions to general obligations. Invariably the process produced the expansion of the social and economic functions of the state".

From the 1930s, the Chilean state steadily increased its role in the provision of social services.[42] In the social security field, coverage was extended to new working categories and new benefits were introduced such as family allowances, unemployment pay and maternity allowance. With regard to housing, the Popular Housing Fund (*Caja de la Habitación Popular*) was set up in 1936 to subsidize the building of houses for workers. In healthcare, legislation was adopted under Pedro Aguirre Cerda's Popular Front government (1938-1941) to provide preventive medical care for workers and in the case of blue-collar workers extend curative care to mothers and children. In education, the expansion of enrolment continued at all levels.

Between 1935 and 1955 public social expenditures increased 4.5-fold. Growing state provision constituted a response to pressure from organized social groups: the middle strata, miners, industrial workers, and the urban proletariat (Raczynski, 2000; Castiglioni, 2005). Their organizations and associations pressured the state in search for privileges and benefits: jobs, salaries, social security, health care, education, and housing. As a source of patronage, social policies helped to mediate social struggles and to form broad, "incorporating" populist coalitions between different interests. Social policy also served the economic model of import-substituting industrialization adopted in the 1930s. By subsidizing the reproduction of the labor force through the development of state systems of social protection, social policies reinforced the purchasing power of wages thereby expanding domestic markets (Taylor, 2003).

The expansion of social protection was uneven between different segments of the labor force, reflecting the varying strength and ability of class-based social movements

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[42] For a detailed analysis of social policies during the period, see Arellano (1985).

at different points in time to effectively pressure the state for concessions (Taylor, 2003; Raczynski, 2000). From the 1950s onwards, a highly stratified system between "insiders" and "outsiders" emerged. For "insiders", workers with stable permanent jobs represented by strong centralized union organizations, free access to public health programs and guaranteed social security coverage, plus unemployment insurance, were part of the social protection package that followed from institutions such as centralized wage bargaining, lifelong employment guarantees in the public sector and rigid employment contracts in the private sector. The problem with this corporatist model was the growing number of "outsiders", those with temporary, "informal" jobs or chronically unemployed. As a consequence, the system became "notoriously fragmented as different sections of the middle and working classes variously succeeded in pressuring the state to grant or extend coverage to their particular occupational group" (Taylor, 2003: 24).

This is particularly evident in the evolution of social security. By the mid-1950s there were more than 35 institutions serving different occupational groups with widely differing benefits, contributions and regulations. Another example taken up by Arellano (1985) is family allowances. For private white-collar workers family allowances were established in 1937, for blue-collar workers in 1953. "The amounts of these benefits varied substantially from one security institution to another in common with the qualifications required for the benefit. Almost every new benefit introduced during the period followed the same course of unequal and irregular application" (Arellano, 1985: 409-10).[43]

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[43] It should be noted that in the matter of education policies were more universalistic and in any case not associated with occupational groups.

In response to these contradictions and imbalances of an internally fragmented and stratified social policy system, various governments attempted to streamline it by integrating the diverse social policy institutions into larger state agencies. The result was heavy centralization and bureaucratization that made reform difficult, decision-making slow and caused problems in responding to the changing needs and demands of the population, not least the social groups that fell outside the formal labor market (Raczynski, 2000). Raczynski (1996) also notes how the corporate and political interests that dominated the arena made the implementation of change proposals extremely difficult. Another problem was financial as the expansion of the system had to be accompanied by increases in public spending. This led to budget imbalances that intensified inflationary pressures within the ISI model. The fluctuation of global copper prices, on which the Chilean economy was heavily dependent, and the ever more frequent social struggles underscored repeated crises.

The state responded to these growing problems by further deepening the interventionist model and by an extension of social programs. The Cuban revolution had opened a new ideological period in Latin America. Social policy also figured prominently in the new structuralist paradigm promoted by ECLA during the 1960s. Even the US government favored more comprehensive social policies through Kennedy's Alliance for Progress (Illanes and Riesco, 2007). This embrace of *developmentalism* facilitated the rise of technocratic reformers entrusted with the design of more extensive social programs.[44] During the PDC government of Eduardo Frei (1964-1970) social policies took center stage in an effort to mobilize and gain the loyalty of the peasants and urban marginal sectors that had been neglected by the

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[44] For an account of the role of policy experts during the period, see Silva (2008). See also Abel and Lewis (1993).

stratified nature of the social policy system. Policies were adopted to support neighbourhood and urban community organization ("promoción social") as well as rural labor unions.[45] These policies enabled the PDC to gain clientelistic control over the urban and rural poor. The government also stepped up the role of the state in financing, managing and directly producing social services and programs. Social public expenditure more than doubled during the Frei era rising to around 20 percent of GDP in 1970 (Arellano, 1985).

Between 1970 and 1973, under the Allende administration, social state expansion was further extended with a program that concentrated on the redistribution of income. In 1971 and 1972, social expenditure rose by more than 30 percent in relation to 1970 (Arellano, 1985). The approach helped feed ideological polarization and growing political unrest. The worldwide slowing of economic growth in the early 1970s exacerbated the crisis and radicalized popular mobilization. Eventually, this polarization of Chilean society culminated in the military takeover of September 1973. The regime ushered in a period of deep neoconservative transformation and a completely new mode of social governance as the new military-technocratic alliance in charge sought to rid the Chilean state of its role as the principal referent of the popular sectors' demands.

THE PINOCHET ERA: DISMANTLING CORPORATISM

The foundational mission of the military-technocratic alliance that presided over Chile from 1973 to 1989 was to carry out a complete neoconservative restructuring of the country. Shortly after the violent coup of 1973 the military proclaimed its goal to give

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[45] For an account, see Sandbrooke et al. (2007)

Chile "a new institutional basis...to rebuild the country morally, institutionally and materially" (cited in Taylor, 1998: 39). To this end, the military believed it necessary to forcefully repress political organization, especially organized labor, and submitting "society over a long period of time to the unbridled forces of the market" (Scully 1995: 122). Society was to be depoliticized so as to prevent the kind of deep social crisis and polarization of political forces along social class lines that had culminated under the Allende administration. "The government sought to construct an atomized, depoliticized society where there would be no bases for collective action and the state would no longer be at the center of redistributional issues. Instead, the market was to determine the allocation of resources" (Huber, 1996: 164). Dismantling the corporatist welfare state so as to remove the incentives for political mobilization and re-establishing the basis for sustained capital accumulation in Chile became central. To this end, the repression of political and social organizations, as well as the imposition of a neoliberal developmental model became instrumental. By the time of re-democratization in 1990, the corporatist welfare state had been dismantled and the traditional links between state and society broken down.

The regime structure proved decisive for the success with which the military-technocratic alliance managed to accomplish this transformation of social governance in Chile. Firstly, the authoritarian nature of the regime allowed for the massive use of repression whereby the popular sectors were demobilized to give way for the reversal of the economic and social policies that had established the basis of the corporatist mode of social governance. Secondly, as Remmer (1989) has forcefully argued, the concentration of power achieved by Pinochet and his team of technocrats made possible the implementation of radical neoliberal reform. Various observers have emphasized the importance of neoliberal technocrats for the politics of the military

government (for instance, Remmer, 1989; Silva, 1996; Huneeus, 2000; Teichman, 2001, Castglioni, 2001; Silva, 2008). These technocrats were able to penetrate key institutions of the state and achieve the decision-making authority needed to pursue the transformation of social governance. In contrast to Argentina, where neoliberal technocrats ran up against the resistance of military officers, in Chile they were able to ignore or override resistance to neoliberal reform. This capacity hinged on the institutional structure of the regime that concentrated political power in the hands of Pinochet. "No other Southern Cone military leader has enjoyed comparable authority or braked so completely expressions of institutional autonomy on the part of the armed forces. It was precisely because of this consolidation of power around a personal dictatorship that the process of state change was carried much farther in Chile than elsewhere" (Remmer, 1989: 25).

Demobilization and shock treatment

Immediately following the coup, the military launched a period of repression aimed at demobilizing the popular sectors by forcefully closing the channels of popular influence on policymaking such as trade unions and political parties. These early policy choices drew inspiration from the National Security Doctrine that had become influential in the region as part of the U.S. anticommunist counterinsurgency training of Latin American militaries (Castiglioni, 2001; Oppenheim, 1999). In the view of the military, the acute socioeconomic crisis and class conflict following the arrival of the Marxist Unidad Popular coalition into government, was a result of the politicization of Chilean state and society provoked by political demagogy and leftist militants supporting social change under Frei and Allende. Restoring social peace and development required the depoliticization of social conflict. Duly, the National Congress was dissolved, political

party activities were immediately suspended and sympathizers of Allende's government and other political enemies were singled out for repression. In particular, the trade union movement came under attack. In its first few months in power, the military outlawed the largest national confederation, the *Central Única de Trabajadores* (CUT). It also suspended the processing of all labor petitions, abolished the right to strike and to bargain collectively, allowed workers to arbitrarily be laid off, closed all mediation boards, prohibited union elections and declared that any union meeting would need prior approval by the police. Along with the persecution of the old union leadership and the freezing of union funds, these constraints and prohibitions on union and partisan activity left the working class effectively without a voice in private as well as public decision making processes (see Remmer, 1980; also Loveman, 1997).

Demobilizing the popular sectors helped facilitate the reversal of the fundamental economic and social policies that had established the basis of the corporatist welfare state (see Remmer, 1980 and 1989). The immediate worry for the military government was runaway inflation, which by official statistics had escalated beyond 500 percent, and the enormous fiscal deficit of about 24 percent of GDP (Castañeda, 1992). Initially the military favored a gradual approach to stabilization and the restoration of market mechanisms. By 1975 it had become apparent that the gradualist approach was not working. Chile's poor macroeconomic performance, exacerbated by the oil crisis and the drop in copper prices, laid the basis for the rise to prominence of a group of economists popularly known as the "Chicago Boys" who advocated strict adherence to a free market model and the rupture with the gradualist policies. The "Chicago Boys" were an ideologically cohesive group of neoliberal economists that dominated the National Planning Office (ODEPLAN). As the economic

situation grew worse, General Pinochet "decided in early 1975 to embrace the draconian set of policy remedies advocated by the Chicago Boys and their most distinguished mentor, University of Chicago economist Milton Friedman" (Remmer, 1989: 11-12). In April 1975 an economic recovery program known as "Shock Treatment" was announced that consisted of a set of strict monetarist prescriptions such as drastic cuts in public spending, prize liberalization of most consumer goods, new taxes and tight monetary policy. In addition to these economic shock measures, the government also reduced import barriers and accelerated the process of privatizing state enterprises, a process that went far beyond a rollback to the pre-Allende situation (Oppenheim, 1999; see also French-Davis, 2004).

The successful application of Shock Treatment allowed a deepening of structural reforms. Tariffs were unilaterally reduced to 10 percent and foreign capital was offered guarantees and incentives through a new statute on foreign investment (Decree Law 1748) adopted in March 1977 (Remmer, 1989). By late 1977 Chile had broken with decades of state-supported ISI and adopted a free market monetarist economic model. This radical overhauling of the developmental model hinged in no small measure on authoritarian repression whereby opposition to structural reform could be neutralized. At the same time, the consistency with which orthodox monetarist policies were pursued, in comparison with other neoconservative experiments in the Southern Cone, was a direct result of the personalist type of authoritarianism that distinguished Chile from these other military dictatorships. The concentration of power achieved by Pinochet by the mid-70s, paved the way for the autonomy from corporatist interests enjoyed by the reforming technocracy on the back of which it could impose its draconian measures.

Depoliticization of social policy

A complementary aspect of the dramatic economic restructuring process was the implementation of changes in social service provision. The removal of the "incentives inherent in the old system of social provision that created beneficiary coalitions seeking to extract rents through concerted action in the political sphere" (Kurtz, 1999b: 417) was to be accomplished through a redefinition of the social role of the state. In particular, the regime embraced the principle of state subsidiarity (Castiglioni, 2001). The diagnosis of the Chicago Boys was that previous social policy had benefited middle-income groups more than the extremely poor, created market distortions and stifled individual initiative. Instead, the state should only support those who cannot meet their most basic needs; the rest of society should rely on the private sector (Kast, 1979; see also Castañeda, 1992).

Table 3.1   Public Per Capita Social Expenditures (1992 pesos), Selected Years (1970-92)

Year	Education	Health	Social Security	Housing	Other	Total	% of Total Exp.	% of GDP
1970	39,503	21,601	81,735	16,578	910	160,328	57.1	21.7
1974	31,545	18,712	48,684	21,527	1,159	121,626	48.8	17.6
1975	24,967	14,498	49,543	12,288	357	101,653	55.3	18.3
1976	26,693	13,543	48,992	9,084	926	99,238	57.0	15.9
1977	31,171	14,650	56,029	10,181	1,830	113,861	60.6	17.4
1978	32,797	16,202	67,008	9,517	1,562	127,086	56.7	16.0
1979	35,886	15,952	74,852	11,881	1,903	140,474	58.4	15.6
1980	35,033	17,789	77,898	11,809	1,924	144,453	59.8	17.0
1981	36,384	16,152	90,509	11,684	1,588	156,318	60.7	18.5
1982	36,753	16,941	104,281	8,193	1,232	167,401	59.0	22.4
1983	31,125	13,479	96,735	6,785	1,872	149,996	64.2	21.1
1984	30,088	14,241	96,398	7,925	1,640	150,292	63.5	21.3
1985	29,858	13,745	88,243	10,876	1,573	144,296	61.6	19.8
1986	28,087	13,428	85,196	10,186	1,649	138,546	60.0	18.4
1987	27,601	18,213	60,811	8,493	16,260	131,378	64.1	16.7
1988	26,956	20,849	61,346	11,120	13,383	133,653	61.3	15.2
1989	26,275	20,614	61,983	10,418	10,747	130,037	63.1	14.0
1990	24,717	19,361	62,095	10,237	10,391	126,802	66.7	14.0
1991	27,220	22,440	63,532	11,971	11,268	136,430	66.7	14.5
1992	31,602	26,535	68,181	13,310	13,010	152,638	65.4	14.7

Source: Reproduced from Raczynski and Romaguera (1995)

In accordance with the concept of the "subsidiary state", public social spending (PSS) decreased as a percentage of GDP as well as in absolute terms (Table 3.1). Per capita PSS was below its 1970 level in every year from 1974 to 1989, except during the severe economic crisis in 1982. Nevertheless, major qualitative changes to social policy did not take place until 1979, as prominent military figures, most importantly General Leigh, persisted in opposing the concentration of power advanced by Pinochet and the radical reform agenda advocated by his economic team (Castiglioni, 2001). By the late 1970s, however, Pinochet had outmaneuvered his rivals in the *junta* and concentrated the process of economic and social policymaking with the Chicago Boys (Castiglioni, 2001; see also Remmer, 1989; Huneeus, 2000). This proved decisive for the direction of social reform. It shows how the success with which Chile under Pinochet managed

to implement radical social policy reform was contingent on the capacity of these technocrats to penetrate key institutions within the state bureaucracy and override resistance to neoliberalism. This capacity was a direct result of the regime structure that emerged under Pinochet.

Beginning in 1979, neoliberal ideology was extended to virtually all areas of policy. In a speech by Pinochet on September 11, 1979 an extensive package of state reforms known as the "Seven Modernizations" was unveiled (Oppenheim, 1999). The reforms began with the implementation of a new labor code in response to growing labor unrest and international pressure (Remmer, 1989). It was intended to normalize labor relations after having banned both labor unions and strikes since the coup. The labor code established a new legal framework for labor organizations and collective bargaining, but on highly disadvantageous terms for organized labor. The new legislation restricted collective bargaining and union organization to the plant level, made no provision for federation or confederations linking workers across enterprises and allowed for bargaining groups in competition with unions within individual firms. It abolished the need to state a cause for dismissal and increased facilities for short-term contracting. The right to strike was also strictly regulated – strikes were limited to sixty days only, after which workers would automatically be fired if not returning to work. In addition, the new labor code provided for employer lockouts as firms were allowed to hire temporary workers during such strikes. Finally, trade union activity was to be apolitical; union members could not simultaneously hold party membership and trade union leaders that had participated in partisan activities were banned from holding leadership positions. The new labor rules were intended to fragment workers into distinct strata, weaken the bargaining power of unions and their association with political parties, as well as to remove the state as an interlocutor of labor disputes.

(Oppenheim, 1999; also Remmer, 1980 and 1989). In sum, it was an attempt to deprive the trade-union movement of its bargaining strength and ensure the flexible functioning of the labor market.

From 1980 onwards further 'modernizations' took place through privatization and decentralization in a variety of social sectors, such as health, education, and social security.[46] Following the guiding principle of subsidiarity, the Pinochet government encouraged private enterprises to replace the public sector as the major provider of social services. This was presented as a method for increasing the efficiency of social service provision for the benefit of all welfare "consumers" (Taylor, 2003). Apart from the expectation of higher efficiency through competition and better allocation of resources, the policy would also serve the political function of removing the state apparatus as the locus of collective struggles. Instead, social service provision would become a matter between individuals and private service enterprises. The creation of an individual-capitalization pension system administered by the private sector and a private health care system alongside the public health care system was consistent with the principle of subsidiarity. With respect to housing, the system of subsidies was changed to give a more important role to real estate enterprises.

In accordance with neoliberal doctrine, social policy was primarily to function as targeted anti-poverty relief, ensuring certain basic needs in order to guarantee "equality of opportunity" in the market place. Ideally, these basic needs should be met by the market, but when this was not possible, the state would intervene in a technical and efficient manner to ensure their provision - chiefly through the use of demand-driven subsidies so as to minimize market distortions and encourage competition.

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[46] For a detailed description of these reforms, see Castañeda (1992). See also Raczynski and Romaguera (1995), and Castiglioni (2001).

Where the state was still involved in providing social services "decentralization would segment collective articulation into the localized realm of municipal governments" (Taylor, 2003: 27). Indeed, as a high official at the Ministry of Health during the military government testifies, a central objective with the decentralization of social services from the central government to the municipalities "was to break unions, because prior to these reforms teachers would go on national strike and would deal with the [education] minister (the same was true with doctors). But when you distribute this among municipal governments, the employer is the mayor, so instead of having a national union you have 350 small unions" (quoted in Castiglioni, 2001: 55). Concrete measures taken towards this aim were the transferral of the administration of primary and secondary schools, primary health care, and components of the safety net to the municipalities.

Hence, as well as serving the new productive structures, the retrenchment of the corporatist welfare state was part and parcel of the regime's "political project of breaking the bases of collective action and withdrawing the state as a target of such action" (Huber, 1997: 2). Targeting, privatization and decentralization would pave the way for new social governance centered on an individualized, targeted and market-mediated form of state-society interaction and social provision. This process of creating a new institutional framework culminated with the Constitution of 1980. "...the constitution coupled strong guarantees of property rights with extensive limitations on political rights, sanctifying the union of national security doctrine and Chicago economics" (Remmer, 1989: 16). In essence, the constitution sought to institutionalize a restricted form of political democracy that would protect the neoliberal model and replace class conflict with a depoliticized or "technified" society in which social relationships would be redefined in a highly individualized manner.

Nevertheless, the repercussions of the economic crisis that hit Chile at the end of 1981 demonstrated that despite Pinochet's efforts to atomize society, Chilean society had not completely rid itself of its custom of collective action (Oppenheim, 1999). Beginning in 1983 a period of furious popular protest against the regime surfaced leading to widespread mobilization that continued through 1986. However, popular mobilization had changed form. No longer did organized labor and the trade-union movement play the leading role in mobilizing popular dissent. Instead, it was grassroots groups, especially shantytown dwellers (*pobladores*) that became instrumental in organizing popular mobilization (Oxhorn, 1995). Cut off from patronage and prohibited from joining trade-unions, the popular sectors had begun to form community organizations and cooperatives. Initially, grassroots groups took the role of self-help networks in response to the 1975 Shock Treatment from which the popular sectors suffered disproportionately as unemployment soared and real wages plummeted. The economic downturn of 1981-1983 exacerbated this trend, helping to create a strong grassroots network and the rebirth of political activity as political parties and trade-unions reappeared. As the GDP fell by 14.5 percent in 1982, continuing its fall in 1983, and unemployment reached 30 percent of the work force, including those employed in emergency public programs[47], the protest movement evolved into a massive social movement that united different sectors of society. Indeed, according to Oppenheim (1999: 163) the protest movement "demonstrated that the military had not been successful in atomizing Chilean society".

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[47] The military government introduced several make-work programs intended to alleviate the impact of massive unemployment, most notably the Minimum Employment Program (PEM), which expanded from 19,000 participants to over 200,000 in 1982. In the same year, the Program for Head of Household (POHJ) was instituted. According to Loveman (1997), in 1982 almost 8 percent of the labor force was 'organized' into government make-work programs.

In addition to the protest movement, Pinochet came under intense pressure from industrialists and business leaders suffering from the financial collapse to reverse the neoliberal model (Remmer, 1989). In 1983 the government finally took some measures to smooth the effects from the economic crisis, such as devaluing the peso and raising tariffs. In addition, the government took over the failing banking system by assuming the debt of financial institutions that had gone bankrupt and nationalizing others (Oppenheim, 1999). Nevertheless, these were only temporary retreats from orthodoxy. As Remmer (1989) has explained the government had limited freedom of maneuver. Chile had contracted an enormous debt under military rule and was under intense pressure from the international banking community to meets its international obligations. The debt burden pushed the government to implement policies in accordance with IMF orthodoxy, a process that was helped by the power and autonomy achieved by the neoliberal technocrats (Remmer, 1989).

The military-technocratic alliance presided over by Pinochet not only managed to stay in power despite strong opposition, but also deepened the neoliberal model through renewed privatization and denationalization via debt-for-equity swaps from 1985 onwards. It was not until 1990 that Pinochet succumbed to a change of regime. By then the democratic opposition had changed strategy gradually abandoning social mobilization, having witnessed the protest movement fail, in favor of an electoral strategy that gave greater priority to accommodate conservative interests and preserving the neoliberal model.

DEMOCRACY RESTORED: MANAGING THE NEW SOCIAL QUESTION

When the new democratic government of Patricio Aylwin finally took over in March 1990, its greatest challenge was how to manage the "new social question". The new regime inherited an enormous social debt accumulated over almost 17 years of neoconservative authoritarianism. Poverty levels were substantially higher than they had been twenty years earlier – more than 40 percent of the population was classified as either poor or indigent. In 1989 real wages were still below what they had been in 1970. Income distribution was highly concentrated as the gap between the highest- and lowest income brackets had steadily widened during the Pinochet era. Public services were severely underfunded and lacking infrastructure. Hospitals suffered from a shortage of medicine, personnel and supplies, as investments had severely lagged behind the increase in population and the deterioration in infrastructure. Social workers were in distress over the labor reforms. In education, teachers' minimum salaries had dropped and were more than 50 percent lower than in 1980. Pensions and family allowance values had also dropped, and the housing deficit had increased markedly (see, for instance, Queisser, Larrañaga and Panadeiros, 1993; Raczynski and Romaguera, 1995).

This dismal social record had been relentlessly criticized by the Concertación during the campaign to restore democracy and had a decisive effect in undermining the legitimacy of the military regime. According to prominent Concertación politicians, the defining moment of the electoral campaign was when Alejandro Foxley, who later became Minister of Finance in the Aylwin government, announced that there were 5 million people living in poverty in Chile (author interviews, 2006). In the campaign the Concertación promised to deal with this "social cost" of neoliberalism and it played a decisive role in the victory of the Concertación alliance in the 1989 elections. Hence,

expectations were high that the new democratic government would deal with these social problems and introduce rapid social "compensation".

At the same time, this new social question raised the specter of a return to "populist" public spending and corporatist welfarism. Many observers feared that the democratic government would succumb to social pressures and fall prey to the "populist temptation". Developments in Argentina where the Alfonsín government in face of trade union pressures essentially reintroduced the corporatist social policy approach in combination with a heterodox strategy of stabilization served to foment worries that the restoration of democracy in Chile would precipitate a return to the old ways.

These worries proved unfounded. The major structural, ideational and institutional changes Chile had undergone since 1973 impeded a return to the old ways. Indeed, the new democratic government opted for a cautious approach to transforming social governance that involved negotiating tax and labor reforms with the conservative opposition and a new pluralist social policy approach that put great emphasis on the design of flexible, targeted and participatory welfare schemes through mechanisms such as vouchers, microcredit and competitive tendering.

Legacy of Pinochet

Thus, in contrast to Argentina, as we shall see, corporatism did not resurface with re-democratization in Chile. The explanation has to do with the very different legacy from neoconservative authoritarianism inherited by the incoming democratic government.

First of all, the transformation of the socioeconomic structure under neoconservative authoritarianism was much deeper in Chile than in Argentina. In Chile, the success of the Chicago Boys in implementing the neoliberal model had

repercussions for the social policy options of the incoming democratic government. In stark contrast to Argentina, where the military left behind economic chaos, in Chile the economic model of the Pinochet regime was considered a success. Accordingly, the Concertación pledged not to overhaul the model and, thus, continue with the export-oriented economic policies that made any radical social reform difficult.

Crucially, in Chile, the labor movement never recovered from military rule. By the time of re-democratization in 1990, corporatist social institutions (labor unions and peasant confederations) had become notably weak. Authoritarian repression and neoliberal restructuring had weakened the organizational bases of the labor movement. The national unionization rate was low and most union members belonged to small firm-level unions illustrating the growing atomization of the labor movement (Table 3.2). In addition, workers covered by collective contracts were under 10 percent.

Table 3.2 Unionization in Chile, 1973-1998

Year	Union Members (Thousands)	Avg. Size Union	Unionization Rate	Employed Workers Covered
1973	934.3	144	32.0	-
1986	387.0	72	10.0	6.6
1987	422.3	72	10.6	7.1
1988	446.2	69	10.4	7.0
1989	507.6	71	11.4	7.7
1990	606.8	69	13.4	8.9
1991	701.4	71	15.1	9.5
1992	724.1	67	14.8	9.9
1993	684.4	60	13.4	9.5
1994	662.0	54	12.9	9.6
1995	637.6	50	12.3	8.7
1996	627.7	48	11.8	8.2
1997	617.8	45	11.5	7.7
1998	611.5	43	11.3	7.4

Source: Dirección del Trabajo (2006); Durán-Palma, Wilkinson and Korczynski (2005); Haagh (2002).

Authoritarian repression alone cannot account for this weakness of organized labor.[48] Indeed, repression of organized labor was harsh in Argentina as well and nevertheless trade-union power rebounded under Alfonsín. Moreover, the Chilean labor movement has remained weak and fragmented despite democratization. Although unionization briefly increased during the 1989-1991 period, the rate of unionization began to decline sharply after 1992 (also in absolute terms). A plausible explanation for this erosion of the organizational bases of the labor movement is the debilitating effects of the neoliberal model implemented by the military regime and to a large extent maintained under democracy. Economic austerity and the shift from import-substitution industrialization to an open free-market model under the military regime led to a process of rapid deindustrialization in Chile (French-Davis, 2004). As a result, the relative size of the industrial working class declined markedly as employment in the formal industrial sector was replaced by informal employment, or unemployment. Privatisations of public sector activities and the deregulation of labor transformed Chile's social and occupational structure. An important new element in Chilean society became the large number of informal workers with little or no social protection (see Annex 2, Table A.2). At the same time as these structural changes in the Chilean economy, the corporatist social protection apparatus was dismantled, eroding previous incentives to organization. Coupled with the decentralization of social services, these neoliberal reforms ended up producing a marked pattern of interest disarticulation and the reduction in the ability of workers to mobilize and bargain collectively. As a consequence, the ability of labor unions to defend corporatist welfare arrangements had become notably weak.

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[48] See the discussion in Barrett (2001).

Secondly, the nature of Chile's democratic regime has had a decisive impact on its current mode of social governance. Chile's transition from authoritarianism occurred within the institutional framework determined by the 1980 Constitution. The new constitution was deliberately designed to protect the neoliberal economic model imposed by the military regime by defining the parameters of Chilean democracy. The effect has been to diminish not only the new civilian government's capacity but also its inclination to reverse the economic and social policy reforms enacted by the military regime. Chile's transition to democracy is a paradigmatic case of a negotiated pact that was designed to narrow the range of potential democratic outcomes. The logic of pact-making requires the democratic opposition (especially the Left) "to postpone or moderate objectives for political and socioeconomic transformation" (Roberts, 1998: 37). Indeed, this particular mode of transition and the type of democratic regime it led to helps to explain the continuity of the neoliberal development model after democratization. [49]

A brief analysis of the process of regime transition should help explain why the Concertación opted for largely accepting the economic and social policy reforms of the military regime. First of all, during the long struggle to reassume democracy in Chile, prominent figures belonging to the democratic opposition became increasingly aware of the need to reach an accommodation with the conservative forces.[50] A decisive factor was the military's "overwhelming strength and determination to defend the Constitution and its transition procedures" (Barrett, 2000: 5). Social mobilization and economic crisis had proved insufficient to force the military-technocratic alliance from power. In 1986, when the economy had re-entered an expansive phase and the mass

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[49] For a discussion of modes of transition and their impact, see Karl (1990). For the specific case of Chile, see, for instance, Barrett (1999).
[50] For an inside account, see Boeninger (1997).

protests against the military regime began to ebb out, it became clear that the strategy of social mobilization had failed to bring down the dictatorship. From this Christian Democrats and renovated Socialists concluded that the plebiscite - on Pinochet's continuation as president promised by the 1980 Constitution – was the best means to defeat the regime (Boeninger, 1997; Roberts, 1998; Barrett, 2000). The democratic opposition's victory in the plebiscite opened the way to eventual elections and a process of negotiation between the regime and the opposition. The military, however, retained the upper hand throughout the process of negotiation and the democratic opposition was only able to negotiate modest changes to the 1980 Constitution. This had longstanding consequences for the post-transition process. "By obtaining only limited reforms, the CPPD helped to consolidate the core features of the 1980 Constitution and thereby restricted its own strategic options significantly" (Barrett, 2000: 6).

As several scholars have pointed out, the Chilean military was exceptionally successful in controlling the regime transition and imposing institutional constraints on the incoming civilian government (Linz and Stepan, 1996; Munck and Leff, 1997). In sharp contrast to Argentina, where the armed forces were seriously discredited by military defeat and economic chaos, the Chilean military "remained remarkably cohesive, and it retained staunch support among economic elites who had become ardent defenders of the neoliberal model implemented by Pinochet's Chicago-school technocrats" (Roberts, 1998: 142). The trauma of the Allende experience had also left large parts of the middle class extremely wary of "populism" (Boeninger, 1997). These factors contributed to the strength of the military regime and its ability to dictate the terms of the transition. The Concertación could perhaps have put pressure on the conservative forces to accept democratic reforms by trying to mobilize the popular

sectors, but as Roberts (1998: 144) has pointed out, "such a strategy entailed an inherent risk that the Right would abandon the democratic arena". In the face of this threat of an authoritarian backlash, and having experienced the failure to topple the dictatorship through social mobilization in the mid-80s, the Concertación opted to avoid mass mobilization in favor of an elite-negotiated pact with the conservative forces.

This shift in strategy from social mobilization to negotiation and electoral politics served to preclude a radical break with the authoritarian regime. The negotiated accord left in place a set of constitutional "protections" designed to limit majority rule and protect conservative power. In particular, the 1980 Constitution provided for the designation of nine Senators from conservative institutions. As a direct result, the Concertación was deprived of a working majority in the Senate after re-democratization despite winning a solid majority of the popular vote. This gave conservatives strong veto power over legislation. To pass any legislation the Concertación thus needed to gain the support of some segment of the conservative opposition. In addition, a binomial electoral system was designed to disproportionately favor the Right. Its impact for the post-transition process was that it "ingeniously overrepresented the political Right in Congress while excluding the Communist Party and other leftist forces outside the Concertación" (Roberts, 1998: 143). As such, it helped to marginalize postures that called for a more radical break with the neoliberal developmental model/economic and social policies of the military regime.

The military also took measures to institute a set of "reserved domains" that removed specific areas of policymaking from the purview of the incoming democratically elected government. Apart from depriving the government from controlling the armed forces as well as barring the Congress from initiating

investigations into malfeasance and human rights abuses by previous governmental officials, the departing military-technocratic government passed a series of laws, *leyes de amarre*, that were meant to tie the hands of the incoming government and cement into place the neoliberal economic system (Oppenheim, 1999). Among other things, the new democratic government was prohibited from replacing most of the bureaucracy that was staffed by Pinochet appointees, and decree-laws were speedily approved to privatize industries and convert the Central Bank, the national television company and the national copper company into virtually autonomous units free from governmental control. The outgoing Pinochet government also to a large extent set the budget for the incoming government's first year. Coupled with other fiscal decisions Pinochet had made, it left the incoming democratic government with few resources for expansionary economic and social policy.

Finally, the 1980 Constitution also retained a strong "tutelary" role for the military by stipulating that the armed forces "guarantee the institutional order of the Republic" (quoted in Valenzuela, 1992: 64). The military was guaranteed formal representation in the Senate, control of the National Police, as well as a majority at the powerful National Security Council. These "tutelary powers" guaranteed the military a strong political role as "guardians" of the institutional order and considerable autonomy from civilian rule, which further limited the maneuvering space of the Concertación. As the military considered the economic model to be its primary legacy and any drastic change of economic policy as a threat to national security and a possible cause for military intervention, radical redistributive policies were simply not feasible (Oppenheim, 1999). The strong tutelary role retained by the military served to frighten the Concertación from using social mobilization to put pressure on the conservative opposition (Boeninger, 1997). Concertación leaders recognized that this institutional

compromise was fragile and were careful to avoid stimulating social demands and forms of popular mobilization that could endanger the Right's tacit acceptance of democratization (author interviews, 2006, see also Boeninger, 1997; Roberts, 1998).

As such, the particular mode of regime change in Chile precluded a radical transformation of the developmental model and reflected the inherent elitism of Chile's transition to democracy that helped to marginalize the popular sectors. By accepting a pact that constituted a transition to a "protected democracy" with a broad range of institutional prerogatives that maintained military tutelage and conservative influence over the political process, the parties of the Concertación reverted from their earlier "maximalist" position that had demanded the immediate restoration of full democracy and the dismantling of the neoliberal economic model. Instead, they opted for giving priority to democratic consolidation and macroeconomic stability.

This strategic choice was helped by the process of ideological redefinition that the parties of the Concertación went through towards the end of the Pinochet era (Boeninger, 1997; Roberts, 1998). The economic chaos of the Allende years coupled with the worldwide crisis of socialism wreaked havoc with traditional conceptions of state-led development. Years of repression under authoritarian rule and exile experiences on either side of the Iron Curtain had a powerful impact as well. State socialism was in demise and Western European social democracy had started to embrace market governance. Even the Socialist Party engaged in a self-critical process of ideological renovation with a newfound appreciation of democratic institutions and reformism (Roberts, 1998; author interview, 2006). This process of renovation facilitated the alliance with the Christian Democrats that provided the basis for forming the Concertación.

The commitment to a market-oriented approach was clearly reflected in the electoral platform that was negotiated between the parties of the Concertación with a view to contend the "inaugurating" elections in 1989. Such an electoral posture was designed to convince the conservative forces that the democratic alliance did not pose a threat to capitalism (Boeninger, 1997). Roberts (1998: 146) explains that "In part, this represented a political concession to economic elites and other supporters of Pinochet; the Concertación recognized that business sectors saw the military regime as the guarantor of the economic model, and it knew they would fervently oppose any regime transition that threatened to reverse Pinochet's free market revolution. Continuity in the economic model was the most viable way to alleviate the concerns of the business community and induce its political and economic cooperation with the new democratic government". The goal of democratic consolidation took precedence over any other goal. As a result, the Concertación threaded a careful strategy of non-confrontation and piecemeal reform, designed to send clear signals to the economic elites of the Concertación's commitment to the market-oriented economic model. Prominent figures of the alliance believed that democratic consolidation hinged on the Concertación's ability to manage macroeconomic stability (Foxley, 1993; Boeninger, 1997; author interview, 2006). Challenging business interests by attempting to radically change economic policy "would not only provoke intense political opposition but could also precipitate a capital strike that would destabilize the economy and undermine the new democratic regime" (Roberts, 1998: 146).

By the time the first democratic government of the Concertación took office in March 1990, neoliberalism was in ascendancy everywhere in the world and Chile was being touted as a model for the developing world by the "Washington Consensus". Indeed, the Concertación inherited an economy that had recuperated from the

adjustment period and started on a solid track of market-oriented, export-led growth. Concertación economists, having watched the debacle of heterodox economic experiments in post-authoritarian Argentina and Peru, argued forcefully that there was no alternative for a small country like Chile to pursue a development strategy of economic orthodoxy and be oriented towards international economic integration (Foxley, 1993; Boeninger, 1997; author interviews, 2005; 2006). Overhauling the developmental model would thus not only meet with domestic opposition, but also with international disapproval and reduced access to international financial resources.

These domestic and international constraints helped to shape the Concertación's development strategy. It accepted the structural changes associated with the neoliberal model as irreversible (author interviews, 2006). "The need to gain the confidence of investors, who saw the advent of the center-left with trepidation, reinforced this determination to pursue cautious economic policies. Indeed, the artificial senate majority of business-connected right-wing forces gave established socioeconomic interests considerable veto power over government policies making it difficult and politically risky to deviate from economic orthodoxy" (Weyland, 1999b: 70). This had a decisive impact for social governance as well. The new government largely accepted the dismantling of the corporatist welfare state, and did not attempt to reverse the decentralization and privatization of social services, such as health care, education and social security. Social policy reform would need to be conducted within the parameters of the neoliberal developmental model.

(Re)Formulating the Social Agenda[51]

Having accepted the market-oriented socio-economic model inherited from the military regime, the Aylwin administration faced a difficult dilemma that was directly related to the question of governability and the tension between accumulation and legitimation. On the one hand, the Concertación had promised to introduce reforms in order to alleviate the "social cost" of neoliberalism. The Aylwin administration was under intense pressure to enact equity-enhancing reform. Indeed, equity-enhancing policy proposals had formed an integral part of Aylwin's presidential campaign. The popular sectors had high expectations that democratization would precipitate rapid social compensation. On the other hand, the institutional and structural constraints associated with protected democracy and the market-oriented model put limits on the kind of social reform that could feasibly be pursued. Social reform would need to be subjected to the basic requirements of the market-oriented model, especially by precluding redistributive conflict that could trigger capital flight, and contingent to negotiation with the conservative opposition that commanded an unelected majority in the Senate and thus veto power over any impending social legislation. To this was added other elements of protected democracy such as the tutelary powers wielded by the military that made it imperative for the new government to show restraint. Radical redistributive policies were simply not feasible.

Aylwin and his advisors were well aware of this dilemma. To deal with it they envisaged a cautious strategy of piecemeal social reform designed to limit social demands so as not to endanger governability. Social spending would need to be increased, to pre-empt social unrest, but this would need to be done in a fiscally responsible, non-inflationary way. Leading ministers in the Aylwin administration,

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[51] This section builds on interviews with policymakers conducted in Chile in 2006.

particularly Minister Secretary-General of the Presidency Edgardo Boeninger and Minister of Finance Alejandro Foxley, put a high premium on maintaining macroeconomic stability (Foxley, 1993; Boeninger, 1997). They feared a "populist cycle" with expansionary social policies leading to galloping inflation and, ultimately, instability and social disruption. Having watched the devastating impact of "economic populism" during the Allende years, as well as in neighboring Argentina under Alfonsín and Peru under García, leading figures in the administration were convinced of the importance to resist the "populist temptation" to increase social spending without concern for inflationary pressures. Instead, it was imperative to build a "wall of contagion" against populist pressures so as not to endanger economic and political stability.

According to one argument, such a process of political learning produced the Concertación's commitment to pursue a prudent course.[52] Some referents interviewed for this study also stressed this point. However, as has been pointed out by Weyland (1997) political learning alone cannot explain how the Concertación was in practice able to resist the "populist temptation", especially in a situation of pent-up expectations and pressures to rapidly increase social spending. Learning does not automatically translate into action and result.

To guard macroeconomic stability and enact prudent social reform, Aylwin relied on a cohesive team of moderate figures of technocratic character whose ties and loyalty to each other had been formed in research institutes such as CIEPLAN and CEN. Many of them were Christian Democrats, others belonged to the PPD or the PS, but their loyalty lay foremost with the administration. In fact, it earned them the nickname "*partido transversal*". Analysts have stressed how this supra-party structure helped to

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[52] For a closer look at this argument, see Weyland (1997).

limit the influence that corporatist and political interests could attain by lobbying sectoral state agencies (Silva, 1991; Barrett, 1999; Weyland, 1999b). At the same time, the ability of the Aylwin administration (as well as subsequent Concertación administrations under Frei and Lagos) to make policy in technocratic, anti-populist fashion was contingent on Chile's regime institutions, a centralist-unitary system of territorial government and a protected democracy, which impedes popular access to state-decision making. As was explained in Chapter 2, the institutional configuration in Chile provides the executive with strong incentives to avert populism and paves the way for strong technocratic control over the policymaking process. This had important consequences for social governance.

In view of the need to expand social programs and reduce poverty while averting a populist cycle, the government adopted a pluralist social policy approach. Measures were adopted to improve targeting of social spending. Under the influence of policy experts, new and innovative social programs were designed that emphasized the participation of the beneficiaries and the promotion of local self-help efforts. The system of housing subsidies was revamped to better meet the needs of poor families building their own housing solutions and promote cooperative solutions as a means to reduce costs and encourage community participation. Primary healthcare was expanded in rural and poor urban areas. The school nutrition program was also expanded and a program launched to improve the quality of primary education. Overall, priority was given to social spending that represented investments in human and social capital, which would promote integration as opposed to aid dependency.

The top-down manner in which the military regime had conducted social governance was replaced by an emphasis on state-NGO cooperation. As such, the new social policy approach also discarded old corporatist linkages in favor of more local and

less political organizations. To facilitate these partnerships and promote local self-help efforts, new mechanisms were created such as microcredit programs and competitive tendering. A deliberate aim with these new pluralist structures was to relieve the state of some of the burden of social action, helping in avoiding unnecessary market distortions and pressures on state finances. Another important aim, at least within the upper echelons of the Aylwin administration, was the incorporation of social organizations to create stable state-society relations. As one high-ranking PDC member put it, "nobody wanted to see a continuation of popular mobilization" (author interview, 2006). Indeed, the structural and institutional constraints inherited from Pinochet made it imperative to pre-empt mobilization that could antagonize the old economic and political elites. Together with the new policy ideas promoted by the technical cadres linked to the Concertación these institutional and structural conditions provided decisive impulses for the adoption of the pluralist social policy approach.

Importantly, to finance the new social programs the government initiated a tax reform. This had to be negotiated with the center-right, which used its majority in the Senate to extract a compromise that was comfortable for business. The result was a small increase in income taxes for business and high-income groups, and an across-the-board increase in the value added tax (VAT) from 16 to 18 percent. In any event, the reform boosted tax revenues allowing for the increase in fiscal spending on social programs (see Foxley, 1996). Further negotiations with the center-right enabled the administration to extend tax increases beyond 1993.

The Aylwin administration was also under pressure to enact labor reform. The labor movement, a major constituency of the Concertación, demanded improvements to job security and the strengthening of mechanisms for collective negotiation. In its

1989 program, the Concertación had proposed a series of changes in the labor code aimed at restoring the "fundamental rights of workers" (Concertación de Partidos por la Democracia, 1989). But again, the constraints imposed by protected democracy meant that the resulting reform was a far cry from those proposed in the Concertación's program, let alone from the aspirations of organized labor. Haagh (2002) has shown how the Aylwin administration, mindful of the conservative veto in the senate, scaled down important areas of the reform project to facilitate negotiations with Renovación Nacional (RN), the more moderate of the two right-wing opposition parties. She also argues that "the entrepreneurial sector was able to use implicit threats of destabilizing the democratic regime to extract a tacit commitment from the Concertación to change its position on key legislative issues" (Haagh, 2002: 94). The tutelary powers enjoyed by conservative forces added credibility to such threats. At the same time, the structural constraints inherent in the market-oriented economic model worried many key figures within the administration and probably had them thanking protected democracy for providing an excuse to go ahead with a more limited project that would not upset the market economy. In any event, the administration submitted a severely restricted reform proposal to Congress, where conservative forces used its majority in the senate to wrest further concessions for business (Weyland, 1997).

Hence, as Silva (2002: 468) has explained: "In a united front, business organizations and right wing political parties used the institutions of Chile's protected democracy to reject the central propositions of the government and labor movement…". The result was a mild reform that left much of the Pinochet labor code of 1979 intact.[53] In essence, the new 1994 labor code amounted to a pluralist reform that re-established

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[53] On labor reform, see also the discussion in Sandbrooke et al. (2007).

basic labor rights that had been denied to workers under the Pinochet regime - such as the right to organize, bargain collectively and strike - but that failed to provide labor organizations with stronger institutional mechanisms through which to increase their bargaining power. Collective negotiation by sector was rejected as was a proposal to make non-union members pay fees for union-negotiated benefits. Crucially, it allowed for "the existence of competing types of collective bargaining (regulated and *non-regulated*), collective agreements (contracts and *conventions*) and representatives (unions and *bargaining groups*)" (Durán-Palma, Wilkinson and Korczynski, 2005: 76). This is the opposite of mechanisms found in corporatist systems designed to guarantee a monopoly of representation for labor unions.

Organized labor did not fare any better under the second Concertación administration of Eduardo Frei Jr. Under pressure from the labor movement, his government sent a labor reform proposal to Congress in January 1995, which sought to change certain aspects of the 1994 labor code. In this instance, conservatives exercised their veto power in the Senate to reject the bill outright. For fear of upsetting the climate of consensus and cooperation between the government and the opposition that leading figures in the Concertación considered vital for preserving governability, and ultimately democratic stability, the administration refrained from turning the matter into a major political issue. A new project was again launched under the third Concertación administration of Ricardo Lagos, which succeeded in getting approval in Congress as the Concertación by now had achieved a small majority in the Senate for the first time since the restoration of democracy. Yet, the approved bill was also a substantially watered down version of the original project (see Durán-Palma, Wilkinson and Korczynski, 2005). Parts of the PDC united with the opposition to block comprehensive reform of the 1994 labor code, arguing that the viability of the Chilean

economy depended on maintaining the flexibility of labor legislation. The continuing decline in organizational strength and bargaining power suffered by the labor movement during the 1990s meant that it was unable to articulate strong pressure on the governing alliance for a more protective reform bill.

Indeed, the continuous decline of organized labor, its inability to protest against limited reforms or even get a seat at the table where changes to the labor code were being negotiated, shows just how comprehensive the dismantling of corporatism in Chile has been. The CUT strongly denounced the government's failure to fulfil its program and made a host of threats directed at the government and business. None were carried out, however, "in large part because of the CUT's organizational weakness and its fear of undermining the still fragile process of transition" (Barrett, 1999: 18). While unionized labor initially increased in the early re-democratization process, peaking at 15 percent of the employed force in 1991, by 1998 only 11 percent of the employed labor force was unionized. Meanwhile, the average size of unions fell from 71 members in 1991 to 43 in 1998, contrasting sharply with the 144 members they had in 1973 (see Table 4.1). At the same time, only half of Chilean unions are active in practice. According to Durán-Palma (2005), this helps to explain the low level of conflict during the 1990s. Moreover, collective bargaining coverage fell from 8.9 percent of the employed labor force in 1990, to a meager 7.4 percent in 1998. The change from the pre-1973 era is, indeed, striking. In marked contrast to the era before the military coup, the ability of the labor movement to affect policy decisions is notably weak.

CONCLUSION

Instead of vitalizing corporatist relations, the Concertación thus opted for building new links to the "masses" of urban poor and informal workers through intermediaries such as NGOs. The structural, ideational and institutional conditions inhibited a return to corporatism. Instead, a pluralist social policy approach was adopted to deal with the "new social question" and ensure governability. This new pluralist approach reflected the re-composition of social organization around networks of NGOs and community organizations that had occurred during military rule. For the Concertación leaders it was important to incorporate these new autonomous civil groups to pave the way for stable state-society relations. As such, the emphasis on targeting, privatization and decentralization in social policy initiated by the military regime was essentially preserved, but had to be complemented by a stronger focus on facilitating social participation and pluralism. Yet, as we shall see in Chapter 5, the new pluralist approach did not lead to a participatory mode of social governance but instead to a technocratic mode of social governance in which popular participation is contained within the conceptual space envisioned by the techno-bureaucracy, stunting the transformative potential of truly participatory governance.

Chapter 4 extends the analysis of welfare corporatism and its demise to Argentina. It shows how similarly to Chile, changes in the socioeconomic, ideational and political-institutional environment led to the emergence of a corporatist mode of social governance. In both countries corporatism generated powerful vested interests that made reform difficult. Yet, as the analysis in these chapters shows, differences in regime institutions help explain important variations in social governance trajectories that nevertheless exist between the two countries.

THE RISE AND FALL OF STATE CORPORATISM IN ARGENTINA

This chapter provides a historical analysis of the transformation of social governance in Argentina. In line with the framework developed in Chapter 1, the analysis demonstrates how politicians' policy choices and the resulting mode of social governance have been constrained by socioeconomic structure and regime institutions and the importance of this. Furthermore, it shows how policy ideas and experts have played an important role in prescribing the particular course of policy choice and implementation. As such, the analysis shows how the evolution of social governance during the course of Argentine history has been conditioned by politicians' attempts to manage state-society relations in response to changing socioeconomic, ideational and political-institutional conditions.

The first section analyses social state formation from the time of independence to the end of the Peronist regime in 1955. It shows how social policy became based on a notion of work-based social insurance designed to manage social pressures at a time of accelerating industrialization, urbanization and migration. This process of social state formation culminated with the corporatist social policy approach under the Peronist regime. The second section shows how these corporatist welfare arrangements helped to foster powerful interest groups that opposed substantial reforms. Even when the corporatist social policy approach led to severe economic and social inconsistencies, it was politically hard to change. Neoconservative restructuring under the *Proceso* (1976-1983) helped to weaken the labor movement, and thus initiated the dismantling of the

corporatist system, but it failed to conclude this process. The third section explains how trade-union power, as a consequence, was re-established with the transition to democracy and how that power was sufficient to prevent any major reforms to the social policy model during the Alfonsín era. It took a major socioeconomic crisis in the end of the 1980s to generate sufficient space for the dismantling of the corporatist mode of social governance. The socioeconomic, ideological and political changes that took place in conjunction with that crisis spearheaded the change toward a new mode of social governance during the Menem era.

FROM PHILANTHROPY TO CORPORATISM

Argentina has a long history of social policymaking, and together with Chile and Uruguay is among the "pioneers" in Latin America to develop social welfare programs and systems (Filgueira and Filgueira, 2002). Just like in Chile, any account of early social state development must begin with the major structural transformations that rocked the foundations of oligarchic rule and led to the emergence of new social groups that could no longer be held in check by traditional patron-client relations. Under the new democratic regime, established by the Sáenz Peña Law of 1912, the political elite came under increasing pressure to deal with the social question. Accompanying these structural and political-institutional changes were new policy ideas that emphasized the development of social protection policies (Lewis 1993). From its beginnings in Bismarckian Germany, social policy became based on a notion of work-based social insurance. According to Malloy (1991), World War I and the Russian Revolution were critical in pushing the diffusion of the social insurance concept, which was taken up by a new cadre of technocrats operating out of the International Labor Office (ILO). In

Argentina, this process of early social state formation culminated under Peronism and led to a corporatist mode of social governance that predominated until 1976 and the new neoliberal era.

Oligarchic Rule and Philanthropy

During the 19th century in Argentina, patron-client relations served as the principal means to ensure that lower class social forces were kept at bay. These relations burst into full flowering with the collapse of the imperial authority following independence in the 1810s. As Rock (1987) has showed, the collapse of the Crown prompted neither social revolution nor egalitarian social movements. Instead, it paved the way for the country's landholding and commercial elite – later referred to as the "oligarchy" – to assert its domination by taking control of the state in a framework of agrarian society and limited political and civil freedoms.[54] The excluded lower classes found their representation in *caudillo* rule and patron-client networks that functioned as an effective check on social mobilization along the lines of class or caste. *Caudillismo* and patron-client relations became a means to revive elitism and patriarchalism following the collapse of colonial rule, "allowing the elites to adapt rather than disappear, while society at large upheld its hierarchical form" (Rock, 1987: 117). While the 1853 Constitution instituted the conventional liberal freedoms, electoral fraud and political repression was used to ensure the continuation of oligarchic control.

In such a political and socioeconomic context, the strategic utility of social policy for the ruling elite was relatively minor.[55] For the most part of the 19th century, social protection was largely in the hands of philanthropic and charitable organizations, if not directly an extension of patron-client relations. The state focused its actions on making

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[54] See also Monsma (1988).

[55] For a discussion of social welfare during the 19th century, see Moreno (2000) and Passanante (1987).

basic education universal and constructing the necessary infrastructure for development of the agro-export model (Barbeito and Goldberg, 2007). The creation of a "National Education System" towards the end of the nineteenth century promoted a model of basic education that was obligatory, secular and free. An important aim of this system was to promote social integration, particularly with a view to the large inflow of immigrants. As the country's agro-export model demanded no special labor qualifications or skills, the expansion of secondary and tertiary education remained limited.

An important role was played by the Catholic Church that had a religious mandate to assist the needy as well as the ability to raise private funds for social purposes (see Thompson, 1995a). The influence of the Catholic Church had important consequences for the approach through which social assistance was given. The focus was on "individual reformation and charity as the framework for social assistance, and a rejection of movements that reframed private needs as social problems requiring a political response" (Beard, 2002: 4). On a general level, this emphasis of the Catholic Church on shaping the "moral character" of the lower classes and combat lower class mobilization served the conservative goals of the ruling elite.

Nonetheless, while temporarily expedient to let the Catholic Church take care of social assistance, some state leaders considered it to be contrary to the larger goal of nation-building in Argentina (Beard, 2002). To this end, during the course of the 1800s, the Argentine state became more involved, albeit slowly, in the creation and sponsoring of social services. Hence, an approach was advanced that was based on secular philanthropy and gradually increasing the influence of the state in the social sphere. This secular philanthropic approach achieved its clearest expression with the creation of the *Sociedad de Beneficencia* (SB), a charitable organization created in 1823

to provide assistance to the poor and indigent population in the city of Buenos Aires and to administer charitable health organizations. During the course of the 19th century, it took charge of the administration of numerous philanthropic organizations. Although it was set up as a private charity and retained an important degree of autonomy in the administration of its institutions, the state was heavily involved in defining its responsibilities and setting priorities for its activities as well as being a key source of funding. As such, the SD clearly formed part of the broader initiative to expand state control of social aid and exercise social control. Indeed, towards the end of the 19th century, the SD gradually moved into the orbit of the state. In 1908, legislation was passed making the SB an unambiguous part of the state apparatus (Passanante, 1987).

Table 4.1 Immigration Rates by Decade (Per 1,000 Mean Population)

	1871-1880	1881-1890	1891-1900	1901-1910
Argentina	117.0	221.7	163.9	291.8
US	54.6	85.8	53.0	102.0

Source: Adapted from Galiani and Gerchunoff (2003)

Yet such a philanthropic approach was clearly inadequate to deal with the tremendous social dislocations caused by accelerating industrialization, urbanization and immigration from the late 19th century onwards. Spearheaded by these major structural transformations, traditional patron-client relations began to lose their importance as a means for organizing relations among classes and as a mechanism for social control, paving the way for growing social conflict. Indeed, the successes of the liberal export-led development model between the 1860s and 1920s had generated a

process of immigration and internal migration around trade, finance and industry that accompanied the commercialization of agriculture and industrialization (Lewis, 2002). With this, the socio-political foundations of oligarchic hegemony had begun to disappear.

A central outcome of the processes of immigration, urbanization and industrialization was the rapid expansion of new social groups such as the urban middle and working classes whose interests and demands were not being satisfied by the existing system, creating pressures for their socio-political incorporation. Indeed, the growth of the new proletariat soon led to the emergence of an increasingly aggressive labor movement that put considerable stress on a political system that did not accommodate working-class interests. As a result, the beginning of the twentieth century saw heightened social unrest as the new sectors began to mobilize in response to the dismal political and social conditions. The situation provided fertile ground for socialist and anarchist ideas about workers' organization and struggle. Labor and factory protests proliferated and political conflict was increasingly being acted out on the streets and plazas of major cities such as Buenos Aires and Rosario (Lewis 2002). The central political issue of the period was how to respond to this "social question" in order to restore social peace and political stability (Romero, 2004).

Initial solutions to the social question concentrated on repressing dissent.[56] At the same time, reformist factions within the political elite began looking for solutions to contain and co-opt this rising tide of "agitation" by more modulated means. Legislation was introduced to improve working conditions. In 1904 social insurance was granted to

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[56] See Rock (1987).

some categories of central state workers.[57] Some initiatives were also taken to deal with the growing housing problems and a number of laws were adopted to enable the building of cheap housing. But despite such legislation, state action remained limited and directed towards moralizing purposes. The main aim was to contain the spread of subversive ideas.[58] All in all, these measures were clearly inadequate to cope with the enormous problems generated by mass immigration and rapid urbanization. Hence, they failed to contain the rising tide of anarchism among the new popular sectors that culminated in the great strikes of 1910.

Amidst such instability, pressure for political reform grew within the ruling elite. The situation also persuaded the most important newspapers of the time (i.e. *La Prensa* and *La Nación*) to urge the ruling elite to carry out reform in order to maintain control (Rock 2002). Some influential politicians within the ruling party also regarded democracy as the best way to avoid insurrection. Leaders such as Pellegrini and Sáenz Peña believed that electoral reform "would protect the interests of the upper classes by offering representation to their opponents" (Ibid.: 183). It was thought that by inviting the new sectors to join the system they would be less inclined to try to overthrow it from without. Accordingly, in 1912, the reformist wing of the ruling conservative party (Partido Autonomista Nacional) under the lead of President Sáenz Peña finally implemented electoral reform that instituted mass democracy in Argentina.

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[57] Yet, more ambitious social projects such as the National Labor Law met with stiff conservative resistance in Congress and were ultimately defeated (Lewis, 2002; Romero, 2004).
[58] These purposes were clearly evident in how housing policies prescribed the elimination of common areas in low cost housing blocks that could facilitate the spread of subversive ideas as well as in the way houses were awarded to workers with "good records" (Rigotti, 2000).

The Turn to Mass Politics and the Expansion of Social Welfare

The Sáenz Peña Law of 1912, which established secret, compulsory and universal male suffrage, allowed the Radical Party, against conservative expectations, to become the dominating force in national politics and wrest power from the traditional oligarchic elite. Under this new regime, the masses were brought into the electoral arena, creating considerable pressure on the political elite to deal with the social question. Such pressures were further exacerbated with the exhausting of the primary-product, export-oriented growth model in conjunction with the outbreak of World War I. The standstill in overseas trade, coupled with a credit crunch, produced an economic crisis that revealed the external vulnerability of the economic model (Lewis, 2002). Crucially, it led to a new breed of professional politicians and technocrats who favored greater government intervention and social policies as a means to manage the problem of governance.

As a result, the Radical years (1916-1930) not only led to the increasing organization of the middle and working classes, but also to important attempts to expand the social state by favoring the creation of a social security system, expanding public education and healthcare, and institutionalizing structures of collective bargaining.[59] The period saw the first clear-cut pro-labor bills with the implementation of minimum wage laws and collective contracts. In addition, the Labor Code established the right to strike in 1921. Together with the expansion of social security and other incipient steps taken to establish a social state by way of central state

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[59] This reformist impulse was not exclusive to Argentina. As we saw in Chapter 3, the process of social state expansion in Chile began with the new era of mass politics in the 1920s. Similarly, the Battlista years in Uruguay saw the early expansion of mass democracy followed by important social legislation (Filgueira, 1995). In all these cases, the growing disposition of the political elite to enact social reform was linked to changes in the socioeconomic structure and the new ideological environment that received its full expression with the transition to a democratic regime.

mediation, the Radical years thus prefigured the corporatist social policy approach later adopted by Juán Peron.

During the first years of his government, President Yrigoyen established a selective relationship with workers, privileging particular organizations – "syndicalists as opposed to socialists and big unions from key sectors of the economy" (Miorelli, 2004: 11). Such an incipient corporatist approach was reinforced by attempts to co-opt and control other popular organizations such as neighborhood associations.[60] The main aim of neighborhood associations was to improve community life through the installation of basic services and urban infrastructure such as drainage, water and lightening, the paving of roads, or the building of a primary healthcare unit and a school. This required the development of links with state actors through which pressure could be exerted and improvements negotiated. At the same time, state actors recognized the politically strategic relevance of these organizations. Mechanisms were established to control and regulate them through a combination of legislative constraints and selective inducements (see Miorelli, 2004).[61]

Importantly, the democratic regime installed with the Sáenz Peña Reform in 1912 provided ample opportunities for the discretionary use (and abuse) of public resources and for the limitation of pluralism. Making use of a "delegative mandate" Yrigoyen repeatedly overrode parliamentary efforts to veto executive initiatives and circumscribe its use of patronage. Indeed, it has been argued that Yrigoyen represented a political practice in accordance with O'Donnell's concept of "delegative

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[60] This became especially apparent after the so called Tragic Week in 1919, when the Radical Party's relations with workers' unions turned for the worse after Yrigoyen had authorized police repression of workers' protests. As a result, the party expanded its strategy by creating committees in poor communities and reaching out for popular support among neighbourhood associations (Falcon and Montserrat, 2000).
[61] Note how this approach coincides with the characterization of the corporatist approach as a combination of "inducements and constraints". See Collier and Collier (1979).

democracy" (Spektorowski, 2000). Scholars have emphasized how the government, by making use of exceptionally strong powers invested in the executive branch, was able to sidestep the parliamentary and judicial branches, and thus take considerable liberties with respect to the means by which it went about attracting a popular following and co-opt different political actors (see Mustapic, 1984; Spektorowski, 2000; Romero, 2004). Reflecting the weakness of institutional controls on executive power was the easiness by which the government routinely refused to answer parliamentary interpellations. Yrigoyen also frequently made use of his powers to issue decrees in order to sidestep the other branches of the state.[62] Of major importance was also the device of federal intervention, whereby the federal government took control of the provinces' political resources, not least its sources of patronage and the administrative apparatus. Mustapic (1984) has showed how this provided the Argentine executive with great powers of discretion and opened for the arbitrary use of executive power. All in all, it shows how the type of democracy instituted with the Sáenz Peña Reform provided the executive with considerable discretion in implementing policy change.

In summary, the analysis shows the importance of regime institutions for early social state formation. An early experiment with democracy paved the way for a reformist alliance of urban elites and middle class professionals that sought to end the traditional oligarchic order and restore social peace by co-opting the increasingly vocal trade unions and emerging social groups. Rapid industrialization, urbanization and immigration had resulted in the expansion of new social groups that could no longer be held in check by patron-client relations. The new social policy approach directly

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[62] For instance, political appointments considered unconstitutional by the Senate were made permanent through *decretismo*. See Mustapic (1984).

emerged out of the need to reorganize state-society relations in response to the onset of mass politics and democracy. It also played into growing predilections for more state intervention. According to Malloy, the articulation of the corporatist social policy approach in countries such as Argentina represented a reformist response to the social question by a rising cadre of technocrats in alliance with populist politicians. These new elites pushed social protection as "a non-revolutionary approach to the problem of integrating society" (Malloy, 1991: 14). Importantly, the type of democracy established in Argentina gave the executive wide discretion in implementing such a corporatist social policy approach in face of opposition from conservative interests.

Nevertheless, working class protest did not fall during the Radical years. To the contrary, accelerating urbanization coupled with inflation and labor market instability fuelled an upsurge in workers protest. While state intervention in the economy had been increasing since the transition to democracy and Radical rule, the economic structure did not yet support the kind of broad social state action that was to develop under the ISI model. The Radical administrations could simply not afford such encompassing social welfare policies. Hence, even though the social state had started to expand since democratization, this expansion had not gone far enough to cushion the negative effects of structural transformation and social dislocation.

Crucially, the democratic regime established by the Sáenz Peña Reform was ill-equipped to cope with the political effects of mass immigration. As emphasized by Lewis (2002: 196): "Electoral reform in 1912 did not change the franchise, which remained restricted to native-born, and naturalized, males. Irrespective of the formal advances effected by electoral law reform, mass immigration meant that an increasing proportion of the population was denied access to politics." In 1914, almost thirty percent of the total population was foreign-born. More importantly, this percentage

was even higher among the working class. For instance, in Buenos Aires around seventy percent of workers were immigrants (Lewis, 2002). Hence, a very large segment of the population was formally left outside the political system, particularly the politically most conscious and vocal groups. In this respect, democratic institutions, even after the 1912 political opening, did little to help bring social conflict into the parliamentary system. Instead, disenfranchised workers continued making their voice heard through union and street action. At the same time, the Radical Party's statist predisposition and failure to come to grips with the social upheaval fuelled a growing conservative critique of democratic government. These tensions culminated with the economic crisis in 1929/30 and led to the military coup that brought to power a heterogeneous coalition of reactionary interests that involved segments of the old oligarchy as well as Catholic and nationalist groups inspired by Italian fascism (Romero, 2004).

The military coup of 1930 marked the beginning of a period (1930-43) known as *la década infame* ("the infamous decade") during which "electoral fraud and political repression kept opposition political parties out of the political game and social reform off the political agenda" (Teichman, 2001: 31). It led to the resurgence of the philanthropic approach to social problems that pivoted around moralization and repression. Workers movements were initially repressed after the 1930 coup and Catholic institutions were revived to provide an alternative to anarchism and syndicalism. The social doctrine of the Church coincided with the aims of the ruling elite to keep workers far from such subversive influences and consolidate the conservative order. But while social reform was off the charts during this period, economic developments accelerated the process of structural change that had began in the early 1900s and that would culminate under the Perón regime. Crucially, the

period saw the move toward a model of import-substitution industrialization with major effects on the country's socioeconomic structure that in its turn helps explain the adoption of the corporatist social policy approach under Perón.

Triggering the move to import-substitution industrialization was the collapse of the commodity-export-led growth model in the wake of the Great Depression. The worldwide depression hit Argentina's export-based economy particularly hard, causing widespread internal dislocation. Among other things, the sharp contraction in commodity exports accelerated the process of rural-urban migration, leading to the appearance in Buenos Aires of *villas de desocupación* ("unemployment cities") on derelict land (Lewis, 2002). As in much of the world, the Great Depression also forced a general rethinking of economic policies and "a significant rise in nationalist sentiment expressed as a generalized desire for autonomous national development" (Malloy, 1977:9).

Under the presidency of General Justo (1932-38), Argentina thus began a new phase of vigorous government-assisted industrialization that would continue by various means until 1976. Crucially, this process of industrialization and massive urbanization accelerated the already rapid growth of the urban industrial working class, particularly the "new" proletariat "resulting from the flow of internal migrants from the interior of the country" (Lewis, 2002: 201). Hence, from 1935 onwards trade union activity increased dramatically. Such socioeconomic change eventually helped to undermine conservative rule during the infamous decade, especially as the demands of these new social groups for housing, better wages and work conditions went largely unmet. Internal disputes also mounted within the ruling classes as to how to deal with the question of governance (see Romero, 2004).

The outbreak of the Second World War in 1939 added to these tensions. In 1943, after years of elite-infighting, another coup brought to power a group of nationalist military officers that included Colonel Juán Domingo Perón. Using his position in the newly created post of Secretary of Labor and Social Security, Perón cultivated trade union leaders and sponsored social legislation that had been long demanded by the labor movement. According to Romero (2002), a stay in Europe before the outbreak of World War II had allowed Perón to learn from the accomplishments of the Italian fascist regime as well as witness the terrible results of the Spanish Civil War. Wise from that experience, he set out to capture the sympathy and support of the worker's movement. "During his tenure as secretary of labor, Perón gave legal and technical assistance to unions, consulted union leaders on social and labor legislation, enforced existing labor laws in the whole country, and generalized paid holidays and vacations to the entire labor force. He also created labor courts to handle worker grievances, restricted firing, and improved working conditions and severance payment. Additionally, he enforced collective bargaining with government-recognized unions and intervened often on workers' behalves when negotiations broke down" (Murillo, 2001: 46). From the Secretariat of Labor, Perón thus expanded the machinery of the state's powers of arbitration, first outlined during Yrigoyen's government, while simultaneously promoting union organization. Having suffered from exclusion during *la década infame*, these measures earned Perón "the gratitude (and the votes) of many workers and the enduring loyalty of many union bosses" (Lewis, 2002: 211). In the February 1946 elections, Perón won the presidency with 54 percent of the vote. His victory rested on the support of the new urban working-class electorate fostered by the internal migrations and industrialization, and sectors of the lower middle class grateful for his social initiatives.

Peronism and the Corporatist Approach

After his inauguration, Perón went on to undertake extensive socioeconomic reforms to cement a state-dominated populist alliance whose fundamental pillars were organized labor, the industrialists producing for the domestic market, and the nationalistic military groups favorable to industrialization. The government thus continued and extended the economic policies begun in the 1930s: tariff protection, exchange controls, and import licenses favoring the importation of capital goods and inputs needed by industry. Key economic sectors were nationalized and agricultural exports taxed to promote industrialization. At the same time, workers' incomes were expanded with the help of government intervention in collective bargaining structures and wide-ranging reforms were implemented that improved working conditions and extended a variety of new social benefits to workers. Social insurance became the responsibility of the public sector. The pension funds run by mutual aid societies were gradually absorbed into the state system (Lloyd-Sherlock, 1997a). Private insurance companies were prevented from administering contributory pension schemes. Instead, workers were obliged to participate in public insurance schemes and prohibited from making additional contributions elsewhere.[63]

Indeed, a major component of Perón's political strategy was the adoption of a corporatist social policy approach through which unions could be co-opted and controlled. The expansion of union-related social welfare programs (*obras sociales*), financed by automatic deductions of union dues and compulsory employers contributions, provided the basis for a wide range of social services from healthcare to pensions, and educational and training services. This approach had important effects

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[63] For a discussion of these public insurance programs, see Lewis (1993). Also Lewis and Lloyd-Sherlock (2009).

on state-society relations, as Teichman notes: "With a centralized union structure, these funds became a source of patronage and pressure in the hands of union leaders and were used to reward loyal followers. At the same time, the requirements for legal recognition from the state (without which a union could not negotiate or receive union dues) facilitated control of the country's labor movement through the Ministry of Labor. Perón used this structure to consolidate his base of support in the trade union movement, intervening and withdrawing legal recognition from uncooperative unions and establishing parallel ones to which he extended recognition" (2001: 32). In essence, the approach involved a quid pro quo between the state and the popular sectors; in exchange for representational privileges and social benefits, labor organizations had to sacrifice some autonomy and conform to the system of corporatist controls limiting their disruptive potential.

Fundamentally, the corporatist approach was a deeply practical and opportunistic proposition for managing state-society relations amidst rapid industrialization and urbanization, allowing for the inclusion of new groups in society through the cultivation and cooptation of labor unions. It also helped appease important business sectors and bring them into the new populist alliance. Arguing that the best defense against leftist workers' revolution was state-sponsored labor unions, Perón managed to overcome the fundamental divide created by the growing impetus for labor organizing among the urban working class and the strident opposition of business sectors to such organizing. The logic is well illustrated in his address to the stock exchange in 1944: "What I want to do is to organize the workers through the state, so that the state shows them the way forward. In this way revolutionary currents endangering capitalist society in the postwar can be neutralized" (quoted in Rock, 1987: 257). Extensive social welfare measures were an important component of the

corporatist scheme. He called this approach the "Peaceful Revolution" and presented it as the best defense against a leftist workers' revolution.

Importantly, this corporatist social policy approach was sustained by the ISI model. The demand-side logic of this inward-oriented growth model provided considerable leeway for relatively pro-worker policies. Increasing wages and pensions, and expanding healthcare and social security programs helped increase aggregate demand for national producers. Subsidies for the construction of low-cost housing similarly helped expand national production and increase aggregate demand. Under Perón, public spending on housing increased almost tenfold from the previous years (Isuani and Tenti, 1989).

Accompanying the ISI model were the new social policy ideas in vogue during the time that emphasized the development of social security schemes and the expansion of welfare programs in order to reinforce the purchasing power of wages (Malloy, 1991; Lewis 1993; Silva, 2007). These ideas found ardent supporters among the many labor leaders and dependent middle class professionals recruited by Perón to make up his administrative team.[64] To this were added ideas about social action prevalent within the Catholic Church. According to church doctrine, situations of social injustice should be mitigated, but without questioning the foundations of capitalist society (Romero, 2004). Indeed, the Catholic Church provided important support for the Eva Perón Foundation that was set up by "Evita" to carry out social welfare projects in poor communities and provide social aid to non-unionized poor. The Foundation proved highly effective in organizing clientelistic networks that helped manage state-popular sector relations and expand popular support for the Perón regime (Plotkin, 1994).

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[64] For information on the characteristics of the Peronist administrative team, see De Imaz (1964). See also the discussion in Buchanan (1985).

However, as the economic situation deteriorated in the beginning of the 1950s, these welfare projects started to dwindle and be replaced by various means of repression to secure social quiescence.

Referring from this, we see how an important function of social welfare is to control society to minimize the need for overt state repression. Social policy formed part of the strategy to organize society on a corporative basis so as to ensure governability. Indeed, Peron's concept of the "organized community" was directly derived out of concerns to "harmonize" labor-capital relations and ensure social peace (Brennan, 2007). A fundamental challenge lay in incorporating the popular sector economically and politically, using it to break the domination oligarchy and accumulate political power for the Peronist movement, but also controlling it to prevent the emergence of autonomous organizational bases, leaders and goals that might carry its political activation beyond the limits of governability and the limits acceptable to the industrial sectors sustaining the economic growth model. In this, the corporatist social policy approach provided a means through which to mediate social struggles and to form a broad multi-class coalition, and concomitantly, as noted above, fashion centrally controlled organizational structures that could be manipulated to co-opt and control the popular sectors.

There can be little doubt that Peronism implied a major transformation of social governance in Argentina. During this period, a welfare state was built up with broad coverage compared with most other Latin American countries. Social state formation was driven by profound changes in the socioeconomic structure in conjunction with corporatist social policy ideas advocating the development of union-administered social security schemes. The result was a welfare state organized along the lines of the corporatist-conservative model identified by Esping-Andersen (1990). As such, social

policy was folded into a mode of social governance with a decidedly corporatist bent that played an important role in restructuring the interactions between the state and society. Social programs became a corporatist linkage between officially sanctioned functional groupings and the state apparatus. The main groups incorporated were the new social groups that emerged with the process of socio-economic modernization such as industrial workers and the state-dependent middle class. These groups benefited from the new welfare arrangements, but at the same time they also became heavily dependent on the expansions of the state apparatus for the realization of their demands and aspirations. Over time, the formalization of corporatist welfare arrangements thus fostered a mode of governance in which legally recognized sectors of society "became clients of the state as they permeated the state at a variety of points and received such benefits as government contracts, jobs, and urban improvements" (Teichman, 2001: 13).

At the same time, people outside the modern urban-industrial complex of state and economy were generally denied these privileges which led to a bifurcation of the social structure between "insiders" and "outsiders". In spite of stated policies of universalism, the system operated with particularistic criteria with preferential coverage for workers in the formal sector. Large segments of the population were excluded from social services, particularly the rural workers and urban poor employed in the informal sector. Such "segmentary incorporation"[65] helped foment a system of vertical relationships through which the most organized groups within the emerging social sectors sought further privileges for themselves at the expense of universalistic benefits. However, as the previous chapter showed, while in Chile (and in most

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[65] The term has been used to describe a tactic of "giving state aid to the most organized groups within an emerging social sector in a way that causes these groups to me more interested in seeking further benefits for themselves rather than in broadening and strengthening the power of the entire social sector" (Collier 1976: 11).

"corporatist-conservative" systems in Western Europe) civil society retained a considerable degree of autonomy vis-à-vis the state that helped establish strong union-left party ties and a relatively larger role for grass-roots interests in articulating demands, in Argentina, by contrast, trade unions were subordinated to the state. This resulted in a drastic loss of organizational autonomy and the weak influence of grass-roots interests over organizational agendas. Clearly, the corporatist approach implemented by Perón went much further than in Chile in fomenting a mode of social governance in which social demand-making was controlled by the state and in preventing a party-mobilizing system (in which the working classes are organized in the first instance by competing political parties rather than state-sponsored unions). Indeed, in Argentina, despite (or perhaps because of) Peronism's hegemonic position among the popular sectors, the kind of electoral contestation over union allegiances, which Chile witnessed from the 1940s onwards, never materialized.

In this, political regime structure played a decisive role. An electoral-autocratic regime structure[66] in Argentina allowed Perón to cement a system of state corporatist controls by making use of exceptionally strong executive powers. By enfranchising the entire population without instituting horizontal controls on executive power, the Argentine regime structure provided for unfettered majoritarianism as well as poorly institutionalized civil rights and freedoms. Vacs (2002: 406-407) notes how the Peronist government "engaged in a number of semi-authoritarian practices, such as restricting the freedoms of expression, assembly, and strike; controlling the judiciary, manipulating the mass media and the educational system, imposing political constraints on public employees, union leaders, and education workers; and harassing

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[66] For a discussion, see Wigell (2008).

and persecuting adversaries".[67] As such, the return to electoral politics after the authoritarian interlude between 1930 and 1945 in Argentina did not mark a transition to liberal democracy but to an intensely popularizing regime that empowered the elected government with wide but poorly constrained executive power while leaving oppositional forces with weak possibilities to defend pluralism and organizational autonomy.[68]

However, while Argentina's electoral-autocratic regime structure enabled Perón to centralize power and virtually absorb all popular sector activity into the Peronist movement, it also provoked considerable disquiet among Radicals and conservatives that were excluded from the echelons of power. Indeed, the increasingly repressive characteristics of his government strengthened the resolve of the opposition to remove him by extra-constitutional means. Such anti-Peronist forces were fuelled by Perón's increasing economic difficulties following his second re-election in 1951.[69] Finally, in September 1955, after a series of failed revolts, a faction of the military supported by the opposition parties and the Catholic Church succeeded in ousting Perón and forcing him into an eighteen-year exile.

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[67] For a discussion of the characteristics of the Peronist regime, see also Romero (2004).
[68] In Chile, by comparison, the authoritarian interlude was shorter (1927-31) and the return to democracy more complete. Crucially, the political regime structure in Chile provided for a competitive democratic process in which parties of left and center fiercely fought over popular support, preventing any single political actor from monopolizing state power. As a consequence, the Chilean state was not able to penetrate organizations in civil society and impose limits on associational activity to the same extent as Perón did in Argentina. In Chile, it seems that electoral contestation and the institutions of liberal-constitutionalism helped civil society retain relatively more autonomy in relation to the state, and organized groups from across the social spectrum were able to put relatively more pressure on the political process in search of privileges and benefits. For more details, see the previous chapter.
[69] For a discussion of these economic developments, see Gerchunoff and Llach (1998).

STATE CORPORATISM AND ITS DEMISE

The 1955 coup ushered in a period characterized by various attempts by anti-Peronist civilian and military governments to overcome Argentina's systemic crisis by introducing a new development model able to foster economic growth and political stability. Yet shifting the country's development model away from its expansionary interventionist course toward a more orthodox approach proved difficult. The corporatist arrangements imposed by Perón helped to block the reform efforts. Social actors such as state-dependent industrialists and organized labor benefiting from the corporatist approach had evolved into powerful interest groups opposing any fundamental change to the system. At the same time, pro-industry welfare strategies promulgated by ECLA and ILO continued to be supported by influential policymakers within the Argentine state. In this respect, the structural and ideological changes that had occurred during the 1930s and 1940s were irreversible. State corporatism had taken hold. Despite various efforts to "discipline" labor and rid the system of corporatist interests, jettisoning the corporatist approach was virtually impossible. Indeed, as Malloy (1991: 15-16) has argued, the corporatist welfare arrangements had some "unforeseen consequences that subverted the internal coherence of these control systems and short-circuited their ability to generate an increased power capacity at the center". As a consequence of the corporatist approach, various particularistic interests had been able to capture parts of the welfare bureaucracy, which they could manipulate to their own benefit. The massive growth of the state provided ample opportunities for the building of patronage networks both within the state as well as between state bureaucrats and client groups in society. While such networks helped incorporate previously excluded sectors, it simultaneously fed a process of state disaggregation whereby the internal coordination and cohesion of the

state became a growing problem. This disarticulation of state power was particularly evident in social policy. Referring to the development of social security more generally in the Southern Cone, Malloy (1977: 15) has contended that "the many funds tended to become the fiefdoms of the interests they served and were used in a manner that actually reinforced socioeconomic inequality even as social security spending fed inflation" (1977: 15). That was certainly true of social security in Argentina. The result was a "praetorianization" of Argentine politics.

Praetorian Politics and the Issue of Reform

Praetorianism implied, among other things, the loosening of the corporatist controls imposed under Perón and paved the way for heightened popular sector militancy and autonomous mobilization. Unable to defeat Peronism in free elections, the new political elites opted for banning the Peronist party, effectively disenfranchising a large sector of the electorate. This measure prompted the labor movement to opt for tactics that helped undermine governability and destabilize regimes, such as general strikes, factory occupations and mass protests (Levitsky and Murillo, 2005). Amidst hardening economic constraints, the corporatist mode of social governance could no longer contain this growing activation of popular sector militancy. The ability to maintain a politics of controlled inclusion directly depends on the resources available to meet the demands of the most vocal and organized sectors of society. This ability begins to falter once economic conditions become more volatile. By the 1960s, demands for growing wages, social benefits and rights proved increasingly difficult to accommodate amidst declining state resources and chronic inflation. Weakened social governance was manifested in serious problems of social control and heightened class conflict, while social reform was made all but impossible by the corporate interest in effective

control of social funds and institutions. Having appropriated control of vital areas of social policy as a basis for power and patronage, corporate interests were able to block policy innovations that threatened their group-specific benefits.

Between 1955 and 1976 Argentina had a succession of authoritarian military and semi-democratic civilian governments that attempted to re-concentrate executive control by integrating the diverse social policy institutions into single administrative structures. But instead of strengthening techno-bureaucratic management capacity, centralization and bureaucratization exacerbated problems of immobilization and inflation associated with praetorianism. Relying on massive welfare bureaucracies to manage social demands did not help to correct problems of inefficiency and waste, and made it difficult to respond to changing needs and demands of the population. It also failed to break the central role of the unions in social policy. As a result, the corporatist approach could not be overturned during the period 1955-1976.

Some attempts to privatize and decentralize social services were made. In 1957 the Family Allowances Fund for Employees of Trade and Industry was created as a private institution. In 1963 the creation of the Fund for Stevedores completed the institutional framework of the Family Allowances Program. Until that, family allowances had formed part of collective bargaining agreements. The Radical government of 1963-66 also attempted to regain state authority over the *obras sociales* and advance government regulation over the production and sale of prescription drugs. However, like most similar initiatives they fed strong corporative opposition, which helped to accelerate the fall of the government (Lo Vuolo, 1991).

The 1966 coup ended a decade of limited democracy and established a repressive authoritarian regime (1966-73). The new regime enjoyed wide support, particularly among business sectors who agreed with the view that only a strong dose of

authoritarianism could break the political impasse that prevented socioeconomic reform. The military government's aim was the depoliticization of the powerful trade unions and an anti-inflation wage freeze as a prelude to economic growth.[70] Part of this effort to restore governability was also the attempt to restructure the welfare system by unifying and centralizing social policy, and eliminating union presence in the administration of the system and its funds. In 1967, the military government created the National Social Security System (NSSS). Its goals were to streamline social security policy, break union domination of the social security cash desks, and control evasion (Barbeito and Goldberg, 2007).

However, the repressive policies of the military government provoked a radicalized popular resistance. In May 1969, students and workers unions in Córdoba joined forces to lead the mass insurrection that became known as the *Cordobazo*.[71] From there popular mobilization spread to the whole country, soon escalating into an armed struggle led by the Peronist Montoneros and other guerrilla groups. The insurrection forced the military government to backtrack on a number of reform initiatives and to start accommodate corporatist interests so as to be able to appease the powerful trade unions. In particular, this meant making a number of concessions in social policy to the corporative interests and abandoning all attempts to maintain economic orthodoxy.

In 1970, as a direct consequence of the social pressures and the new strategy of corporatist accommodation, the government passed the Obras Sociales Law 18610, establishing obligatory contributions by all working citizens to their respective unions, regardless of them being members of the union or not, hence strengthening union

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[70] For a discussion of this "politics of exclusion", see the seminal analysis by O'Donnell (1988).
[71] For details, see Brennan and Gordillo (1994).

control over these welfare funds (Lo Vuolo, 1991). According to Goldberg (2000), the ratification of this law led to increasing stratification of demand in comparison with the previous model. It also helped further strengthen the negotiating ability of the unions with regard to the financing and payment of health services. "In fact, the large amount or resources transferred to the unions by way of this law turned them into active protagonists, granting them a strategic role in the decision-making process regarding health issues irrespective of the number of their actual members" (Goldberg, 2000: 231).

Similarly, in 1971, the National Institute for Retirees and Pensioners was created, with the aim to provide health services for the beneficiaries of the National Pension System – retirees, pensioners and their primary family members. Up until then, the majority of these beneficiaries did not have a right to health services. The following year FONAVI was created to finance housing, urban infrastructure, and community facilities for low-income sectors.

All in all, despite the stated goal of the military regime to break union control over vital social policy institutions and overhaul the corporatist social policy approach, the corporatist welfare arrangements remained largely intact and the government even expanded the role of the unions as well as that of the state in financing and producing social services. Faced with a serious crisis of legitimacy, the military government had retaken the corporatist approach in an effort to stem opposition by the trade unions. As such, the government failed to correct the persistent fiscal imbalances and the growing stratification between "insiders" and "outsiders" generated by these corporatist welfare arrangements. Indeed, in many respects the exchanges between the state and the corporative interests intensified and came to be dominated by attempts to pressure the state with a view toward maximizing short-term benefits. At

the same time, relations between the rank and file members and the union leadership deteriorated. As the larger unions became increasingly responsible for the administration of a range of welfare services and social facilities, possibilities for graft increased and led to the resentment of ordinary members (Lewis, 2002). As Teichman notes (2001: 35): "The growing bureaucratization of the labor movement, a function of its centralized structure and economic wealth and its collaboration with military regimes, had produced a conservative stratum of corrupt labor leaders increasingly opposed by their rank and file and by the idealistic youth of the Peronist movement". In short, there was a breakdown of union discipline. Such was the situation in 1972 when the military government responded to increasing polarization and political violence by calling elections, legalizing Peronism, and allowing for the return of Perón from exile.

The civilian Peronist government elected in 1973 initially embarked on another expansionary program increasing wages and subsidies. Efforts to rein in the *obras sociales* under a unified national health system failed as a result of opposition from Peronist legislators and the trade union movement (Lo Vuolo, 1991). According to Lewis (2002: 212): "Graft, cronyism and the use of violence in defense of their empires by union bosses came to a head between 1973 and 1976" (2002: 212). At the same time, public social spending was markedly increased, in spite of worsening fiscal imbalances and rapidly deteriorating economic conditions in conjunction with the worldwide energy crisis. The result was a fiscal deficit of hitherto unregistered proportions. By 1975, total public expenditure as a percentage of GDP had reached nearly 40 percent, while the public deficit as a percentage of GDP stood at 15 percent (Teichman, 2001). Inevitably, the Peronist government was forced to begin a tough stabilization program in face of galloping inflation. But as usual, such austerity

measures were met with widespread opposition. Amidst large-scale labor mobilization and increasing political violence, Argentina descended into chaos. The stage was set for yet another military takeover.

Similar to Chile a few years earlier, the 1976 Argentine coup was rooted in accelerating class conflict and a growing "threat from below" that prompted the armed forces to seize power and unleash an unprecedented wave of repression. The Argentine military regime also shared many of the goals of its Chilean counterpart, articulating from the beginning a determination to eliminate the political power of organized labor and a commitment to a neoliberal development strategy (Remmer, 1989; Schamis, 1991). According to a growing number of civilian and military technocrats, the ISI model was no longer sustainable on account of structural obstacles. The new military-technocratic alliance was also a product of the global ideological reordering that discredited state interventionism and corporatist welfare arrangements. Yet, despite similar objectives, the Argentine leaders would prove far less successful than their peers in Chile in dismantling corporatism.

Neoconservative Restructuring and the Beginning of the End
The primary goal of the military regime was the restoration of governability. In this, the new regime enjoyed the support of elite and middle sectors that called for "order and security" in the face of increasing social strife and the risk of "subversion" that it seemed to entail. In a context where a weakened state had proved unable to block the increased praetorian politicization, only the armed forces seemed to possess the "necessary" coercive means to enforce a solution to what has been characterized as a

"social impasse".[72] Immediately upon taking power the military junta banned all political activity and put labor organizations under military control. It also unleashed a brutal campaign of extermination, which the military itself called the "dirty war", to eliminate the armed guerilla groups and, more generally, annihilate all societal opposition.

The program of the military went beyond simply reinstating state domination. It consisted of eliminating the root of the problem so as to prevent a repetition of the failure of the 1966-1973 military regime, when corporative interests had been able to reassert themselves in the decision-making process. The new leaders were determined to change the basic socioeconomic and political variables that led to Argentina's economic decline, social strife, and political instability. "According to their diagnosis, the chronic political and social instability was born of the impotence of political power when faced with the great corporative groups – labor but also business – which continuously fought with one another, generating chaos and disorder, or which, united by a peculiar logic, allied to use to their mutual benefit the powerful tools of an interventionist and welfare state" (Romero, 2002: 221).[73] Hence, in order to provide a new basis for governability, corporatism would need to be dismantled.

As Schamis (1991) has explained, coercion and neoliberal economics were complementary dimensions of this process. The unprecedented wave of repression served to immediately deactivate the labor movement, preventing it from contesting the program of restructuring. As in Chile, the ultimate goal was not only the restoration of class compromise, but a complete neoconservative restructuring of the country. In this project, neoliberal economics had a vital function. Not only was it

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[72] See O'Donnell (1977).
[73] See also Canitrot (1980).

perceived as an economic tool capable of rekindling capital accumulation in the wake of the exhaustion of the ISI model, it also served as a political device by which to dismantle the apparatus of state intervention and establish a minimal state, shorn of its role in allocating resources and distributing income. This would effectively destroy the structural links between state and society that had encouraged unhealthy interest-group behavior and the corporative tug-of-war that characterized the praetorian period. Dismantling these structural links would thus eliminate the main cause of Argentina's high level of social conflict and political mobilization, and restore governability.

The military rulers agreed with a number of influential members of the elite and technocratic experts that the great culprit of the crisis was the interventionist and welfare state, such as it had been constituted since the birth of mass democracy. Based on the monetarist doctrines that had become influential around the Western world following the first energy crisis in 1973-74, "these advisers believed that the loosening of free market forces would not only create the conditions for renewed economic growth but also discipline the social actors' behavior, destroying the socioeconomic and political basis for the emergence of populist regimes" (Vacs, 2002: 409-10). Instrumental in persuading the armed forces of the need to abandon their long-term concern with state-led industrialization was Economy Minister Martínez de Hoz, who spent "nearly one-third of his time traveling from barrack to barrack, explaining the rationale and objectives behind his stabilization project" (Pion-Berlin, 1985: 58). Under Martínez de Hoz and his team of neoliberal technocrats, Argentina embarked on a radical program of economic liberalization.

The retrenchment of the welfare state formed part of this program. According to Martínez de Hoz, welfare policies encouraged ever increasing demands on state

resources (Schamis, 1991). The corporatist social policy approach, in particular, had contributed to artificially strengthen unions, radicalizing their demands in the process. Overhauling these corporatist welfare arrangements was thus a necessary component of the effort to enforce a long-term solution to Argentina's praetorian crisis. Like the Chicago Boys in Chile, Martínez de Hoz and his economic team embraced the principle of state subsidiarity (Gardarelli and Rosenfeld, 2005). Yet they were far less successful than their counterparts in Chile in restructuring the social policy model.

Some changes were achieved. By taking advantage of the authoritarian nature of the regime that allowed for the forceful repression of union activity, the centralized structures for collective bargaining negotiations were rapidly eliminated (Marshall, 1988). The new labor rules were intended to break the bargaining power of unions and remove the state as an interlocutor of labor disputes. The government also initiated a process of privatization and decentralization of social services. The administration of public hospitals and primary schools was transferred to the provinces. While such decentralization was presented as a move to more efficient and rational administration of the health and education system, the main goal was fiscal, as public resources were withheld from being fully transferred, accentuating problems at the local level (Lo Vuolo, 1991). Measures were also adopted to accelerate the expansion of the private sector in healthcare. The government forcefully stripped the unions of their control of the *obras sociales* and promoted their contracting with private health services. The rules for obligatory contributions by workers to their respective unions established in 1970 were also repealed, establishing the freedom of affiliation to these funds. In 1980, the government sanctioned Law 22.269 as a way to consolidate state control over union welfare programs. It established the Secretariat for Social Security as the main administrative unit of social security benefits in place of the trade unions.

The government also lowered the employers' contributions to the pensions system and the National Housing Fund. Instead, these contributions were replaced by funds obtained from an increase in the Value Added Tax.[74]

However, although these measures were intended to break union control over social policy and overhaul the social role of the state, they largely failed to alter the inherent design of the system. The reform process stalled and ultimately collapsed during the economic crisis of the early 1980s. While undoubtedly succeeding in weakening organized labor, the military regime clearly failed to dismantle corporatism and consolidate neoliberal reform. With the return to democracy, the corporative tug-of-war reappeared. Faced with high expectations for social compensation, laws providing for corporatist influence over welfare funds were reinstated. The central legacy of the military regime was not a drastic overhaul of the corporatist welfare arrangements as in Chile, but a growing chasm between a corporatist social policy model tilted towards labor market insiders and the increasing number of labor market outsiders (i.e. unemployed and informal workers). This failure to reform contributed to the weakening social infrastructure and severe balance-of-payment difficulties experienced by Argentina in the aftermath of the transition to democracy.

Institutional features of the Argentine military regime that distinguish it from its Chilean counterpart help to explain this failure to enact comprehensive and far-reaching reform. As we saw in the previous chapter, the institutional structure of the Pinochet regime, characterized by Remmer (1991) as "sultanistic", allowed the Chicago Boys to push ahead with radical neoliberal reform against the resistance of military

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[74] The measure was explained by the necessity to attract foreign investment and boost competitiveness in international markets. As such, one could understand this as an incipient repercussion of the new economic structure that put strict boundaries on redistributive policies. Another way of looking at it would be as an ideological move to promote the power of the new hegemonic class as against the popular sectors. The fact that employers' contributions were reintroduced after democratization in 1984 speaks for the latter.

officers whose orientations were more statist and nationalist. Indeed, by concentrating decision making authority with General Pinochet military politicization was quelled and reforming technocrats provided with the necessary power to implement reforms. Moreover, the "sultanistic" features of the Chilean regime helped it to survive the economic crisis of the early 1980s, in contrast to Argentina, and withstand intense local pressure to reverse the neoliberal model.

The institutional structure of the Argentine military regime did not provide for such concentration of authority. To the contrary, characterized by Remmer (1991) as a "feudal" regime, the institutional structure dispersed authority and exacerbated disunity within regime.[75] Any movement toward a personalization of power along the lines of Chile under Pinochet was prohibited by the horizontal dispersion of authority along military service lines. According to Romero (2002), the *junta* structure in Argentina established by the foundational documents[76] of the regime amounted to a "feudalized anarchy" rather than a state made cohesive and constituted through executive power. The authority of the president was weak and subject to permanent scrutiny, with restraints imposed by the commanders of the three services. This dispersal of authority was replicated at lower levels of administration. "The problem was that no one's powers were clearly delineated but were rather the result of the changing balance of forces" (Romero 2002: 233).

Indeed, as several scholars have shown, the period of the *proceso* was marked by deepening conflicts within the military-technocratic alliance. These rivalries within the military and the related fragmentation of political authority impeded efforts to implement the neoliberal program. Whereas the Chicago Boys in Chile were able to

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[75] See also the excellent discussion in Arceneaux (1997) as well as Munck (1998).

[76] The *Estatuto Para el Proceso de Reorganización Nacional* (24 March 1976) and Law 21.256 (*Reglamiento para el Funcionamiento de la Junta Militar, Poder Ejecutivo Nacional y Comisión de Asesoramiento Legislativo*).

run roughshod over the objections of the statist/nationalist faction of the armed forces with the help of Pinochet, Martínez de Hoz and his economic team repeatedly ran up against resistance from the Ministries of Labor and Social Welfare as well as from *Fabricaciones Militares*, the military's industrial complex (Remmer, 1989a; see also Arceneaux, 1997). This was especially the case after the posts of president and commander-in-chief of the army were separated in the late 1970s, which strengthened the division of power among the rival services. Officers in charge of the social ministries held the view that many of the ideas and proposals of Martínez de Hoz and his team ought to be changed so as not to lose all public support (Romero, 2002). The maintenance of certain corporatist controls was important for reasons of governability. Importantly, the collaborationist wing of the trade union movement joined forces with the statist wing of the military to vigorously oppose many of Martínez de Hoz's reform proposals (Teichman, 2001).[77] Hence, despite his wide powers over economic decision-making, de Hoz could not completely eliminate labor influence over economic and social policy. In any case, his efforts to consolidate neoliberal reform and dismantle corporatism fell victim to the economic crisis that hit Argentina in 1979.

As the economic situation worsened, internal criticism of the neoliberal program grew louder. Martínez de Hoz found it increasingly difficult to apply his plan consistently and convince the generals of the necessity to stay course. Crucially, he lacked the kind of strong presidential backing enjoyed by the Chicago Boys in Chile. In 1981, as General Viola assumed the presidency, de Hoz and his economic team were replaced. In an effort to salvage some measure of legitimacy for the regime and the armed forces, Viola sought better relations with political parties and organized labor

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[77] For a discussion, see Munck (1998).

(Pion-Berlin, 1985). His plan of "national integration" involved the gradual restoration of some of the rights surrendered by political parties and unions. Conceivably the regime also abandoned its commitment to the neoliberal plan in the process, which derived from an insular style of policymaking.

Nevertheless, the abandoning of the unpopular neoliberal policies failed to improve the economic situation. Amidst growing economic chaos, popular protests began to stir. Emboldened by Viola's *apertura*, the democratic opposition formed a coalition (*Multipartidaria*) that called for the "prompt initiation of a phased plan for re-democratization and a nationalist-expansionist oriented economic platform, which was to include tariff protection for industry, lower interest rates, liberalized credit, and a substantial increase in real wages" (Pion-Berlin, 1985: 65). Crucially, the internal disputes and confusion only increased as the regime began to face growing domestic discontent.

In December 1981, only nine months after his inauguration, Viola was removed from office by General Galtieri who attempted to restore the neoliberal program by appointing Roberto Alemann, a devout neoliberal economist, to be Minister of Economy. At the same time, he secretly met with key Peronist leaders in an effort to build a military-civilian coalition which could accumulate sufficient support to uphold his rule. He also began more openly to popularize his government by appointing prominent civilians as governors and state administrators. However, his strategy did nothing to restore the unity among the armed forces. Indeed, high-ranking officers publicly criticized the economic policies of the regime which in their opinion had "gravely" affected the credibility of the armed forces (Pion-Berlin, 1985). His political ploys also met with disapproval, helping to weaken his authority and widen the divisions within the military establishment. As a result, Galtieri came under increasing

pressure to improve his own position and that of the regime. With that in mind, he opted for the plan to recover the Falkland/Malvinas islands controlled by Great Britain. That appeared to be the perfect ploy "to unify the nation behind the government, regain some prestige for the military, and legitimize the regime" (Vacs, 2002: 411). However, the war with Great Britain ended infamously in a devastating defeat for Argentina, triggering a domestic backlash against the regime that forced the military to call for elections and agree to a transfer of power to the civilians (Munck, 1998).

In stark contrast to the regime transition in Chile, where the military was able to impose a number of constraints on the incoming civilian government, the Argentine military was in no position to dictate the terms of re-democratization. Seriously discredited by the military defeat and the economic chaos, the military government virtually collapsed. This had important consequences for social governance, as is shown in the next section. Indeed, the very different type of democracy established in Argentina, in comparison with Chile, constitutes a major factor in explaining the different strategy adopted by the Argentine government in trying to manage the social question after re-democratization.

FROM CORPORATISM TO THE PLURALIST APPROACH

The failure of the military regime to dismantle corporatism left several problematic legacies for the new democratic regime. One was the growing economic inconsistency between the corporatist welfare arrangements and the process of de-proletarianization began under the military regime. The narrowing contributory base (as more people were pushed into the self-employed and informally employed sectors) for the work-based social protection systems generated a growing fiscal problem that

further exacerbated the debt crisis. Yet under the Alfonsín administration, these corporatist welfare arrangements proved hard to reform. The expectations raised by the return to democracy put pressure on the new democratic government to increase social spending. Importantly, the type of democracy established in Argentina with the transition from authoritarianism did not entail any "tutelary" institutions of the kind Chile established a few years later that could have discouraged the Alfonsín government from pandering to social pressures. To the contrary, the new democratic institutions provided strong incentives for the Alfonsín government to increase social spending and delay social reform.

With the transition to democracy, trade union power was partly restored. Unlike Chile, where the labor movement never recovered from neoconservative restructuring, in Argentina the failure of the military regime to dismantle corporatism provided trade unions with sufficient powers to block any assault on the corporatist welfare arrangements. When Alfonsín finally acknowledged the need for social reform around the mid-1980s, he ran into fierce opposition from the trade union movement and its allies within the Peronist opposition. It was not until the hyperinflationary crisis at the end of the 1980s that a consensus was built around the need to reform and the trade union movement had been weakened to generate sufficient space for the dismantling of the corporatist mode of social governance.

This was accomplished under the Peronist administration of Carlos Menem, who in a bid to restore governability initiated the overhaul of the corporatist model of social protection. Directly contributing to Menem's surprising attack on corporatism were the structural and ideological changes that accompanied the rise of neoliberalism in the late 1980s. Faced with a bankrupt state and social violence that exposed the

inadequacy of the corporatist model, Menem acknowledged the need for a radically new mode of social governance.

Facilitating the process of dismantling corporatism was the "delegative" nature of the Argentine democracy that provided Menem with wide powers to impose policy change. As we shall see, the process of implementation was a difficult process that also involved sub-national actors with wide-ranging consequences for the political outcome. As such, the political perspective and explanatory model developed in Chapter 1 provides a useful framework for understanding the process of social reform in Argentina during the 1990s.

Alfonsín and the Social Question

The new democratic government inherited a massive social debt accumulated over previous years. Industrial workers in particular had experienced a major setback during the military era. The share of wage earners in GDP fell from 51 percent (1970-1975 average) to 36 percent (1976-1982 average), reflecting a sharp drop in average real wages and a shift from wage to self-employment (World Bank, 1988). In the industrial labor market, workers' real wages decreased by 49 percent between 1974 and 1978, while the number of industrial workers fell by 36 percent, from 1,165.000 in 1975 to 740.000 in 1982 (Tedesco and Barton, 2004). The gap in income distribution between higher and lower brackets widened. In Greater Buenos Aires the richest 10 percent increased its share of national income from 33 percent to 37 percent, while the share of the poorest 40 percent declined from 16 percent to 14 percent (World Bank, 1988). Poverty also increased substantially during the period. Between 1974 and 1982 the numbers of structurally poor, defined as those with severe problems of housing and social infrastructure, and unable to cover their basic needs, increased by 49 percent

(Tedesco and Barton, 2004). A study by the National Institute of Statistics and Census concluded that 5.5 million inhabitants had unsatisfied basic needs (referred to in Midre, 1992).

Crucially, while the population in need of social welfare and services increased, public resources for education, health and housing declined markedly during the military era (see Table 4.2). The result was a sharp deterioration of social services and aid that predominantly benefit lower income groups – primary education, public hospitals, preventive health care, slum improvement, low-cost housing and family allowances for poor households. In the absence of sufficient investment, the physical infrastructure of public education and healthcare decayed. In the housing sector FONAVI was nearly paralyzed, leading to a huge housing deficit. Indeed, by the time of the return to democracy in 1983, all social service sectors had suffered from severe deficiencies and rapidly deteriorating quality that disproportionately hit the popular sectors (see World Bank, 1988; Jáuregui and Lozano, 1990).

Table 4.2 Index of Real Social Public Per Capita Expenditures, by category, 1970-1990

Year	Education	Public health	Social security	Housing	Social welfare	Pension fund	Family allowances	Total
1970	82.7	84.0	57.3	31.5	63.0	71.4	141.7	74.6
1971	82.9	86.7	62.0	40.6	81.3	74.0	118.3	76.2
1972	82.7	83.5	57.7	25.1	100.2	62.6	114.5	70.1
1973	105.3	99.5	73.4	52.7	105.3	72.1	97.8	83.0
1974	129.0	114.7	93.8	95.5	191.1	97.1	131.0	109.4
1975	126.0	117.2	85.2	126.9	214.9	75.5	108.8	100.3
1976	75.9	100.0	71.5	93.7	131.2	76.1	80.3	80.5
1977	71.9	92.2	67.1	46.1	147.6	73.1	94.8	75.7
1978	89.1	104.6	75.0	57.8	165.0	75.3	99.0	83.9
1979	89.6	91.0	83.8	51.3	119.6	81.1	87.8	83.9
1980	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1981	95.6	108.7	132.8	54.3	108.7	100.4	79.9	101.6
1982	77.0	88.1	113.1	62.2	77.8	74.2	53.3	80.3
1983	95.7	101.0	116.0	95.7	95.7	77.3	68.3	90.4
1984	115.3	117.0	109.4	83.6	133.7	84.8	57.3	97.3
1985	100.6	101.2	110.4	71.9	159.7	90.9	54.8	95.3
1986	107.2	108.7	110.2	77.7	155.3	88.5	79.9	98.4
1987	118.0	102.7	112.2	84.8	154.2	94.8	72.7	102.6
1988	109.6	77.7	115.9	70.0	139.9	84.9	40.0	91.9
1989	91.8	83.7	97.0	54.9	157.0	60.4	40.4	75.9
1990	77.5	73.2	91.6	58.1	77.5	72.5	33.2	73.2

Source: Reproduced from Beccaria and Carciofi (1995)

Re-democratization generated high expectations that the new regime would deal with this social debt. These hopes had been further encouraged by campaign promises to improve the living conditions of the poor (Midre, 1992). Hence, when the new democratic government of Raúl Alfonsín assumed power it was under strong pressure to rapidly satisfy the welter of accumulated demands for social "compensation". The widespread popular mobilizations calling for social improvements that had began to build up towards the end of the military era added a sense of urgency for the Radical administration to manage the social question. A mobilized civil society that had begun to seek redress for its submerged aspirations and demands could hardly be ignored by the newly elected democratic government.

At the same time, the economic situation inherited from the military regime made dealing with the social question difficult. Alfonsín's government assumed office with

inflation running at an annual rate of 600 percent. In addition, the fiscal deficit of the nonfinancial public sector stood at 15 percent of GDP, while the Central Bank faced arrears on interest payment on the external debt that far exceeded its hard currency reserves (Smith, 1992). As a result of the "nationalization" of the private external debt in 1982, the state had become responsible for servicing the bulk of the entire external debt, both public and private. Between 1976 and 1982, public debt increased by 407.5 percent and private debt by 364.5 percent (Tedesco and Barton, 2004). In 1983, the Argentine foreign debt reached $46.5 billion (Murillo, 2001).

This was obviously an enormous drain on state finances and put constraints on social policy. Increasing social spending was difficult, not least as international creditors put pressure on Argentina to meet its debt obligations rather than to invest in social services (Tedesco and Barton, 2004). The debt crisis gave the multilateral lending institutions and the Reagan administration important leverage over the Argentine policymaking process. Short of hard currency, Argentina had to engage in negotiations with these Washington-based institutions over how to restructure its external debt and was thus susceptible to their influence.

Hence, when assuming the presidency in December 1983, Alfonsín faced a formidable challenge. One the one hand, the high expectations that many groups in society had vested in the immediate returns from the democratization process put pressure on the Radical government to increase social spending and reverse the neoliberal policies of the military regime. On the other hand, the transition to democracy coincided with the onset of the debt crisis, which put considerable economic constraints on social policy. In many ways, the situation resembled that of Chile a few years later, where the Aylwin administration was confronted with the difficult dilemma of maintaining macroeconomic stability while meeting urgent social

demands. Yet, the two countries chose to handle the situation very differently. As we saw in Chapter 3, in Chile President Aylwin envisaged a strategy of piecemeal social reform contingent on maintaining macroeconomic stability, while carefully ruling out any return to the old corporatist social policy approach. In Argentina, by contrast, the Alfonsín administration essentially reintroduced the corporatist social policy approach in combination with a heterodox strategy of stabilization. Why this very different approach to deal with the social question compared with Chile?

Two factors help explain this different approach in Argentina, both legacies of the military debacle. Firstly, in stark contrast to Chile, where the armed forces were exceptionally successful in controlling the terms of transition and establishing a tutelary democracy that limited the ability of the new administration to implement redistributive policies, in Argentina the collapse of the military government aborted any attempts to place such constitutional prerogatives on the incoming democratic government. As a result, the Alfonsín government was under no real pressure from domestic conservative forces to stick to neoliberal policies. In Chile the institutional prerogatives that maintained military tutelage and conservative influence over the political process forced the new democratic government to adopt a non-confrontational stance towards the conservative opposition, whereas in Argentina the Alfonsín administration had no such need to pander to conservative interests. To the contrary, the economic chaos left behind by the military regime seemed to speak for a radical change of course in economic and social policy.

Indeed, demands for a new direction were strong throughout society and the government did little to pre-empt such pressures. If anything, remarks such as that of the triumphant presidential candidate himself – "con la democracia también se come" – only fuelled the already pent-up expectations for social compensation. The urge to

pre-empt and limit social demands was not as strong in a democratic regime with few institutional prerogatives of the Chilean kind where the new political leaders went out of their way to avoid the exacerbation of social demands for fear of upsetting the conservative forces. By contrast, in the type of democracy established in Argentina, with strong institutions of vertical accountability and weak institutions of horizontal accountability, political leaders had strong incentives to enact expansionary economic and social policies. In the absence of "tutelary powers", "reserved domains" and the like, following a populist strategy did not seem to directly undermine the goal of democratic consolidation. Hence, Alfonsín, whose campaign promises had included measures to improve worker's earnings, resisted pressure from the IMF and the World Bank to pursue austerity and market liberalizing measures. Instead, he took a confrontational position vis-à-vis private creditors and the multilateral lending institutions. Upon assuming office, the new Radical administration adopted an expansionary program that included increased wages, together with close state control of credit, exchange rates, and prices. The Radical government also quickly reversed some of the social policy reforms enacted by the military government, such as reinstating the previous contribution system of FONAVI. In addition, it allowed for a steady increase in social expenditures without adjusting the tax intake to a corresponding level.

Secondly, in contrast to Chile, in Argentina the process of dismantling corporatism had not been concluded at the time of re-democratization. Although unions had been targets of harsh political repression during military rule and the decline in industry had weakened organized labor, with the transition to democracy the power of union leaders was partly restored. For the Radical government this was particularly problematic since most trade unions remained under Peronist leadership. As a result,

the Radical government faced a labor movement capable of provoking considerable disruption to any policies of structural reform. Indeed, Alfonsín had to contend with no less than 13 general strikes and nearly 3,000 other strikes in various sectors of the economy that were driven by union demands for increases in salaries and social benefits (Epstein 1992). Faced with a resurgent labor movement, the government was forced into negotiations with the trade-union leaders. Under such circumstances, abandoning the corporatist social policy model, even if it was increasingly unfit to care for the rising ranks of informal workers, proved difficult.

Hence, under Alfonsín, Argentina made no great strides toward social welfare reform. Pent-up expectations and demands occasioned a sharp increase in social expenditures – spending that went into the traditional statist and corporatist welfare schemes. The re-emergence of strike activity also compelled Alfonsín to adopt a strategy of negotiation with the unions. Indeed, an agreement was reached with an important group of unions – the so-called fifteen that included the most powerful private and public-sector unions. In evaluating this agreement, Romero (2002: 267) writes: "From the unions' point of view, the reasons for participating in the government were obvious, almost insultingly so; they included passing the collection of laws that ruled trade-union activity – rights to legal status, collective bargaining procedures, rules about union control of social service programs – in terms similar to those established in 1975. In exchange for these important concessions, the government, which sacrificed long-standing objectives, obtained little in return – only a relative social truce, because the trade-union opposition remained totally divided, and a promise of future political support that never really materialized". In sum, despite Alfonsín's dislike of corporatist style of politics, his government proved unable

to dismantle corporatism and was forced to give into a host of union demands preventing any substantial change to the corporatist welfare arrangements.

Unable to reform the system, problems quickly began to emerge as a result of inflation, problems in the labor market, and the growth of the informal sector. The public housing system was nearly paralyzed as a result of administrative weaknesses. Informants testify as to how initiatives to reform public housing programs ran into opposition from construction companies. The government also failed to reform the pension system that accounted for a high and increasing proportion of government expenditure, while approximately 30 percent of the elderly over retirement age, most of whom belonged to low-income groups, did not have access to pension benefits (Lloyd-Sherlock, 1997b). The health system also continued to suffer from quality deterioration and a high degree of inefficiency, despite the increases in public health expenditure. Inefficient management of the *obras sociales* produced worsening financial imbalances for which they received subsidies from the state. Yet these subsidies continued to be distributed in a discretionary fashion and subject to political pressures. The *obras sociales* of the politically most powerful unions received the most subsidies reflecting the continuation of the corporatist social policy approach (Queisser, Larrañaga and Panadeiros, 1993). The system not only contributed to drain the state of fiscal resources and generate financial disequilibria, but also led to reduced coverage for the increasing ranks of poor households outside the formal labor market. Acknowledging the problem, experts within the Alfonsín administration formulated a proposal for a system that would integrate resources from the *obras sociales* and the public sector in order to increase efficiency and more effectively cover individuals not employed in the formal sector. The proposal was introduced to

Congress by the Radical government in 1985, but failed to prosper chiefly due to strong opposition from trade unions (Lo Vuolo and Barbeito, 1994).

A rare social welfare initiative that prospered under Alfonsín was the National Food Program (PAN). PAN was launched soon after the presidential elections and was the first food program in Argentina with national coverage. Between 1984 and 1989 it served around 1,200,000 families at a cost of over US$150 million per annum (Martínez Nogueira, 1995). The principal aim of the PAN was to provide basic food necessities to low-income groups. However, unlike the targeted programs later adopted during the Menem administration as well as in Chile under Aylwin, the PAN was set up to be administered in a centralist fashion, without the emphasis on participation, demand-orientation and competitive tendering associated with the pluralist approach. At the time, the new social policy ideas associated with the pluralist approach had yet to seriously break through.

Its potential to garner votes among the swelling ranks of low-income groups made the PAN object for intense political struggle. Accusations of politically motivated mismanagement of the PAN were frequently raised. The Radical government was accused of clientelistic manipulation of the program and there were numerous stories and rumours about fraud connected with the PAN (see Midré, 1992). Indeed, some studies show how the PAN was captured by topocrats in certain provinces (Alvarez cited in Midré, 1992; Tenti Fanfani, 1989). Generally, most analysts seem to agree that the PAN was used in a clientelistic fashion by the Radical Party.[78]

Corroborating the argument made in this thesis, such political abuse appears to be directly related to Argentina's regime institutions. In a context of weak horizontal accountability, those responsible for implementing the PAN operated with wide

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[78] For a representative view, see Prévôt Schapira (1996).

discretion in handling food parcels and selecting beneficiaries. Repetto (2001: 115) also stresses this point when arguing that, ""En líneas generales, pueden observarse varios problemas al analizar *ex post* la implementación del PAN, muchas de los cuales derivan de la falta de control efectivo sobre los responsables del programa". In the absence of strong horizontal controls and oversight agencies, such as Chile's parliamentary control committees and Office of the Comptroller, Argentina was lacking mechanisms for preventing political abuse in administrating the PAN. This argument finds support in interviews with experts that confirm how essentially no controls existed that would have deterred those responsible for distributing the food parcels from clientelist practices.

Weak horizontal accountability gave policymakers wide discretion not only with regard to the PAN, but more generally in allocating all sorts of social funds. Various studies of the Ministry of Health and Social Action emphasize its corruption (Lloyd-Sherlock, 1997b). It also bears mentioning how politicians enjoyed wide discretion in distributing benefits from FONAVI and the Banco Hipotecario Nacional, and how such discretion helped sustain clientelist networks. Without the kind of oversight agencies equipped with the necessary mandate and clout to control compliance with the norms for issuing benefits and terms for construction, political abuse was hard to prevent. When asked about mechanisms of control, housing policy experts emphasized their weakness combined with the difficulty of preventing political and corporatist capture. During the 1980s, FONAVI funds amounted to about 1 percent of GDP. Annual revenues averaged US$600 million that theoretically should have been sufficient to construct low-cost housing for 60,000 households. Yet housing was provided to only 30,000 households per year and generally failed to adequately respond to the needs of the poorest sectors due to high administrative costs, lack of competitiveness between

the companies contracted for the housing construction and general inefficiencies in fund management. In addition, FONAVI suffered from financial problems as a result of the evasion of the employers' compulsory FONAVI contributions. Also, contrary to regulations, reimbursements accounted for only 1 percent of FONAVI revenue as defaulting on the payments was having no consequences for the provinces (World Bank, 1988; Queisser, Larrañaga and Panadeiros, 1993). Interviews with housing policy experts and officials confirm that the decentralization of FONAVI to the provinces during the Menem era only acted to heighten these problems as topocrats were able to strengthen their control over FONAVI benefits.

The PAN contributed to the Radical triumph in the September 1985 congressional elections by helping the party make inroads among low-income sectors, but in the long run the inability of the Alfonsín government to solve the problem of governance spearheaded its resignation in June 1989. By the mid-1980s, the Radical government was forced to change their methods and adopt stabilization measures as fiscal conditions turned for the worse (see Smith, 1992; Margerithis, 2000). In this, Alfonsín attempted to make use of the strong presidential powers embedded in Argentina's democratic regime. A series of economic programs that increasingly moved towards orthodox solutions were imposed by decree without much regard for consensus-building or horizontal mechanisms of accountability. The change in course had been prepared in secrecy by a new technical team of economists from the sub-secretary of planning at the Ministry of the Economy, headed by Juan Sourrouille. Their plans reflected important changes in policy ideas that were closely linked to the growing interaction with international actors such as the IMF and the World Bank (Teichman, 2001). However, having failed to rein in the trade unions, the new policies were hard to enforce despite decree powers. The government had to make a number of

concessions to the corporate interests that compromised its efforts to bring the economy under control (Smith, 1992). The continuation of the corporatist social policy approach, epitomized by the Social Pact of 1987, only contributed to undermine stabilization measures. Though succeeding in momentarily achieving social peace, corporate interests were able to stonewall policies that might affect them.

At the same time, the inability to contain inflation and extend welfare coverage to the swelling ranks of self-employed and nonunionized workers weakened government legitimacy. It was not enough with PAN. The failure of the health, housing and pension systems to care for the really needy translated into growing disenchantment with the Radical government that culminated in the food riots of 1989 (Serulnikov, 1994). Crucially, Argentina's federal system also constituted a formidable obstacle to the implementation of policy change. For political reasons, provincial governors were reluctant to cut social spending and forego the corporatist model of social policy. Alfonsín was also forced to negotiate with the provincial Senators who, for reasons explained in Chapter 2, are usually the pawns of the provincial governors and thus defended topocratic interests. In any event, by taking loans from locally controlled banks, the provinces were able to evade austerity measures (Lo Vuolo, 1991). This helped undermine the basis for policy change.

In a climate of increasing economic deterioration and growing inflation, the Radicals were soundly beaten by the Peronists in the 1987 elections. Bereft of its majority in the chamber of deputies the Alfonsín administration ventured into paralysis. New economic programs gave the government momentary respite, but because the Peronists did not support any deep transformations, the government's new neoliberal orientation lacked credibility. One disaster followed another. "As the spectre of a Peronist victory in 1989 elections grew, capital flight and financial

speculation soared, culminating in a hyperinflationary burst that brought the economy to the brink of collapse" (Levitsky and Murillo, 2005: 26). As real wages collapsed, public order disintegrated. The series of riots and lootings in May and June 1989, as crowds of newly impoverished people, desperate for basic provision, ransacked supermarkets throughout Gran Buenos Aires meant the final blows to the Radical government.

In late June 1989, Alfonsín resigned the presidency six months before the end of his mandate - leaving behind a socioeconomic legacy that was negatively impressive.[79] During his reign, GDP per capita had shrunk by more than 10 percent. The total external debt had increased from US$45 billion in 1983 to US$63 billion in 1989 and the inflation rate exceeded 4,000 percent. This economic disaster was accompanied by worsening social conditions. During the period, formal employment opportunities decreased sharply, producing a rise in open unemployment and informality. Despite the resistance of organized labor, real wages fell by almost 25 percent between 1983 and 1989 due to the high inflation and the contraction of formal employment. Poverty levels were substantially higher than at the beginning of the Alfonsín era. The proportion of households with incomes below the poverty line grew from 7.6 to 28.5 percent during the 1980s. At the same time, the provision of social services was almost interrupted by hyperinflation. It was of little surprise that the 1989 elections saw the Radicals swept from office. Under the leadership of newly elected president Carlos Menem, the Peronists were back in power.

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[79] For an analysis, see Beccaria and Carciofi (1995). Also Lloyd-Sherlock (1997b).

Social Welfare Reform under Menem

The 1989 crisis spearheaded a major reorientation of social policy. Under Carlos Menem, the corporatist social policy approach was abandoned in favor of new principles that emphasized privatization, decentralization and selectivity (targeting) for social provisions. In addition, social policies turned towards cooperating with non-governmental and grassroots organizations, shunning the traditional corporatist networks of social governance. Hence, to the surprise of his followers and adversaries alike, the new Peronist president embraced social reforms that were directly opposed to the interests of organized labor, Peronism's foremost socio-political ally.

From the beginning of the 1990s onwards a number of social reforms were enacted that aimed to dismantle the corporatist social policy model. Deregulating the labor market was an early priority. Through a series of laws and decrees the government introduced successive measures of "labor flexibility" in order to lower labor costs and ease the hiring and firing of workers (see Cortés and Marshall, 1999; Acuña and Tuozzo, 2000). As Levitsky (1995: 12) has noted, "the sum of the government's labor reforms – particularly the deregulation of collective bargaining, flexibilization of shop floor regimes, and the privatization of the pension scheme - amounts to the dismantling of the corporatist model of labor relations that had been in place since the 1940s".

In education, healthcare, and housing the government accelerated the process of decentralization began under the military regime. FONAVI was transferred to the provinces as part of the 1992 Fiscal Pact. The provinces were also made responsible for secondary education, completing the process started in the 1970s at the primary level. In the public health sector, the transfer of the national hospital network to the provinces was completed in 1992. A number of measures were also taken to

progressively reduce the role of the state in social service production. An important initiative was the creation of so-called "self-governing public hospitals", which were supposed to generate their own resources. There were also reforms promoting competition and deregulation of the *obras sociales*. Though this process stalled in the legislature, important steps were taken by executive decree in the direction of deregulation. In addition, the government undertook a comprehensive reform of the social security system. The new system was designed to allow the private sector a major role in the national insurance regime. In short, the old public pay-as-you-go regime was replaced by a "mixed" system that combines privately administered insurance funds with a basic guaranteed public pension. The aim was to progressively replace the public system of payments with a "totally private" system of individual fully-funded schemes along the lines of the Chilean model. [80]

At the same time, a number of targeted assistance programs were launched to ameliorate the effects of this retrenchment of the corporatist social state.[81] Initially, the emphasis of these targeted programs was mainly on distributing goods – food, school and construction supplies – directly to families and schools, or through grass roots organizations such as community soup kitchens. Towards the mid-90s, the administration put increasing emphasis on local capacity building, NGO-cooperation and the introduction of more participatory practices in the administration of these programs. The new programs were designed to successively replace the traditional universalistic welfare schemes with a more flexible, pro-poor and participatory assistance approach that could respond more effectively to diverse needs and

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[80] For details on the social reforms during the 1990s, see Cortés and Marshall (1999); Barbeito and Goldberg (2007); Lo Vuolo (1997); Repetto and Alonso (2004).

[81] For a comprehensive discussion of these new targeted anti-poverty programs, see Chapter 6.

demands. Only at the national level, as we shall see in Chapter 6, around 70 new anti-poverty programs were established during the ten years of the Menem presidency.

The structural and ideological transformations that accompanied the deep socioeconomic crisis that Argentina underwent in the end of the 1980s go a long way in explaining this new direction in social policy initiated by the Menem administration. First, the changes in economic and social structure associated with the collapse of the state-led model undermined the corporatist mode of social governance. The hyperinflationary crisis had forced Argentina on a radical track of economic restructuring widely viewed as the fastest and most far-reaching reform program in Latin America. Harsh austerity measures were bundled with ambitious structural reforms that included trade liberalization, the privatization of various economic entities and services previously provided by the state, and the deregulation of most economic activities.[82] Under the Convertibility Plan of 1991, the Argentine peso was pegged to the US dollar on a 1:1 level, a measure that tied the size of the money supply to the availability of reserves. This new economic model put boundaries on social policy options. Convertibility required strict fiscal discipline. This entailed cuts in social spending. Not least, the bankrupt social security system had become increasingly burdensome for the public coffers. With the opening up of the economy to global market forces, labor costs needed to be cut in order to enhance domestic competitiveness - particularly as currency devaluation was not an option with convertibility. Thus, under the new economic model, the corporatist welfare arrangements needed to be dismantled. Initiatives to reform the labor market and the pension system were clearly driven by such economic pressures.

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[82] See, for instance, Acuña, Galiani and Tommasi (2007).

At the same time, hyperinflation and neoliberal policies accelerated the class-structural changes in effect since the 1970s. The Argentina society that emerged from the end of the 1980s was much more heterogeneous and fragmented that the one that had facilitated the rise of corporatism. Politically, organized labor was no longer the indispensable ally for Peronism that it had been in the past. As many scholars have shown, economic dislocation wreaked havoc on a mode of political representation that was rooted in the labor and popular mobilizations that accompanied the process of state-led industrialization in the middle of the twentieth century (e.g. McGuire, 1997; Levitsky, 2003). The wrenching process of economic restructuring substantially weakened the power of unions as organizations (Table 4.3). As union membership fell, the ability of labor unions to provide the Peronist party with grassroots activists, a strong collective identity and loyal voters became far weaker.

Table 4.3 Unionization in Argentina, 1970s-1990s

Year	Union Members (Thousands)	Unionization Rate (%)
1975	5000.0	58.8
1985	4000.0	36.3
1998	3600.0	25.7

Source: Cardoso (2005)

Concomitantly, the significant growth of the informal sector provided a political incentive for Menem and the Peronist party more broadly to target the swelling constituencies of non-unionized workers and urban poor.[83] That Menem understood this is clearly shown by his "neopopulist" rhetoric that directly appealed to workers in

[83] See the arguments by Roberts (1995) and Weyland (1996b).

the informal sector and low-income families outside the formal labor market. The need for a new mode of social governance was underlined by growing instances of protest and popular uprisings against the deteriorating social conditions, which threatened governability in many Peronist controlled provinces. As will be shown in Chapter 6, targeted social programs were often set up both at the national and provincial level to appease such protest and ensure governability. In general, Peronist politicians, including President Menem, got increasingly worried about their political support as the rise in unemployment and poverty showed no signs of abating despite the economic recovery. Cushioning the effects of this rising social question was an important motive behind the decision to create the Secretariat of Social Development that was made responsible for the design and coordination of new anti-poverty programs (see Chapter 6). More broadly, the new anti-poverty approach provided an opportunity to renew some of the organizational and programmatic bases of Peronism. It provided an instrument through which ties could be built to the wealth of voluntary organizations that had emerged around "subsistence" issues in conjunction with the hyperinflationary crisis. NGOs in particular appeared as a useful substitute for the troublesome corporatist organizations. Indeed, interviews with policymakers show that the new social policy approach was considered a good way to adapt to this new social landscape.

Second, the content of the reformist agenda was to a great extent determined by the ideas that scholars, policymakers and the international community had come to share with regard to "best practices" in social policy. As explained earlier in this study, by the end of the 1980s, international actors had begun to push for the reformulation of the social policy approach in Latin America. Corporatist welfare arrangements had come under increasing criticism and the new consensus view of social policy among

international experts stressed the principles of privatization, decentralization and selectivity. In Argentina, the intense relationship with the World Bank was instrumental for the adoption of these new social policy ideas. During the 1980s, World Bank officials had already been cultivating policy actors in Argentina in their attempts to press for policy change (Teichman 2001). Though attempts to reform social policy largely failed during the Alfonsín era, the formulation of the economic plans under Juan Sourrouille involved intense discussions with World Bank officials, including discussions of social reforms in such areas as social security and housing. Teichman argues (2001: 106): "It is likely that these discussions, although at times conflictive, formed an important part of the social learning process. The experience certainly strengthened the resolve of Argentine officials inclined toward policy reform".

The severe socioeconomic crisis was also instrumental in bringing around many who were reticent among the political elite and in producing public support for far-reaching changes[84]. A substantial part of the national leadership of the two main parties acknowledged the necessity of undertaking substantial reforms. Indeed, both parties saw a growing influence of technocratic activists that helped disseminate the new social policy ideas. President Menem himself was one of the converts. The Alfonsín era that culminated in hyperinflation, social turmoil and political debacle had clearly demonstrated the flaws with the corporatist mode of social governance. "For Menem, the danger was that he would end up like Alfonsín, devoured by the maelstrom of a state in the process of disintegration" (Romero, 2002: 287). The restoration of state power required a neutralization of corporatism. The opportunity

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[84] Many scholars stress the importance of the hyperinflationary crisis in altering perceptions of the need for reform, see, among others, Beccaria and Carciofi (1995); Margheritis (2000); Teichman (2001).

resided in the fact that the crisis had weakened organized labor and that there was such a need for public order and stability that a major overhaul of the role of the state could be tolerated among the public and policymakers alike. In this, the new social policy ideas promoted by international actors provided the Menem administration with a recipe for how to renew social policymaking to fit the new socioeconomic structures and help restore governability.

Under Menem, the close relationship between Argentina and the World Bank reached unparalleled proportions. Eager to mobilize funds amidst the severe economic crisis, the Menem administration invited the World Bank at the end of 1989 to become involved in its efforts to turn the country around. As such, the World Bank was deeply involved in social security, healthcare and labor reform.[85] World Bank lending was also instrumental in financing the new targeted programs through which the Menem administration went about cushioning the effects of economic restructuring. Between the officials at the Secretariat of Social Development and the World Bank a close relationship of partnership and mutual understanding evolved that in many ways helped shape the new social policy approach. Indeed, as will be shown in Chapter 6, social technocrats at the SSD played a key role as interlocutors for the new pluralist social policy ideas and more broadly in shaping the social agenda during the 1990s.

Yet even if these structural and ideological transformations provided important impulses for the Menem administration to initiate social reforms and helped to shape the content of these reforms, they cannot account for the political outcome of the reform process. Indeed, as was argued in the introductory chapter of this study, political institutions put strict boundaries on reform strategies and to a large extent

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[85] For a more comprehensive discussion, see Acuña and Tuozzo (2000). See also Cortés and Marshall (1999).

shaped the capabilities of policymakers to overcome vested interests in the process of implementation. In this, the type of democratic institutions that characterize Argentina in important ways facilitated the enactment of social reforms. By making use of the extraordinarily strong powers vested in the Argentine presidency, Menem was able to drive through reforms despite fierce opposition from many quarters - from public servants, from Congress and from trade unions. The use of presidential decrees was the standard means by which the executive enacted reforms. As the issue of labor market reform lacked sufficient support in Congress, new legislation was imposed by presidential decree. These executive measures included new rules for collective bargaining that decentralized the negotiation process and eliminated state intervention, permitted the suspension of collective labor contracts in state owned industries, and made it possible for employers to change the conditions of work, fringe benefits and wages (see Acuña and Tuozzo, 2000).[86] Similarly, executive decree powers were used to drive through measures promoting the deregulation of *obras sociales* (Acuña and Tuozzo, 2000; see also Repetto and Alonso, 2004). In addition, Decree 2.184/90 that limited the right to strike for public-sector unions was instrumental in handling opposition from trade unions to privatization in healthcare and social security. Indeed, interviews with policymakers and experts confirm the view that Menem's use of presidential decrees played a vital role in overriding opposition to social reforms. Such institutional manipulations also included the 1990 packing of the Supreme Court and the politicized appointment of federal judges, which ensured that reforms would not be blocked on constitutional grounds. In short, by providing the executive with wide discretionary powers, weak institutions of horizontal

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[86] Though some of the measures designed by the Ministry of Economy to introduce more flexibility to the labor market and diminish labor costs were obstructed in Congress, the president often threatened the use of his decree powers to bully reluctant congressmen to support his broader reform program.

accountability played an important role in facilitating the major overhaul of welfare arrangements enacted by the Menem administration.

At the same time, Argentina's regime institutions not only contributed to the swift dismantling of welfare corporatism, but also defined the peculiarities of the new mode of social governance. As was argued in Chapter 1, weak institutions of horizontal accountability offer plenty of opportunities to depredate public resources for clientelist ends. Together with strong institutions of vertical accountability, such a "delegative" type of democracy provides strong incentives for politicians to adopt clientelist strategies of social governance. Indeed, as we shall see in Chapter 6, the new pluralist social welfare arrangements were being manipulated to facilitate clientelistic incorporation of low-income sectors. Faced with electoral pressures, Menem made use of the new targeted programs to build clientelistic networks in which political loyalists were being rewarded with social benefits and participatory mechanisms fitted to co-opt civil society organizations. Without strong agencies of horizontal control, Menem and his political allies were operating with wide discretion in allocating targeted funds.

Under Menem, Argentina thus adopted a populist mode of social governance that helped maintain the traditional Peronist connections to the lower classes. Adding to this political outcome was Argentina's decentralized federal system in which sub-national actors, especially governors, exercise considerable influence over the execution of public policy, and which meant that Menem had to build alliances with such regional structures of power in order to implement his broader reform program and achieve his objective of re-election in 1995 and then again in 1999. Indeed, the need to secure the support of provincial governments entailed important concessions on the part of the Menem administration. The provincial social security systems – which are key tools of clientilistic policies in the provinces – were not subject to the

type of reform that the national social security system underwent (Gerchunoff and Torre, 1998). "Handouts" conceded by Menem to the provinces, such as the *Fondo Conurbano* that Governor Duhalde could administer with discretion, directly contributed to subsidize the rise of clientelism and consolidate local populist enclaves. The devolution of the National Housing Fund together with food assistance programs such as POSOCO and PROSONU in conjunction with the Federal Pact in 1992 similarly entailed a massive transfer of discretionary funds to the provinces that helped to finance the populist mode of social governance and maintained the traditional Peronist connections to the lower classes. During the negotiations over a revision of the Federal Pact in 2000 under the Alianza government, the central state also conceded considerable resources for poverty programs to the provinces in an attempt to obtain the political support of the powerful governors.

CONCLUSION

The historical analysis conducted above shows the usefulness of adopting the political perspective and explanatory framework developed in Chapter 1 for understanding the politics of social governance. It clearly demonstrates how social policy in Argentina has been used as a strategic approach to manage state-society relations and the problem of governance. The process of formulating and implementing social policy changes has been a function of such political calculations in direct conjunction with the socio-economic, ideational and political-institutional environment. Changes in economic and social structure have compelled the political elite to initiate reforms in order to be able to manage the potentially disruptive effects of such structural transformations. At the same time, this chapter demonstrates how such changes in the policy environment are

no guarantee that policymakers will have the capacity to implement reform (e.g. think of the many failed attempts to reform the corporatist model of social protection during the 1960s and 1970s). In conjunction with this, the analysis shows how the evolution of social welfare provision has formed an integral part of the development of state-society relations and the transformation of governance in Argentina. Indeed, for the popular sectors social policy has had a vital impact on their levels and forms of integration to political life. For political elites, social policy has provided a strategic asset in forging political support and social control.

THE NEW POLITICS OF PLURALIST REFORM

DEMOCRACY AND ANTI-POVERTY POLICY IN CHILE[87]

Chapter 3 showed how the structural, ideological and institutional legacies of neoconservative authoritarianism effectively destroyed the political bases of corporatist social governance in Chile. For the new democratic government that took office in 1990 the corporatist social policy approach was no longer a viable option. Continuing the paternalistic approach of the military regime that had left in its wake a huge social debt, including five million poor, was also out of the question in the new democratic environment. Instead, the incoming government under President Aylwin opted for a pluralist social policy approach in which anti-poverty policy was given a central role. This chapter looks at the formulation and implementation of this new anti-poverty policy. It shows how despite the participatory discourse and the new mechanisms for incorporating civil society actors in the administration of anti-poverty projects, the political outcome of the new approach was a mode of social governance with a strong technocratic bent through which the state is able to control social demand making and set the terms for popular participation.

The chapter is organized in three sections. The first section discusses the formulation of the new anti-poverty strategy, adding detail to the findings discussed in Chapter 3 concerning the adaptation of pluralist social reform. It shows how the transition to democracy ushered in a new emphasis on pluralism and state-NGO

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[87] The research for this chapter was mainly conducted in Chile during 2006. The bulk of the data comes from 17 in-depth interviews with government officials, policy consultants and civil society activists. For a list of these interviews, see the appendix. In addition, the analysis draws from a number of less formal discussions with activists and experts in Chile. Part of this chapter was published (Wigell 2010) in Gomez et al., eds. 2010. *Participation for What?: Social Change or Social Control?*. The Hague: ISS/Hivos/Oxfam-Novib.

cooperation in social policymaking. This new emphasis represented a shift among the political parties of the center-left governing coalition from their former reliance on centralized administration and corporatism. Instrumental in producing this shift was the process of ideological redefinition that the parties of the Concertación underwent during military rule that helped prepare the ground for the new pluralist social policy ideas propagated by technocratic activists and experts, many of whom had taken refuge in NGOs and international agencies during the military era. The institutional and structural legacies of the Pinochet regime including the constraints embedded in Chile's protected democracy and free market model discussed in Chapter 3 also helped shape the new approach in important ways. The implications of these factors were the preclusion of radical redistributive reform and, instead, a strong emphasis on poverty alleviation and social integration through participation. While the new anti-poverty approach did not constitute a fundamental reversal of the military regime's principles of privatization, decentralization and targeting, it did incorporate a strong emphasis on social participation and state-NGO cooperation.

The second section looks at the implementation of the new anti-poverty approach under the Aylwin administration. It shows how the new Ministry of Planning and Coordination (MIDEPLAN), which was inaugurated to assume a leading role in implementing and coordinating the anti-poverty strategy, failed to assume the role of a powerful social authority capable of implementing an integrated and coordinated approach to poverty alleviation. MIDEPLAN was not given sufficient backing by President Aylwin to assume a coordinating role, largely because of the fear among Aylwin's advisors and Finance Minister Alejandro Foxley that it would become a new target for demand-making and rent-seeking that could come to jeopardize macroeconomic stability. Instead, the President opted for protecting the authority of

the Ministry of Finance (MoF), while MIDEPLAN was left to fight poverty chiefly by overseeing a set of targeted social investment funds.

Nevertheless, these social investment funds were important means in the attempt to channel resources for productive development projects to the poorest strata. The chapter looks particularly at the FOSIS program. FOSIS is an illustrative example of the targeting approach introduced by the Aylwin administration that sought to replace the paternalistic welfare measures of the military regime in order to make way for a more participatory and demand-driven approach. Yet, the analysis shows how the operation of FOSIS has remained in the hands of the techno-bureaucracy within MIDEPLAN. Such technocratic control is a function of Chile's regime institutions. First of all, the strong institutions of horizontal accountability embedded in its protected democracy limit political discretion in the distribution of anti-poverty funds. Secondly, the centralist-unitary system of government provides few means for sub-national actors to influence the policymaking process. Hence, as shown in the analysis, Chile's regime institutions have helped technocratic experts in charge of FOSIS shield the program from political interference and clientelism, but at the cost of reducing the space for popular participation in the policymaking process.

The third section extends the analysis of anti-poverty policymaking to the administrations of presidents Frei (1994-2000) and Lagos (2000-2006). During the Frei administration attempts were made to enhance inter-sectorial coordination in anti-poverty policy and further decentralization so as to be better able to realize the participatory goals of the pluralist approach. However, these efforts largely failed because of resistance by the social line-ministries. Importantly, the Ministry of Finance vigorously opposed these efforts as it was perceived as a threat against the

technocratic and consensual style of governmental policymaking deemed to have served the goal of consolidating free market democracy well.

A renewed effort to reinvigorate anti-poverty measures, in particular measures to eradicate extreme poverty, was made under the Lagos administration. The most important initiative was the Chile Solidario System (CS). CS was a direct response to the heightened concern over extreme poverty. President Lagos and his advisors were worried that the Concertación's inability to deal with the issue was affecting its political credibility. Policy experts took up on the issue and the analysis shows how the program was designed through a highly technocratic process in consultation with the World Bank. As a result of this technocratic process, community and associative issues were largely left out of its operational lines, weakening the opportunities for community participation. But unlike many other conditional cash transfer programs in Latin America, it does not lend itself to clientelism. Again, Chile's regime institutions help prevent clientelistic manipulation by eliminating the room for political discretion. The result has been a technocratic mode of social governance.

A NEW ANTI-POVERTY APPROACH: REFORM IMPULSES

Transition to democracy

With the return to democracy in 1990, anti-poverty policy took a new look in Chile. Shortly after taking office, the government of Patricio Aylwin created MIDEPLAN entrusted with designing policies aimed at overcoming poverty and coordinating social programs geared towards vulnerable groups in society (Law 18.989). Central to the

new anti-poverty policy strategy was the emphasis on social integration.[88] The new government stance put emphasis on mitigating the exclusion of the poor and vulnerable through social participation and the promotion of local self-help efforts.

This represented a significant shift from the military government's approach of giving individual aid for basic needs. Progressive experts argued that providing social welfare to individual applicants, as the military government did, had contributed to stigmatizing the poor. Instead, the focus should be on promoting social investment - social and human capital – that would strengthen opportunities for social integration. The new anti-poverty approach sought to provide the poor with a voice and the means to participate in solving their own problems. It was argued that the poor do not represent a homogeneous group but face a variety of distinct situations and that the state needs to "respond with more flexible, decentralized, and participatory programs" (Raczynski, 2000: 132). The state would only set priorities and define programs that would then be implemented through decentralized bodies, municipalities, private entities and particularly NGOs and community organizations. Transferring program implementation to intermediary institutions such as NGOs, was seen as essential for incorporating the participation of the poor and helping to build new pluralist links to the popular sectors.

The foundation for the new anti-poverty strategy had been laid during the deliberations over the Concertación's program for the 1989 elections.[89] Following the successful plebiscite in 1988 that set the stage for the transition to democracy, the Concertación had gathered into a number of "policy commissions" that started elaborating on an electoral platform. Progressive elites, who after the military coup

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[88] For a detailed discussion of the Concertación's early anti-poverty policy strategy, see Raczynski (1995b, 2000).
[89] See Concertación de Partidos por la Democracia (1989).

had taken refuge in international agencies such as the IDB and various UN organizations as well as a variety of NGOs and research institutes, served as the base for these working groups (Loveman 1995). Referents explain how during the process a broad consensus emerged on the new anti-poverty strategy.[90] Technical training and professional experience within the auspices of these NGOs and international agencies had helped to produce an ideological conversion to the new anti-poverty approach. Indeed, many of these experts were recruited by MIDEPLAN, which immediately in the aftermath of the transition to democracy started to implement the new anti-poverty policy (Loveman, 1995).

Authoritarian legacies, ideological conversion

The emphasis on pluralism and state-NGO collaboration represented a significant shift among the parties of the Concertación from their former reliance on centralized administration and corporatism. As we saw in Chapter 3, various factors account for this conversion. On a general level, an important factor was the ideological redefinition among progressive forces. The collapse of the Allende experiment and the trauma of military repression had fostered a process of self-critical reassessment and political learning that led to the abandoning of utopian projects and statist conceptions of socioeconomic development.[91] "Parties from across the political spectrum expressed a commitment to addressing the needs of the poor, while affirming the importance of pluralism, political pragmatism, and autonomous social organizations" (Oxhorn, 1995: 199). In specific relation to anti-poverty policy, referents interviewed for this study emphasize that at the end of military rule there was a general recognition among the

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[90] The work on the Concertación's program was coordinated by Edgardo Boeninger (PDC) and Enrique Correa (SP) who also saw it as a process of identifying candidates for governmental posts (Boeninger 1997).

[91] See, among others, Oxhorn (1995), Boeninger (1997), Roberts (1998).

parties of the Concertación of the need to continue with the decentralizing and targeting approach while reinforcing social participation and pluralism.

Reinforcing this conversion to a pluralist anti-poverty policy approach was the professional experience of intellectuals and activists during the military era. As political party activity was banned and the activities of unions and community organizations were controlled or repressed by the military government, many progressives took refuge in research institutes and NGOs. By the mid-1980s a rich fabric of private research centers and NGOs had emerged to support grassroots efforts to cope with daily subsistence and for initiating civic programs in education, health care, housing and microproduction. These experiences provided progressives, who had previously looked to the state as the most appropriate agent for social action, with a learning process through which diversity, private action, and local initiative in social development came to be appreciated.[92]

Additional impetus for the new anti-poverty approach was provided by aid donors, development specialists, and international financial institutions who recommended harnessing the creative potential of local and private initiative in anti-poverty projects. During the 1980s international agencies such as the IDB, the World Bank, and other UN or regional agencies had harbored Chilean professionals and political refugees. These organizations fostered a technocratic creed and helped to train experienced researchers and staff familiar with the pluralist policy paradigm (Loveman, 1995). By the end of military rule, a consensus had emerged among economists, social policy experts and the political class on the need to incorporate civil society organizations,

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[92] The literature on the importance of NGOs under military rule is vast. It includes Loveman (1995), Oxhorn (1995), Roberts (1998). See also Repetto (2001) who supports the argument that the experience provided a crucial impetus for the anti-poverty approach adopted by the Concertación.

particularly NGOs, in anti-poverty programs. In fact, fostering a consensus around the new anti-poverty approach had proved surprisingly easy during the process of elaborating the Concertación's program. Across the policy commissions there was broad agreement that NGOs should be incorporated into policy implementation. This is clearly reflected in the Concertación's program, which harbored an enhanced role for private and local initiative in anti-poverty policy as well as collaboration between public-sector entities, private development corporations and NGOs (Concertación de Partidos por la Democracia, 1989).

However, the new approach adopted by the Concertación was not merely a voluntaristic reflection of political learning and ideological re-identification, but also "a rational adaptation to political opportunities and constraints as they were structured by an evolving external environment" (Roberts, 1998:44). As we saw in Chapter 3, the institutional constraints and social dislocations left behind by the military regime shaped the Concertación's strategy in important ways, including its anti-poverty strategy. The labor movement which historically had formed the backbone of popular organizing strategies, especially on the Left, had been severely weakened. In order to cultivate support it was no longer feasible to build on corporatist networks as in the period before 1973. The locus of political activity had shifted to the base level. A myriad of autonomous social organizations had emerged in response to the repression of political parties and the labor movement under neoconservative authoritarianism as the urban poor attempted to recreate a public space for articulating their interests and identity (Oxhorn, 1995; Roberts, 1998).

For the Concertación, this civil society activity presented an opportunity to reconnect with the popular sectors. Parts of the Left, in particular, viewed grassroots social organizations such as neighborhood organizations, Christian base communities

and women's groups as an opportunity to re-launch a popular project and make inroads to a new potential social constituency "at a time when the political weight of organized labor had been diminished as a combination of political repression, economic crisis, and neoliberal reforms" (Roberts, 1998:24). For pragmatists having accepted the economic model and the irreversibility of the privatizations, the new anti-poverty policy presented an opportunity to strengthen social governance. Anti-poverty programs and social investment funds administered through collaborative networks between state and society provided a means to integrate social organizations and cultivate political support. Economists, who were concerned with fiscal discipline, heralded collective self-help efforts as an alternative to direct state action (Boeninger, 1997). They recognized that these grassroots groups had played a vital role in alleviating poverty during military rule. Sustaining these civic networks presented an opportunity to relieve the state from some of the burden of social action. As explained in Chapter 3, the institutional impediments bequeathed by the military regime constrained the Concertación's political options. Concertación elites recognized that radical redistributive reform was not feasible and that the new democratic government would need to operate with limited budgetary resources (author interviews, 2006). This provided additional clout to arguments advocating outsourcing program implementation to social organizations.

Crucially, as was discussed in Chapter 3, the new pluralist approach received backing from leading figures in the Aylwin government, who feared that poverty and inequality would prompt a wave of popular demands for immediate social benefits that would endanger economic and political stability. Within the PDC in particular there was preoccupation with the potential radicalization of the popular sectors as a result of their poverty. For prominent Christian Democrats the specter of social

mobilization constituted one of the primary threats to the consolidation of a democratic regime. The divisive practices that had led to the breakdown of democracy in 1973 needed to be avoided.[93] Bearing in mind the tutelary role the military had reserved for itself during the negotiations over the transition to democracy, it was important to pre-empt populist appeals and social mobilization so as not to provoke the military and other conservative forces. The new anti-poverty policy was part of the strategy to control social demands and pressures. By reinforcing self-help efforts as an alternative to direct state action, the Aylwin government sought to moderate popular expectations. A crucial aim was to pre-empt popular pressures that could come to threaten macro-economic stability. Supporting private and local initiatives would serve to relieve the state from such pressures. By building new pluralist links to the popular sectors through associative welfare networks in which popular organizations played an active role in implementing social projects, the government sought to undercut the attractiveness of populist appeals.

FROM RHETORIC TO REALITY: IMPLEMENTING REFORM

A new institutional framework

After taking office in March 1990, the Aylwin government took a series of measures to institute the new anti-poverty approach. One of its first initiatives was to convert the old National Planning Office (ODEPLAN) into a new ministry, the Ministry of Planning and Coordination (Law 18.989). MIDEPLAN was entrusted with designing policies aimed at overcoming poverty and coordinating social programs geared towards vulnerable groups in society - children, youth, women, the elderly, and the disabled

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[93] For a discussion of the breakdown of democracy, see Valenzuela (1978) and Oppenheim (1999).

and ethnic groups. A number of agencies dependent on MIDEPLAN was created for targeting the poor and vulnerable, such as the National Women's Bureau (SERNAM) and the National Youth Institute (INJ). Later a special fund for financing projects benefiting the disabled (FONADIS) was also set up (Law 19.284), as well as the National Council for Indigenous Development (CONADIS) responsible for coordinating and implementing special projects benefiting indigenous peoples (Law 19.253). From the perspective of anti-poverty policy the most important agency was the Social Investment and Solidarity Fund (FOSIS) inaugurated together with MIDEPLAN.

In line with the new anti-poverty policy strategy, these agencies were set up to operate as intermediaries – financing projects that originate at the local level, assisting in capacitating target groups in finding ways to solve their own problems, and incorporating social organizations into associative welfare networks for fighting poverty and social exclusion. Each of these agencies designs programs for its target group. Their design was influenced by international experience with multisectorial investment funds. Indeed, many of the experts that played a key role in setting up the new agencies had hands-on experience with the development of social investment funds in Bolivia and Guatemala during the 1980s (Graham, 1994).

FOSIS and these other agencies do not execute projects themselves but rely on a network of NGOs and community organizations that were set up to act as intermediaries. The most important mechanism that has been used for outsourcing project implementation is *competitive bidding*.[94] MIDEPLAN calls for bids in which NGOs, social organizations, the private sector, and sometimes municipalities submit project proposals that compete in terms of technical quality and cost-benefit ratio. At

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[94] For a discussion of the bidding mechanism, see Raczynski (1995b).

least in theory, the process allows for a participatory and decentralized approach in which anti-poverty projects are tailored to local needs. The central government only defines the terms of competition in which these public and private agents at the local level compete among themselves by presenting proposals that respond to the needs of the population. The process should improve efficiency as proposals undergo rigorous evaluation by specialists contracted or subcontracted by MIDEPLAN and funding is only granted to the most competitive projects.

The bidding mechanism was formulated as part of the strategy to institute a pluralist policy model in contrast to the centralized, paternalistic and corporatist social policy model historically applied in Chile. According to referents interviewed for this study, an important impetus was the need to consolidate the myriad of autonomous social organizations, particularly NGOs, which had emerged during the military era. MIDEPLAN officials recognized that NGOs had played a vital role in alleviating poverty during the dictatorship. The aim was to help in sustaining this pluralism as well as fostering collaboration with civil society.

One of the benefits of public-private collaboration was to relieve MIDEPLAN from some of the burden of social action, especially in a situation when it had to cope with a very limited budget. During its first year in operation, MIDEPLAN took over the austere budget of ODEPLAN that had been fixed by the military government. Since then, MOF has been reluctant to significantly raise MIDEPLAN's budget. Guided by economic orthodoxy, officials at the MOF have argued that economic growth coupled with low inflation, not social programs, is the best remedy for poverty. Also, as a new ministry, MIDEPLAN has been weak in the intra-bureaucratic struggle over budget resources in comparison with the established service ministries (Repetto, 2001).

From the beginning, MIDEPLAN had a close relationship with NGOs. Professional staff from NGOs and research institutes were appointed to key positions in MIDEPLAN and to its dependent agencies such as FOSIS, as well as being called upon as consultants, part-time employees and informal advisors. Many of them also had years of experience in international agencies and had strong contacts to international support networks (Loveman, 1995). Most of them were economists and poverty specialists that had a common understanding of the anti-poverty policy strategy, not least since many of them had collaborated in formulating the new approach before taking office. They testify to having been well aware of the need for fiscal constraint. By increasing collaboration with international development agencies and focusing on facilitating associative networks, through which responsibilities for program implementation could be transferred to NGOs, MIDEPLAN could "do more with less". Within MIDEPLAN the Agency for International Cooperation was set up to negotiate agreements with international donors and development agencies. These external resources proved instrumental for channeling investment into anti-poverty projects (author interviews, 2006).

Hence, despite limited budgetary resources, MIDEPLAN assumed a central role in implementing the government's new anti-poverty policy. It can be stated that the most important changes made by the Concertación to the social institutional framework were concentrated to this new ministry.[95] MIDEPLAN also inherited important functions from its predecessor, ODEPLAN, with regard to evaluating social policies. Crucially, MIDEPLAN is in charge of the National Socio-Economic Characterization Survey (CASEN), a survey of households that provides information on the coverage of social programs and an in-depth study of the magnitude and characteristics of poverty

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[95] For a detailed discussion of these changes, see Molina (1996).

in Chile. MIDEPLAN is also responsible for the technical supervision of the social stratification measurement system or CAS card used for selecting beneficiaries of targeted subsidies (such as housing benefits and family allowances). In addition, MIDEPLAN plays an important role in evaluating social investment projects from all ministries and public agencies and in monitoring specific social programs for its pro-poor impact (see Molina 1996).

Nevertheless, despite MIDEPLAN's leading role in anti-poverty policymaking, it bears emphasizing that MIDEPLAN failed to assume the role of a powerful social authority in charge of planning and coordinating social policies as a whole, as envisioned by parts of the Concertación. In the preparatory stages such a plan received important backing from President-elect Patricio Aylwin. Before taking office, he had asked Sergio Molina to prepare an initiative on how to convert ODEPLAN into a powerful social ministry. Molina argued that in order to effectively fight poverty it was essential to plan and coordinate social spending between the different social ministries. His aim was to give MIDEPLAN, in addition to its targeting role, considerable authority to direct social spending and control for its pro-poor impact.

By appointing Molina to take charge of MIDEPLAN, President Aylwin signaled the high priority his government reserved for the issue of instituting the new ministry. Molina was a highly respected Christian Democrat who had served as Finance Minister in the Frei government during the 1960s and who commanded considerable political clout. During the transition to democracy he had coordinated the campaign for the plebiscite in 1988 and played a leading role in the negotiations over the Concertación's electoral platform. However, despite initial backing from President Aylwin and the high profile the governing alliance vested in MIDEPLAN, with some socialists in particular nurturing a vision of the new ministry acting as a counterweight to the MOF,

MIDEPLAN never gained the political weight necessary for taking a leading role in planning and coordinating social policies. The new ministry quickly came up against bureaucratic opposition from the traditional social ministries, who did not want to cede any control over policymaking or budgetary resources to MIDEPLAN – a struggle that continued under the governments of Frei and Lagos.

MOF has been another source of opposition according to referents interviewed for this study. During the government of Aylwin, Finance Minister Alejandro Foxley was instrumental in undermining the authority of MIDEPLAN. Foxley argued that in order to preserve macroeconomic stability it was essential to protect the authority of the MOF over all budgetary matters. He and his aides were concerned over the specter of corporatist influence. Ceding any control over social spending to MIDEPLAN risked opening up a new target for demand-making, political pressure and rent-seeking that could come to jeopardize fiscal responsibility. He got important backing from Aylwin's advisors at the Ministry General Secretariat of the Presidency who agreed on the importance of building a "wall of contagion" against populism and corporatist influence. Centralizing authority at the MOF was the best insurance against political and social pressures. Crucially, President Aylwin himself sided with his finance minister against Molina.

The powerful role of the MOF was reinforced in the inter-ministerial committee that was set up to coordinate economic and social policies. The committee included the ministries responsible for social action as well as various public services with responsibilities in the social area. To the disappointment of Molina and MIDEPLAN, however, the chairmanship of the inter-ministerial committee was given to Finance Minister Foxley, to whom MIDEPLAN would function as a technical secretariat. Given Foxley's lack of time and interest in social policies, the committee only came to

function on an irregular basis "devoting its time to discussing a few specific problems rather than systematically analyzing and coordinating social policies" (Molina 1996:160). On the whole, then, the issue of coordinating social programs remained unsolved under the Aylwin government. President Aylwin's cabinet opted for shielding the power of the MOF and was not prepared to vest MIDEPLAN with sufficient power to become a leading social authority for fear of corporatist influence over social policymaking.[96] Hence, having failed to institutionalize an integrated and coordinated approach to poverty alleviation, MIDEPLAN was left to fight poverty chiefly by its own means.

Targeting the poor

The most important social program to emerge from the new anti-poverty strategy was the Fund for Solidarity and Social Investment (FOSIS). FOSIS was established to channel targeted resources for productive development projects among the poorest strata. It does not directly implement projects, but operates as an intermediary agency providing financial resources and technical support to social investment projects that originate at the local level or incorporate the participation of the most deprived sectors in finding ways to solve their own problems. As such, FOSIS embodies the new pluralist approach introduced by the Aylwin administration that sought to replace the paternalistic welfare measures of the military regime.

FOSIS was designed in 1989 by the technical teams responsible for anti-poverty measures in the preparation of the Concertación's program. During the process of

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[96] Interestingly, parallels can be drawn to Argentina during the 1990s where coordination also suffered from bureaucratic infighting between MECON and SDS. As a new secretariat SDS came up against, on the one hand, the entrenched power of the established social ministries, and, on the other hand, and extremely powerful Ministry of Economy keen to protect its authority and its neoliberal agenda from any possible threats.

deliberation, several alternatives for organizing the anti-poverty effort were discussed (author interview, 2006). One proposition, mainly supported by economists, advocated a more centralized structure with subsidies targeted to the poorest groups. The proposition according to which FOSIS started operating, however, argued that it was not enough to increase targeted subsidies, but that to combat poverty required "a new way of doing things". Its organization was inspired by international experience with social investment funds in the 1980s. The creators, such as Alvaro García and Nicolas Flaño, were technocrats with years of experience in international organizations or research institutes in Chile. In the words of Flaño, "el origen del FOSIS se vincula con lo que estaba pasando en América Latina a fines de la década de los 80, donde para enfrentar la crisis de esos años se dio inicio a este tipo de fondos como una herramienta de emergencia, como instituciones que tendían a paliar los efectos de esa crisis" (Flaño 199?). In that, FOSIS is representative of the wider anti-poverty approach formulated by the Aylwin administration which was heavily influenced by the new pluralist conception of the state's welfare role in Latin America at the end of the 1980s.

From the beginning, FOSIS has remained small in personnel and budget. By 1992, the organization had total personnel of 37 officials. This number remained more or less constant during the 1990s (Repetto, 2001:257). During its first four years in operation (the Aylwin era) its budgetary resources equaled $100 million, never exceeding 1 percent of social public spending per year (Raczynski, 1995b: 217). MOF has been reluctant to commit more budgetary resources for much the same reasons as it has not wanted to raise the budget of MIDEPLAN.

Initially, the conservative opposition was worried that FOSIS would be used for setting up a clientelist network of loyal NGOs. Clearly, these worries were unfounded

as FOSIS has remained under strict technocratic control, a fact that will be discussed in more detail below. Nevertheless, given the strong role of conservative forces in Chile's protected democracy, the government initially took great care to accommodate the interests of the opposition as well as to please international financial institutions. This led the government to protect the authority of the MOF who did not want FOSIS to become a drain on the treasury's coffers. In addition, the sectoral ministries were not interested in giving up any turf to FOSIS. Despite limited financial resources, FOSIS quickly established a reputation for innovation and effectiveness in carrying out anti-poverty projects. Administrative costs for the program did not exceed 7.5 percent of total costs during the initial stages (Schkolnik, 1995: 51). Towards the end of 1993, FOSIS had supported more than 5,200 projects – mostly small and short-term – selected from more than 12,000 project proposals of around 3,000 organizations (Raczynski, 1995b: 217). During these four years, these projects had in turn generated an additional $130 million from contributions by the beneficent organizations themselves, private foundations, and foreign donors (Ibid).

FOSIS finances projects in three areas: microproductive enterprises, mainly in the informal urban sector and among small rural producers; social development, through technical training and empowerment of social organizations; and sectoral programs, through collaboration with sectoral ministries in targeting the poorest households (Raczynski and Romaguera, 1995:326). As mentioned before, FOSIS does not execute projects, but signs agreements with subcontractors and sponsors contests in which social organizations, NGOs, municipalities and private enterprises bid for project resources. Its sectoral programs (the third area), however, are formulated through negotiations between FOSIS and the specific sectoral ministries. The idea is that FOSIS would complement sectoral social policies, not substitute for them, in order to

effectively reach the very poor. Through its more flexible and demand-driven structure FOSIS could offer innovative solutions to social problems that the traditional sectoral ministries were incapable of because of their centralized structure and heavy bureaucracy. Such collaboration between FOSIS and sectoral ministries would create synergies and assure that the socially excluded would come to enjoy access to social programs.

In practice, however, FOSIS had some difficulties in establishing a relationship with the sectoral ministries, and to some extent these problems of intra-sectorial coordination have continued well into the new millennium. This reflects the failure to institute a coordinating unit at inter-ministerial level, as discussed above. Bureaucratic opposition from the traditional ministries effectively undermined FOSIS efforts to carve a role for itself in complementing sectoral social policies. Given that MIDEPLAN had been denied an authoritative role in coordinating social policies, FOSIS was on the defensive in relation to sectoral social policies. Neither did the MOF come to its support, but opted instead to maintain its bilateral relationships with the sectoral ministries in order to preserve its authority and influence over social spending. From the perspective of the MOF, as well as the Presidential Office, FOSIS was a small program not worth causing dissent over that could open up new lines of division within the administration and possibly endanger the more general consensus on the government's program of "growth with equity". Hence, most of the projects supported by FOSIS during the Aylwin administration were in the first two areas: supporting microenterprises and social development in poor communities.

Technocratic governance

From the beginning, the administration of social programs such as FOSIS was in the hands of reform-minded experts. These technocrats had been recruited mostly from NGOs and research institutes as well as from international agencies. They shared a commitment to using technical criteria in administering and distributing anti-poverty resources. The structure of FOSIS is typical for demand-driven social investment funds, not only in Chile but in other countries as well. It is an autonomous entity set up within the planning ministry and led by an executive director directly appointed by the president of the republic and accountable to him/her. These social investment funds usually operate outside the traditional service ministries in order to avoid bureaucracy and corporatism (see Graham, 1994). Experience has shown, however, that there is a real danger of targeted social investment funds being captured by politicians for clientelist purposes and therefore thwarting the efficiency and equity goals that these funds are projected to further (Dresser, 1991, 1994; Penfold-Becerra, 2007; Piester, 1997; Roberts, 1995). By most accounts, however, the targeting of social programs in Chile has been efficient and clientelism has not been a problem (Graham, 1994; Raczynski, 1995b; Repetto, 2001). According to referents interviewed for this study, partisan and political criteria have not entered into program operation. FOSIS has remained under firm technocratic control and its operations criteria technical rather than political.

How did the reform-minded experts manage to shield FOSIS from political interference? In line with the argument made in Chapter 1, an important factor is the nature of Chile's regime institutions that promote technocratic governance, so much so as to hamper some of the participatory objectives of the new anti-poverty policy. Chile's centralist-unitary system of government in conjunction with the controls

embedded in its protected democracy leaves very little room for political discretion. In fact, unlike Argentina where politicians have almost routinely captured social funds, politicians in Chile have neither an incentive nor many opportunities to manipulate anti-poverty programs for private or partisan ends. A closer look at the functioning of FOSIS will illustrate what the explanation has to do with Chile's regime institutions as they were instituted with the transition to democracy: 1) a centralized-unitary system of government; and 2) a protected type of democracy.

As was explained in Chapter 2, local democracy in Chile is extremely underdeveloped. Chile's centralized-unitary system of government does not provide much room for political maneuvering at the local level. To a large extent, municipal governments depend on the central government both financially and administratively (Nickson, 1995). The role of municipalities is more that of functioning as service agencies for central government policy than as autonomous political entities in their own right. This reflects Chile's centralist political traditions that de-concentration during the military regime did not fundamentally alter (Valenzuela, 1977; Graham, 1994; Raczynski and Serrano, 2001). During the military regime, municipal governments assumed some new functions in social policy. Before, local government had played no active role in the social sector as social programs were handled directly by the national ministries (Raczynski and Romaguera, 1995). Nevertheless, these new legal responsibilities were not intended to strengthen the political autonomy of municipal government vis-à-vis the central government. Instead, devolving responsibilities for managing education and health establishments, increasing the number of positions for professional and technical staff while reducing the number of service personnel, as well as applying the centrally defined poverty screening test (CAS card) were envisaged to "technify" local government, strengthening the technical

capabilities of municipalities for implementing centrally designed social policy (Castañeda, 1992). Indeed, decentralization was envisaged as a means to depoliticize state and society.

When the Aylwin administration took office most mayors had been directly appointed by Pinochet and municipal elections were not held until 30 June, 1992. In 1988 hundreds of mayors in some of the poorest communities had been appointed by the military regime in an attempt to control the transition to democracy at the local level (Graham, 1994). According to Graham (1994), this explains why FOSIS initially found it difficult to stimulate collaboration between community organizations and municipalities. In her view, FOSIS needed to bypass municipalities as relationships between mayors appointed by the military regime and community organizations were often antagonistic. However, even after the introduction of direct municipal elections, the role of municipal government in the formulation and implementation of FOSIS' programs has been limited.[97] This reflects the deep suspicion held at the apex of central government about the technical capabilities of municipalities to administer targeted social programs. FOSIS officials have been reluctant to cede responsibility for anti-poverty programs to municipalities, preferring instead to work directly through NGOs or by subcontracting technical personnel to administer collaboration with community organizations. This has prevented local "capture" of FOSIS, but at the same time, "associative networks" at the local level have rarely been formed or found to be performing well. In some cases there was even open antagonism between FOSIS, the municipalities and NGOs, particularly as mayors felt excluded from projects (author

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[97] For a discussion of the role of local government in anti-poverty programs, including FOSIS, see Concha et al. (2001).

interviews, 2006). Officials involved with other anti-poverty programs set up by the Concertación highlight similar issues.

The central state also has the possibility of collaborating with the heads of regional government or the district governors, bypassing mayors that do not share its objectives concerning technical efficiency and social equity. In stark contrast to Argentina where social programs have been withheld from municipalities controlled by the opposition, no such partisan criteria were allowed to enter into the operation criteria of FOSIS. In fact, in those cases where FOSIS ended up excluding mayors from taking part in networks for administering FOSIS projects, they were mayors belonging to the governing alliance but who had refused to accept the operations criteria of FOSIS, or who had been found by the Comptroller General or the internal auditing mechanism not to comply with the rigid rules for managing projects (author interviews, 2006).

A crucial factor is that FOSIS has not been subject to pressure from the central government to include political criteria in the way it manages its programs. Unlike Argentina, the Chilean president has no need to engage in "territorial politics", fighting over local political turf or seeking the loyalty of provincial governors in order to get things done. In Chile, the heads of regional government are appointed by the president. Thus, he/she need not worry about commanding the loyalty of regional governments, and as a result there is no need for using social programs as bargaining chips in negotiations with the heads of regional government or doling them out to mayors in order for these to be able to build a political base independently from and against the regional *caudillo* (see Chapter 6 on Argentina). Indeed, the lack of real political clout of local government in conjunction with the binomial electoral system, which has had the effect of making elections highly uncompetitive, has made for a

system that is immune to local political pressure to a much greater extent than in Argentina. In Chile, poor people's links to intermediary political institutions such as political parties, which could help articulate and formulate local demands more effectively, are very weak (Olavarría, 2003).

The limited political role of local government is reflected in how FOSIS and other social programs work – technocratic governance characterizes the administration of these programs at all levels. Program design and management of funds have remained heavily centralized. A typical example is the Entre Todos program. Raczynski (1995b) explains how it was designed in 1991 by a professional team within FOSIS that had previously worked in the third sector with social development projects. "The team was relatively small, came from the private sector – principally NGOs – and initially was unfamiliar with public sector procedures" (Raczynski, 1995b: 248). The program built on the earlier experience of the professional team supported by policy studies and a detailed technical preparation within this subgroup of FOSIS. Raczynski (1995b: 248) concludes that "the program shows some success in the extension work but did not achieve links with the municipalities". In general, collaboration in program design between FOSIS and municipalities has been extremely rare.

The various programs set up by FOSIS have been formulated in a top-down manner by FOSIS officials, without much input from local government or lower administrative units. In this process, information systems and policy studies carried out by poverty specialists contracted by FOSIS or MIDEPLAN forms an integral part. An advisory board for FOSIS composed of professionals and academics in the field was also constituted in order to strengthen expert input in the process of designing programs. Its role has remained limited, however, functioning more as a deliberative forum for approving decisions already taken by FOSIS officials (author interview, 2006).

In any case, local government has had a very limited role in program design.[98] According to Raczynski (2000: 139), "programs are designed by the central government, are top-down, and arrive at the local level in search of predefined beneficiaries. The local level is a mere recipient for programs".

The effect of Chile's regime institutions on anti-poverty policy can further be seen in how the project competition mechanism works. Once a program has taken shape, FOSIS calls for bids in which social organizations, NGOs, the private sector and municipalities present project proposals that compete on the selection criteria that were formulated during the process of design. Project proposals are subjected to technical evaluations and selected on the basis of their quality. The criteria are highly technical having been formulated by FOSIS officials and poverty experts. Evaluation of proposals is carried out by FOSIS or subcontracted to private sector consultants.

At first, the opposition feared that political criteria would come to steer the selection process. These worries quickly subsumed while even the opposition conceded that the process of selecting projects was done technically rigorously without political interference. After that, the main critique concerned the lack of decentralization that according to the opposition (and, indeed, many social policy specialists) has rendered it difficult to adjust programs to local needs. As local governments have no discretion in selecting projects or beneficiaries, the anti-poverty approach has remained inflexible and bureaucratic. That is the other side of the coin – rigid rules formulated by central level technocrats and rigorously monitored for adherence by a strong and fiercely independent CG as well as carefully designed internal control mechanisms. But while the opposition readily admits that mechanisms

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[98] For a discussion of the role of local government in social programs across the social sectors, see Raczynski and Serrano (2001).

of horizontal control, such as CG as well as Parliament, have been effective in curtailing corruption and preventing the discretionary use of anti-poverty funds, it maintains that vertical mechanisms at the local level for articulating particular needs and monitoring results are weak. This critique has been mounted most sharply by the conservative Independent Democratic Union (UDI) and should be understood against the backdrop that UDI, partly thanks to the favored position it came to enjoy amongst poor communities during the military regime, has remained strong at the municipal level and would, therefore, like to see more power over targeting social programs being transferred to the local level.

Notwithstanding, the opposition's critique about insufficient decentralization is shared by prominent social policy specialists (Raczynski and Serrano, 2001). In their view, the lack of decentralization has hampered community participation and the formation of associative welfare networks at the local level. Ultimately, this makes it difficult to respond to the various situations of poverty and social exclusion. Or as the analysis of eight social programs carried out by Concha et al. (2001: 187) affirms: "los programas son estandarizados, rígidos, definen soluciones homogéneas y muestran poca flexibilidad para responder a la diversidad de situaciones de pobreza".

The Concertación has not been deaf to this critique. Indeed, in the mid-90s, democracy at the regional level was somewhat strengthened by creating regional governments and transferring some functions of social policy to these.[99] The regional level continues, however, to be led by a head of regional government who is appointed by the president. Also, the counselors who make up the Regional Council are indirectly elected through the municipal governments. The regional extension offices of the

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[99] For a discussion of the functions of regional government and how they have been strengthened, see Serrano (2001).

ministries and central state agencies (such as FOSIS) continue to play a dominant role in regional policymaking. For instance, MIDEPLAN has a technical secretariat, the SERPLAC that is in charge of coordinating its policies and programs at the regional and local levels. As some responsibilities for the selection of project proposals were devolved to the regional level, SERPLAC was put in charge of the technical evaluation, guaranteeing that the projects selected apply with the technical standards formulated by MIDEPLAN (or some of its dependent agencies such as FOSIS). In fact, in 1998 it was proposed that SERPLAC would cease to be part of MIDEPLAN and instead become dependent on the regional government. However, the initiative was blocked by the CG who was worried about potential politicization of SERPLAC. It demonstrated the strong authority the CG commands in enforcing horizontal accountability in Chile. The downside has been a technocratization of social policy.

In sum, at no stage in the process do politicians have much opportunity to use these project funds for patronage, as funds are either distributed directly from FOSIS to NGOs or the private sector, or are devolved through the technical secretariats at the local government level where SERPLAC is in charge of coordinating project execution. The centralized-unitary system of government ensures that sub-national actors do not have much leverage over the process, let alone means to capture these funds. Topocrats are extremely weak. Strong institutions of horizontal accountability guard against any misconduct in distributing these funds. The scrutiny provided by the CG helps deter politicians from using funds for personal or partisan interests. In addition, the Chilean legislature also performs an important role in preventing misuse. As was shown in Chapter 2, the strong congressional powers of the conservative opposition embedded in Chile's protected democracy enhance transparency and oversight of social programs, and help set limits on political discretion. At the same time, the

technocratic bent in administering funds has hampered some of the participatory goals of the pluralist anti-poverty approach. The rigid rules for allocating funds and the firm technocratic control of program execution does not encourage flexibility and local innovation in dealing with situations of vulnerability that may vary greatly across different localities. Moreover, anecdotal evidence suggests that because of the highly technical requirements for participation, those most in need of assistance but who lack the capabilities for taking advantage of the participatory opportunities provided by the system of contract-based funding, remained excluded (author interviews, 2006). Indeed, while poverty was reduced substantially during this period, inequality did not decline and the number of "indigents", i.e. people living in situations of extreme vulnerability, remained high.

FROM FREI TO LAGOS: REFORMING THE REFORM

The National Plan to Overcome Poverty

The limits of the anti-poverty approach implemented by the Aylwin government were clearly recognized by the incoming Frei government. From the beginning, Frei declared that his administration would put poverty eradication on top of its agenda.[100] The new government announced a National Plan to Overcome Poverty that attempted to reform the administration of social programs by better coordinating the targeting of anti-poverty assistance.[101] "For the first time, an official inventory of sectoral programs, infrastructure programs, and productive programs targeted at the poor was taken" (Raczynski, 2000:135).

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[100] See, for instance, his first message to the nation in May 1994 (Frei Ruiz-Tagle 1994).
[101] For a more detailed discussion of this plan, see Repetto (2001).

The goal of the National Plan was to rapidly advance in relieving the number of poor and eradicate extreme poverty by 2000. The plan revolved around four main orientation criteria: 1) investing in people; 2) generating community participation; 3) inter and intra-sectorial coordination; and 4) decentralization (Repetto 2001). To implement the National Plan as well as to coordinate social policies more effectively, President Frei inaugurated the Inter-ministerial Social Committee (CIS) that was constituted by twelve cabinet ministers as well as by a number of executive directors and heads of secretariats in connection with the social area who were invited as permanent participants. The priority given to the topic is illustrated by Frei's decision to chair the CIS himself. MIDEPLAN was again made responsible for the technical coordination of the committee's work. In addition, Frei set up a citizen's council, the National Council to Overcome Poverty, to serve as a societal counterpart to the CIS. The National Council was composed of individuals representing a cross-section of civil society actors, including religious leaders, academics, persons associated with labor unions and employer's associations, NGOs, grassroots organizations and the private sector, as well as the media and former politicians. The purpose of the National Council was to advise the CIS on the implementation of the National Plan, as well as to facilitate the incorporation of societal actors in the process. Hence, the Frei administration clearly recognized the need for an integrated, coordinated approach to poverty alleviation in order to be able to eradicate extreme poverty.

Furthermore, the regional authorities were also instructed to create social committees that under the leadership of the heads of regional government and coordinated by the SERPLACs would start to elaborate and execute Regional Plans to Overcome Poverty in concordance with the National Plan. The initiative was to further decentralization and institute a flexible approach to poverty alleviation that better

adjusted to local needs. On the basis of a Territorial Map of Poverty prepared by professionals at MIDEPLAN, 71 municipal districts were also selected for special attention on the basis of their high poverty ratios. For these districts a Special Program for Municipalities was designed. Each of these municipalities would be given additional resources and asked to coordinate a Municipal Program for Overcoming Poverty under the direction of the head of regional government, who would also be responsible for monitoring results and delegating various aspects of coordination to the governors, who in their turn would be assisted by technical secretariats as well gubernatorial councils representing civil society actors. As such, the organizational structure for coordinating the National Plan was being replicated at the regional and gubernatorial levels.

This decentralized effort had some limited success, but implementation proved extremely difficult. A major problem was again the structure of the Chilean regime that makes the local level dependant on the central agencies. Local governments do not have many resources for social policy of their own, and depend in the last instance on decisions taken by the sectoral ministries that make implementation slow and difficult to coordinate at the local level. Interestingly, mayors were also largely left out of from program implementation, reflecting the distrust for municipal government and the centralist legacies of the Chilean state (author interviews, 2006).

Unfortunately, the central level also failed to institute the integrated and coordinated approach envisaged by the National Plan to Overcome Poverty, which added to the difficulties at the local level. Again, the coordination effort was made difficult because of the entrenched sectoral interests that resisted any "interference" with their policy domains. Referents emphasize how the traditional social ministries (education, health, and housing) preferred to implement their own policies and

programs. Already the failed effort to coordinate social policies during the Aylwin administration had demonstrated MIDEPLAN's lack of authority in enforcing the traditional social ministries to comply with an integrated anti-poverty approach. The renewed effort by Luis Maira, who had been appointed Planning Minister by Frei upon taking office, also failed in this respect. In a key position was the powerful Minister of Finance to whom protecting the insulation of socioeconomic decision making from what he perceived as corporatist interests and populism was a central issue. In particular, the views of the MOF clashed with those of the National Council to Overcome Poverty.

The Council had been set up to integrate civil society in the process of implementing the National Plan.[102] As already noted, the Council was composed of representatives of different societal sectors and political currents. The Council was assisted by a technical committee that was made up of 22 experts and specialists, as well as an Executive Secretariat integrated by a small number of professionals. In the view of the Executive Secretary, the role of the Council was: a)"be the voice of the poor"; b) "do concrete things"; and c) "to interpellate the state and the government" (quoted in Repetto, 2001: 282). According to Repetto (2001), in practice, the Council was looking to institute a space for deliberation and initiating proposals for how to overcome extreme poverty, as well as collaborating with the authorities in the execution of the National Plan in order to add civil society initiatives into the process. In its report, published in August 1996, the council set forth a number of recommendations for how to deal with the structural problems of poverty (Consejo Nacional para la Superación de la Pobreza, 1996).

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[102] Repetto (2001) draws attention to the paradox in the way civil society participation is incorporated – as a result of a top-down initiative by the government itself.

The recommendations made by the Council's report were not viewed favorably by the Frei administration, especially not by the MOF. The report stressed that the fight against poverty cannot be separated from the broader issues of social equity, such as redistribution of income, the level of social spending, and the promotion of equal opportunities via education, health care and employment. The document also emphasized developing an enhanced role for civil society, where community organizations would have a more participatory role in the formulation of anti-poverty programs, rather than being passive recipients of programs formulated by central-level governmental agencies. Crucially, the report recommended establishing a "social authority" within the government to coordinate social programs (Consejo Nacional para la Superación de la Pobreza, 1996). These recommendations were vigorously opposed by the MoF as well as by some of Frei's advisors who perceived them as a threat against the technocratic and consensual style of governmental policymaking. As a result, the proposals were largely ignored and the Council ceased to meet. Instead, it was transformed into a foundation (the National Foundation to Overcome Poverty) with responsibility to oversee some lesser anti-poverty programs.

Little by little, the issue of instituting an integrated and coordinated effort to combat extreme poverty lost political momentum. An internal document prepared by MIDEPLAN and signed by Planning Minister Luis Maira was leaked to the press in the beginning of 1996 (referred to in Repetto, 2001). The document signaled MIDEPLAN's frustration over the poor state of coordination among the social sectors, the inexistence of governmental proposals and new instruments for protecting children and for eradicating poverty among the rural population, as well as the lack of a unified official discourse concerning the government's social objectives. As the diagnostic became public, it gave rise to a heated political debate that revealed the internal

cracks within the governing coalition, particularly between Planning Minister Maira, who was backed by progressive elements within his Socialist Party, and some elements of the PDC that were critical of Maira and MIDEPLAN (Repetto, 2001).

The conservative opposition added political heat to the debate. The opposition vigorously criticized the government for the failure to coordinate social policy, centralism in assigning social funds that was illustrated by the lack of municipal and communal participation, excessive bureaucratization that translated into elevated administrative costs and the failure to target enough social resources towards the poorest sectors of the population. Bearing in mind the strong political power wielded by the conservative opposition, especially in the Senate, Frei came under intense pressure to reorganize the social agenda. The emphasis on equity and the eradication of poverty through social programs was downscaled in favor of an agenda that stressed facilitating economic growth and equality of opportunities, principally through educational reform. Perhaps tired of the bureaucratic infighting or the outdrawn deliberations, Frei ceased in 1996 to preside the CIS, which was converted into the Committee of Social Ministers presided by MIDEPLAN. In practice, the new Committee was composed of officials of lesser rank. Departing from the original idea of coordinating social programs, it merely became a forum for the change of information instead (Molina, 2003). In the process, the role of MIDEPLAN was further weakened and Maira was replaced as planning minister by the more pragmatic Roberto Pizzarro who concentrated on the targeting effort in detriment of the more ambitious goal of intra-sectorial coordination.

In sum, the National Plan to Overcome Poverty had largely failed. Despite some successes with furthering decentralization and redirecting resources towards the very poor, the coordination effort had been unsuccessful. Indeed, towards the end of his

mandate, Frei completely lost interest in the issue to the point when he, in 1998, announced his intention to close down MIDEPLAN altogether. At this point, Pizzarro made way for German Quintana (PDC) who was brought in to execute the closedown. Nevertheless, with elections coming up in 2000, forces from within the governing alliance were able to convince Frei not to carry it through (author interview, 2006). MIDEPLAN was saved but its authority was restricted to administrate its own social programs, such as FOSIS. Again, the structural and institutional constraints imposed by Chile's regime had served to strengthen the MOF in particular, to the detriment of a more inclusive and integrated anti-poverty approach.

The "Chile Solidario" System

A renewed effort to reinvigorate the poverty agenda was made when the administration of Ricardo Lagos took office in 2000. The new administration wanted to focus more effectively on the issue of extreme poverty. Although the CASEN survey showed that rates of poverty had been falling throughout the 1990s, the numbers revealed a slowing down of poverty reduction towards the end of the 1990s. In particular, the number of extremely poor had remained more or less constant from 1996 onwards. An investigation by MIDEPLAN also revealed how this group of indigent households actually received lower levels of social subsidies than non-indigent poor households (quoted in Palma and Urzúa, 2005). In other words, the targeting of social assistance was somewhat misdirected and required urgent reform.

On the basis of this information, in 2000 the Social Division of MIDEPLAN started elaborating on an integrated strategy targeting families in extreme poverty. The strategy had three main objectives: 1) "to offer services rather than await the demand for them"; 2) "to work in networks"; and 3) "to focus on the family as the focal unit"

(Palma and Urzúa, 2005: 17). These objectives marked a change from the previous targeting approach that had relied on community participation through the bidding mechanism and intermediaries such as NGOs. FOSIS, for instance, provided funding and resources on the basis of competitive bidding for projects that were managed by social organizations. In this model, the poorest are at a disadvantage as they are the ones that are often least able to articulate demands, design projects and access funding. Those who are most urgently in need of assistance are those who have most difficulties in accessing assistance in such as competitive model. Instead, the new strategy was designed to search out these indigent families and assign them personalized help on the basis of their particular needs to allow them to recover their own capacity to resolve their situation.

The first step was a pilot project, the Bridge Program (*Programa Puente*), designed in 2001 by officials at FOSIS. The Bridge Program was designed to offer psychosocial support to families living in extreme poverty. In the beginning, the National Budget Office at the MOF was critical of the program, and managed to block the initial plan to implement the program nationwide (Palma and Urzúa, 2005). Finally, it agreed to finance a one-year pilot program that was first to be implemented in four regions, after which the results would be evaluated and the program extended. These four regions were selected by FOSIS in order to test its function in regions of different size and level of infrastructure (author interview, 2006). The program operates according to the assumption that people in extreme poverty who are cut off from existing social networks need help with developing a set of social skills in order to take advantage of these public and private networks.

At the same time with the development of the Bridge Program, the National Budget Office in consultation with the World Bank was formulating a system of social

protection for the very poor. "Its aim was to coordinate better the sectoral and area aid, to apply homogeneous criteria on focalization and selection of beneficiaries so as to avoid duplicating work, and in general to make the best possible use of the public resources destined to this sector" (Palma and Urzúa, 2005: 19). In April 2002 the Presidential Office organized a debate that included ministers, government agencies, the President and his advisors, as well as a whole range of experts and research institutes. It was agreed that the question of extreme poverty needed a new plan, but opinions clashed over how to go about it. In particular, there was disagreement between the MOF and its Budget Office who favored income subsidies through a voucher system, and MIDEPLAN who favored capacitating programs, such as the Bridge Program (Ibid). Nevertheless, with some encouragement from President Lagos, a team was formed with technical staff from MIDEPLAN, FOSIS and the Budget Office who together managed to design what was to become "the Chile Solidario System" that includes elements of both a direct aid approach as well as giving weight to psycho-social skills development.

Chile Solidario is defined as a "system of social protection for families in extreme poverty, that combines aid and skills development in an integrated approach" (MIDEPLAN quoted in Palma and Urzúa, 2005). Families are chosen on the basis of the CAS-2 card, a sophisticated tool for measuring social stratification. Those selected are invited to take part by accepting to sign an agreement to work with the program to improve their situation through the range of support services on offer by the local social network. The system guarantees preferential access to social programs as well as standard family allowances. In addition, a bonus is given to the female head of households provided that the family meets the contract they signed. The amount of this bonus decreases over a period of 24 months in the program. An important

element of the system is the psychosocial support provided through FOSIS's Bridge Program. Through this program every family that has agreed to be included in the system is assigned a social worker, called "family support", that during a 24 month period makes regular visits to the family in order to stimulate social skills development, monitor progress and establish a link between the families and local social networks. The family support staff is usually drawn from local public agencies. The Bridge Program operates with the municipality's consent, so that FOSIS signs an agreement with the municipal government giving it responsibility for coordinating the family action unit of professional staff who provide the family support function. If necessary, FOSIS may also assign family support staff. In that case, these are "recruited through competitive public tender within the municipality, and hired by mutual agreement between the coordinator of the family action unit and the FOSIS representative for the programme" (Palma and Urzúa, 2005: 22).

According to Palma and Urzúa (2005), the process of formulating the Chile Solidario program was helped by the fact that in spite of the disagreements over the best way to organize the poverty alleviation effort these two groups of actors shared a common technocratic understanding of poverty as a multidimensional issue.[103] Most members of the team were skilled professionals with a background in policy studies and had held technical posts in public agencies or worked in consultancies, research institutes or NGOs. Bringing the different actors closer was also helped by a workshop held by a well-known NGO, *Asesorías para el Desarrollo*, to debate the issue of social protection for the extreme poor. As a result, the team managed to develop a common theoretical-ideological understanding that formed the basis for the team's work of formulating the Chile Solidario System that was presented by Lagos in his State of the

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[103] For a discussion of the process of initiating CS, see also Teichman (2008; 2009).

Nation address to Congress in May 2002 (Lagos, 2002). All in all, the formulation stage of Chile Solidario is well in line with the framework developed in Chapter 1. Transformations in the socioeconomic structure contributed to highlight the problem of extreme poverty to which the Lagos administration felt necessary to respond in order to preserve its social credentials. The specific measures the government took to address this issue were designed by policy experts with support from the World Bank. From their deliberations emerged the Chile Solidario system that rapidly went into operation given the high priority the president had set on the issue.

The role of Chile's regime institutions can be seen in the process of implementing Chile Solidario. A crucial hindrance to its implementation that the Lagos administration needed to deal with was the conservative opposition. The Right was worried that the program would be used in a clientelistic manner instead of effectively helping in eradicating poverty. But as was shown in the case of FOSIS, Chile's strong institutions for enforcing horizontal accountability helps keep the executive in check and, thus, prevents it from using social programs for clientelist ends. Through its strong position in the legislature, especially in the Senate where the conservatives still retained a majority, the opposition was a constant worry for the Lagos government (author interview, 2006). It was partly for this reason that the administration took great care in designing sophisticated auditory procedures and mechanisms for monitoring results as part of the legal project for setting up the Chile Solidario System that was presented to the legislature and passed as Law 19.947 in 2004.

Another crucial element has again been the strong control exercised by the Office of the Comptroller General (CG). Informants emphasize how the CG provides a powerful mechanism of deterrence with regard to any misuse of program resources. Indeed, the deterrent is literal as the CG keeps a permanent office in MIDEPLAN and

has offices in all regions of the country. This also helps the opposition to keep a check on executive power as it can file petitions that the CG is obliged to investigate. MIDEPLAN as well as its regional offices are under constant control by the CG and officials at MIDEPLAN and FOSIS are regularly asked to provide information on the administration of Chile Solidario (author interviews, 2006).

The critics readily admit that Chile Solidario has not been captured for clientelism, but still criticize the system for not having enough mechanisms for monitoring results or, even better, enforcing accountability on the basis of performance. They stress that the control upheld by the CG is only of a legalistic nature, to prevent the legal misuse of program resources. A more fundamental problem, according to these critics, is that the centralized nature of program administration does not permit "social accountability", or in other words, allow the citizens and their organizations to monitor the performance (author interviews, 2006). Also, as it became obvious that Chile Solidario is not used for maintaining clientelist networks, the opposition started to direct the bulk of its criticism at the lack of decentralization and local third sector participation in the system. MIDEPLAN, and particularly FOSIS as the agency in charge of the Bridge Program, retains the control in administering the Chile Solidario System. Again, officials at the central level have been reluctant to devolve more responsibilities to the local level for fear that municipal governments lack resources to administer the program as well as sufficient institutions for evaluation and control (author interview, 2006). This reluctance is made possible by the centralized-unitarian structure of the Chilean political regime.

Hence, program administration has remained in the hands of the techno-bureaucracy at MIDEPLAN. As a consequence, according to MIDEPLAN sources, three mayors refused initially to take part in Chile Solidario as they were not allowed to

directly manage any resources. Indeed, the structure does not allow mayors any discretion, or as an official at MIDEPLAN put it: "los espacios de discrecionalidad son super-pocos, no hay espacio para cambiar las metas" (author interview, 2006). Mayors, or local governments in general, depend on the central level and if they refuse to play by the rules set by these central agencies, they can simply be bypassed. MIDEPLAN has assigned at least one professional in each region to coordinate and monitor the execution of the Chile Solidario system. FOSIS is responsible for executing the Bridge Program at all levels, although at municipal level the family action unit is set up by agreement between FOSIS and the respective municipality. A central complaint by the municipal authorities has further been that they are not allowed to manage the database of beneficiaries. Instead, reports must be requested from the central level. Overall, Palma and Urzúa (2005: 34) maintain that "the process of designing and executing Chile Solidario has thrown up inter- and intra-sector tensions, and strains between central government (the Planning Ministry in this case), and local government (municipalities). These have their origin partly in the cultural differences between organizations but also in power struggles among agencies and among individuals – turf fights, disputes over resources, personal leadership battles, attempts by local governments to use the program for political ends, or, on the contrary, opposition to what some see as interference that limits the municipality's own activities".

Hence the program brings to the municipal level a highly individualized and technocratic approach to deal with extreme poverty that leaves very little space for political maneuvering at the local level. This has contributed to prevent clientelism, but at the same time, an important consequence of the approach has been the lack of

community participation.[104] At the community level, the program is implemented by social workers drawn from public agencies. Community organizations are not actively involved in the workings of the Chile Solidario. As a result of the technocratic trajectory through which the Chile Solidario was set up, its design did not include community and associative issues in its work. Its focus is on the family without attempting to create links with others in similar situations. Critics maintain that CS could achieve its objectives more successfully by opening out beyond "intra-family relations to encourage greater associativity and participation in the community" (Palma and Urzúa, 2005).

CONCLUSIONS

Democratization in Chile ushered in a new anti-poverty approach. It formed part of the broader shift to a pluralist social policy approach that the Concertación undertook during the 1990s. The new approach did not constitute a fundamental reversal of the military regime's principles of privatization, decentralization, and targeting, but it did incorporate a strong emphasis on participation and civil society incorporation in anti-poverty policymaking.

Under the Concertación, state-civil society collaboration in anti-poverty policymaking has increased, although the control wielded by technocratic reformers who have actively tried to discard the old corporatist approach means that labor unions have largely been excluded from such collaboration. Instead, the role of NGOs has been strengthened, particularly in the process of implementing anti-poverty programs. At the same time, by inviting NGOs to compete for anti-poverty funds on

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[104] This point is also taken up by Sandbrooke et al. (2007) and Teichman (2008; 2009).

the highly technical terms defined by MIDEPLAN technocrats, NGOs are provided with strong incentives to downplay some of their earlier political functions as advocacy groups for subaltern sectors and reduce their demands on the state. As Foweraker (2001) shows, the specifically political activity of NGOs in Chile has declined and the consequence has been less grassroots mobilization. NGOs act as "transmission belts" for government social policy and have lost "their edge as defenders of the excluded and impoverished" (Foweraker, 2001: 861).

In the same vein, social movements and grassroots organizations have undergone a process of depoliticization. The highly centralized and technocratic nature of anti-poverty policymaking does not leave much room to articulate grassroots pressure on decision-making.[105] As opportunities to challenge decision-making are few, citizens have few incentives for collective action. At the local level, as political considerations are no longer a feature of the social service delivery system, incentives for political mobilization have weakened. Before 1973, political activity on the part of subaltern sectors was required in order acquire social services and goods through the system of political spoils in which mayors organized chains of favors and political loyalties linking politicians at the national level with local constituents. As has been shown in this chapter, Chile's new regime institutions effectively prevent such clientelist machinations. Instead, the technocratic nature of the new anti-poverty approach ensures that access to community development funds "becomes associated with maintaining a safe distance from the machinations of politics, where the rewards of participation are less certain" (Greaves, 2004: 223). The highly technical terms on which access to funds are based means that political organization is devoid of tangible meaning. Indeed, studies of community activism show *dirigentes* deliberately avoiding

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[105] For a similar view, see Teichman (2009).

politics (Pont-Lezica, 1997; Greaves, 2004). Leaders of community organizations are more in need of developing technical expertise than relations with politicians. "Therefore, neighbourhood leaders who before 1973 were political brokers between the constituents and the politicians, have now become technocrats with enough skills to discuss technical aspects of projects and of their execution with their fellow neighbours, authorities and professionals" (Pont-Lezica, 1997: 214). Greaves (2004: 225-226) argues that the focal point of active citizenship in post-authoritarian Chile has become centered around activities associated with pursuing community development projects: "going to the 'muni' to seek projects out, writing out project proposals, competing for projects, and working with NGOs that administer projects".

The impression becomes one of community groups incorporated into funding relationships with state agencies such as FOSIS through which the techno-bureaucracy in charge is able to set the terms for participation and control social-demand making. Popular participation is contained within the conceptual space envisioned by the techno-bureaucracy, stunting the transformative potential of truly participatory governance. Popular empowerment is further hampered because those most in need of assistance, but who lack the capabilities of taking advantage of participatory opportunities, remain excluded. What is worse, pluralistic competition between civil society groups for access to project funding often lead to atomization and fragmentation of social organization. Indeed, tentative evidence suggests that the system of contract-based funding has helped institutionalize competitive relationships between subaltern sectors as community leaders and their organizations compete for the scarce resources offered by anti-poverty agencies (e.g. Raczynski, 2000). These competitive relationships work against social capital formation as some neighborhoods

may become included into anti-poverty programs, while other similar and adjacent neighborhoods are left out.

To summarize, while the new anti-poverty approach has provided for pluralistic access to social benefits in Chile, scarce resources and technocratic control over the distribution of benefits has served to de-politicize anti-poverty policymaking making it difficult for subaltern sectors to demand encompassing social change.

ANTI-POVERTY POLICY BETWEEN CRISES IN

ARGENTINA[106]

In Argentina, pluralist anti-poverty policy gradually began to take shape under the first Menem administration. For Menem pluralist anti-poverty policy provided a means to manage the "new social question" while enacting radical economic reform. In this, the interests of Menem and technocratic reformers coincided. For technocrats it provided an opportunity to shift the emphasis in social policy towards more participatory practices in accordance with the new policy ideas promoted by international actors such as the World Bank and the IDB. With extensive links to international policy networks, these technocratic reformers were well-placed to tap international aid resources. Many of them also had worked in community projects and enjoyed great legitimacy at grassroots level, facilitating the building of networks with autonomous grassroots groups. Hence, through these reformers Menem would not only be able to bypass corporatist interests and tap international aid resources but also reinforce direct ties with the popular sectors.

Technocratic reformers were thus given vast authority to design new social programs. But, as this chapter shows, most of these programs ended up being captured by topocrats in their attempts to sustain clientelist networks. Also, from the perspective of technocratic reformers, the situation got worse towards the end of the

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[106] The research for this chapter was mainly conducted in Argentina during 2004, 2005 and 2006. The bulk of the data comes from 31 in-depth interviews with experts, government officials, policy consultants and civil society activists. For a list of these interviews, see appendix 1. In addition, the analysis draws from a number of less formal discussions with activists and experts in Argentina as well as from a review of two major newspapers (*Clarín* and *La Nación*).

1990s as Menem came under increasing political and social pressures and decided to follow a more direct populist strategy.

Hence, in direct contrast to Chile, the outcome of anti-poverty reform was a populist mode of social governance in which targeted programs designed by technocrats ended up being captured for clientelist purposes. Unlike in Chile, social technocrats found regime institutions stacked against them as Argentina's delegative democracy and decentralized-federal system of government provided politicians at all levels with wide discretion to manipulate social funds. This populist mode of social governance was important for sustaining economic reform during the 1990s by helping defuse popular protest and buy political support for the ruling party. Arguably, it also left several problematic legacies that undermined long-term governability and helped sow the seeds of the 2001 crisis.

The chapter is organized in three sections. The first section analyzes the factors that led to the adoption of pluralist anti-poverty policy. It shows how the variables presented in Chapter 1 help explain pluralist anti-poverty reform. The second section looks at the most important programs and measures implemented within the confines of anti-poverty policy. It demonstrates how technocratic reformers came to play a key role in the design of anti-poverty policy, but also how they often struggled to control the process of implementation. The third section shows how a struggle between *técnicos* and *políticos* erupted as a result of the enormous growth of social programs and how, eventually, anti-poverty policy was turned into a means for populist governance.

THE NEW POVERTY AGENDA: PLURALIST REFORM

As we saw in Chapter 4, the major structural and ideological transformations that accompanied the hyperinflationary crisis form a critical backdrop in understanding the adoption of pluralist social policies in Argentina, including a new emphasis on poverty alleviation. During the 1980s, Argentina had suffered a 20 percent drop in per capita GDP. In 1989 and 1990, annual inflation was in four digits, and in the former year 47 percent of the population was estimated to be living below the poverty line. Amidst this crisis, Argentina embarked on a radical course of economic reform that helped restore economic growth and stability. Indeed, between 1990 and 1998 per capita GDP expanded by 47 percent, in spite of the temporary contraction in 1995 resulting from the Mexican crisis. Annual inflation was brought down to single digits from 1993 onwards (see Annex 2, Table A.2).

Yet, despite these economic successes, poverty and inequality did not decline on a sustained basis. By the mid-1990s it had become evident that the growth pattern pursued by Argentina had failed to produce significant social improvements. Between 1988 and 1998 income inequality in Argentina increased from 0.46 to 0.50 as measured by the Gini-coefficient. Poverty remained extensive, despite declining from its peak following the worst hyperinflation in 1989. Between 1993 and 1996 urban poverty again increased to 28 percent. Similarly, urban unemployment trended upwards from 1991 onwards reaching an unprecedented 17.5 percent in 1995 (see Annex 2, Table A.4). Together these elements combined to strengthen the perception that market reform was failing to provide sustained prosperity, employment, poverty reduction, and greater economic equality. As a result, the Menem administration came under increasing pressure from critics demanding greater emphasis on social policy.

In shaping the new social policy approach, the influence of the World Bank and the IDB was important. Bank officials encouraged Menem to institute new targeted programs so as to be able to cushion the effects of structural adjustment and economic liberalization. Crucially, the World Bank and the IDB found important interlocutors for the new pluralist social policy ideas among domestic technocratic activists. Such activists played a key role in driving the new poverty agenda. Highly trained and with excellent connections to both international lending institutions as well as the new civil networks organized around issues related to poverty, these technocratic activists were recruited by the Menem administration to oversee the new anti-poverty effort.

The ruling PJ also saw the growing influence of such activists, many of whom were critical of corporatism and wanted to distance Peronism from its close association with the trade union movement. The collaboration of union leaders with the military government had helped discredit the trade union movement and from the perspective of the new grassroots activists and leaders, corporatist organizations had grown increasingly unrepresentative of the urban popular sectors. Many of these activists supported the PJ's "renewalist" movement, helping it gain prominence over the party's traditional trade union wing by the late 1980s. Peronism thus saw the increasing influence of party activists that were critical of the corporatist welfare arrangements and that advocated bypassing the corporatist organizations in the distribution of welfare benefits and services in favor of grassroots organizations.[107]

As we shall see, a key group of technocratic activists was the team formed around Eduardo Amadeo, an influential *renovador* with close connections to the IFIs, who took

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[107] For a discussion of the transformation of Peronism, see, among others, Martuccelli and Svampa (1997), McGuire (1997), and Levitsky (2003).

charge of the new National Secretariat of Social Development (*Secretaría de Desarrollo Social de la Nación*, SDS) in 1994. By insisting on bringing with him his own team of policy specialists and NGO activists, he was able to form a highly cohesive team of social technocrats that shared a deep commitment to the pluralist ideas and practices. With strong backing from the World Bank and the IDB, the Amadeo team stepped up the new anti-poverty effort.

Also, in line ministries, such as in the health and labor ministries, financial aid from the World Bank and the IDB helped to set up new programs that took over some important tasks and responsibilities from the more traditional administrative units, helping to alter policy focus and procedures in a pluralist and pro-poor direction. In this process, technocratic control over social policy was strengthened at the expense of corporatist organizations and the traditional welfare bureaucracy. Technocratic experts were deployed to run the new programs and units in close collaboration with IFI officials, providing these policy change teams with the insulation and leverage required to advance anti-poverty reform.

To Menem, the recruitment of technocrats to oversee his new anti-poverty effort was precisely motivated by the need to bypass vested interests and resistance against reform. Being insulated from legislative and interest group pressures, as well as from routine bureaucratic processes, deploying technocratic change teams allowed for the displacement of conflict over reform and the swift enactment of new programs. Technocratic reformers also enjoyed the confidence of the international financial and donor community allowing Menem to tap these international sources for funding. Moreover, many of these technocratic activists had extensive links to the new civil society actors, helping the forming of relations to NGOs and grassroots organizations.

It may also be worth recalling the argument of observers such as Roberts (1995) and Weyland (1996b; 1999a) about the affinities between populists and technocratic reformers. Menem's strategy was to concentrate decision-making power in the executive and attract mass support among the impoverished and informal sectors so as to be able to enact drastic market reform without provoking massive unrest. With their aversion against vested interests, bureaucratic inertia and corporatist arrangements, technocratic reformers were natural allies for Menem in pursuing this neoliberal populist strategy.

Indeed, as has been argued earlier in this study, deeply political considerations reinforced the new focus on pluralist social policy ideas and poverty relief within Peronism more generally. The spread of unemployment, informality and poverty had resulted in new social constituencies that would not be served by the old corporatist social policy approach. These class-structural changes led many Peronist incumbents to support the shift to targeted anti-poverty measures and the bypassing of corporatist organizations in the distribution of welfare benefits and services in favor of grassroots organizations to allow the party to rearticulate its links with the lower classes. As Levitsky (2003) has showed, Peronist leaders were quick to undertake far-reaching changes in the party's structure and strategy so as to be able to adapt coalitionally to the changing social landscape. This explains the surprising lack of intra-party resistance to the shift from a corporatist to a pluralist social policy approach. The new anti-poverty programs contained valuable resources that could be used in co-opting the new popular organizations that had started to mushroom in the 1980s. Indeed, Menem's foremost allies within Peronism were governors from the poorer interior provinces to whom the emphasis on targeting and decentralization provided an opportunity to get their hands on new patronage resources.

Hence, as in Chile, the shift toward a greater emphasis on poverty alleviation and local participation in social policy was not merely a voluntaristic reflection of ideological re-identification or the epistemic power of policy experts, but also a rational adaptation by politicians to the changing environment brought about by socioeconomic crisis and adjustment. By shifting to a pluralist social policy approach Menem sought to construct a new socio-political coalition capable of sustaining the economic reforms amidst growing social dislocations. This new pluralist approach emerged gradually as Menem's attention to social issues grew. From 1993 onwards as the growing social dislocations put pressure on Menem to step up the social effort, pluralist anti-poverty was given a central role in Menem's governing strategy.

FROM SOLIDARITY BONDS TO *PLAN TRABAJAR*: REFORM EFFORTS

Early Measures

In July 1989, when President Alfonsín handed over power to Menem, the Argentine state was virtually bankrupt and the national currency in shambles. Clearly, restoring economic stability was the first priority of the new government. Hence, during the first years of the Menem administration most efforts revolved around economic policy. At the same time, the country was suffering from an acute social crisis that threatened governability and would thus have to be addressed by more direct social welfare measures as well. With wages that did not meet basic necessities, the specter of new riots and lootings, like the ones that a little earlier had sealed the fate of Alfonsín, must have worried the government. Therefore, during the initial stage of the Menem administration, a host of targeted assistance programs were launched to manage this new social question.

One of the first initiatives of the new Menem administration was the National Solidarity Emergency Bond.[108] The idea was to issue bonds to destitute families that could serve as payment for basic necessities in shops and supermarkets. As such, beneficiaries could select food and other basic necessities according to their own preferences. Moreover, in accordance with the new ideals, the role of the state would be limited as transportation and packing would be taken care of by shops and supermarkets.

The program would also be decentralized. Local committees, so called Emergency Councils, were set up at the municipal level, headed by the mayors and involving civil society actors such as Caritas, which were made responsible for implementing the program and the distribution of Solidarity Bonds. "La idea es que en todos los casos va a estar el intendente, los comerciantes y los curas, porque ellos están en todos los pueblos...Lo de los curas es bueno, porque son los únicos que tienen estructura previa de distribución, tienen buen contacto con la gente que siempre les cuenta sus problemas, y además sería raro que se queden con algo" (a program official quoted in Grassi, 2003: 240).[109] Program design stipulated that funds would be distributed to the Municipal Emergency Councils in accordance with the poverty map prepared by INDEC. The funding would emanate from voluntary contributions[110] collected through a campaign organized by a private foundation - *Fundación de Acción para la Iniciativa Privada* (AIP) – that involved business leaders and counted with the support of the UIA. In fact, the whole operation had originally been launched as a private initiative by the

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[108] For a detailed discussion of this initiative, see Grassi (2003). See also Midré (1992).
[109] As a result of pressures from provincial governments the administrative structure of the program was later changed, strengthening the role of the provincial governments at the expense of the municipal level.
[110] Later, on the initiative of José Luis Manzano, leader of the Peronist group in the House of Deputies, a special tax was introduced on the profits of the 1,000 most affluent enterprises in the country in order to raise more funds for the Solidarity Bond program.

AIP, but was quickly adopted by the new administration.[111] The final shape of the program was also heavily influenced by experts in the United States with whom the new Secretary of Social Action, Rubén Cardozo, held discussions in July 1989. The presidential decree (400/89) establishing the program was signed by Menem on August 2. In the end of August, the National Emergency Solidarity Bond was officially launched in Rosario, one of the cities most affected by the food riots.

Program implementation was swift, helped by the fact that policymakers enjoyed wide discretion in distributing Solidarity Bonds. Yet, such discretion also tempted incumbent politicians to abuse them for political gain. Very soon after its official launch, a series of scandals erupted that revealed how the Solidarity Bonds were abused by Peronist politicians for clientelist purposes.[112] In the most notorious case, a maverick Peronist deputy accused several of his colleagues, including Secretary Cardozo, of corruption. The scandal revealed a Peronist scheme for capturing Solidarity Bonds, so that their distribution would solely be controlled by members of the Peronist bloc. In the press, unnamed Peronist politicians were quoted defending the strategy: "Los radicales tuvieron el PAN y lo supieron utilizar políticamente, nosotros teníamos los Bonos y estábamos acotados. De esta manera, podíamos repartir en nuestro nombre los bonos y quedábamos bien con la gente" (Grassi, 2003: 244). Several of the Peronist deputies were suspected of being implicated in fraud. A substantial portion of the Solidarity Bonds had disappeared and from the report presented by the Minister of Health and Social Action it could be seen that only one third of the amount available in the Solidarity Fund actually had been used to meet the needs of the poor. Two-thirds

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[111] Presumably, the proposal appealed to the government in a variety of ways. Strapped for cash and inheritor of an extremely volatile social situation, the government welcomed any additional funds by which new riots and lootings could be prevented. Also, by collecting contributions from "those who have more", the new government could claim to be promoting solidarity "towards those who have less", and thus raise its social credentials (Midré, 1992).
[112] For a discussion of these scandals, see Grassi (2003) and Midré (1992).

were used to cover for administrative costs. Despite a torrent of criticism from the opposition and the media, no sanctions were applied demonstrating the weakness of horizontal accountability mechanisms. The President proclaimed his unqualified support for the minister and officials in the MSAS were told not to provide any information on the matter. With the Peronist bloc in control of Congress, and with no state agency commanding necessary clout to take up the matter, no investigation or overall evaluation of the Solidarity Bond program was ever made. In any case, following the bad publicity surrounding the Solidarity Bonds, the government decided to transfer the program to the provincial authorities in April 1990, and eventually it was terminated (Grassi 2003).

After this first experience, the government decided to abandon all efforts to implement a massive food program. Instead, a host of new targeted assistance programs were launched over the next few years to deal with the question of poverty. In general, these programs were presented as a "new social policy" that focused on mitigating poverty by providing the means for self-help instead of delivering state-produced aid to destitute individuals as had traditionally been the approach. The new programs would seek to strengthen opportunities for social integration through investment in work-training, micro-enterprising and community organization. Emphasis was put on attacking the causes of poverty, rather than its consequences, by strengthening poor people's capacities and by promoting grassroots organization.[113]

During the reign of Ermán Gonzales as Minister of Health and Social Action,[114] *Plan Llamcay* was launched that centered on providing low interest loans and training for

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[113] For an analysis of the role of social participation in these programs, see González Bombal et al. (2003), and Thompson (1995b).
[114] The first Minister of Health and Social Action in Menem's government, Julio Corzo, died in an air crash in October 1989.

unemployed workers to set up micro-enterprises.[115] In this instance, several smaller programs were initiated for different productive categories such as family farms, sewing shops, small factories and the like. In addition to providing start-up loans and tools, the programs would assist with commercialization of the products. The government also created the *Programa de Políticas Sociales Comunitarias* (POSOCO) and the *Programa Social Nutricional* (PROSONU) to target specific groups in state of vulnerability, acknowledging how the poor is a diverse group with distinct needs to which the state has to respond with more flexible and varied means. This line of action was further strengthened with the *Programa Federal de Solidaridad* (PROSOL), created by decree in 1992. PROSOL was essentially set up as a multi-sectorial investment fund, much in the same vain as FOSIS in Chile, that would not execute projects itself but instead constitute a means for outsourcing project implementation to lower tiers of government, the private sector and grassroots organizations. Tendering and competitive bids would constitute mechanisms for the assignation of resources in order to ensure transparency and economic efficiency. PROSOL thus clearly formed part of the attempt by which the administration sought to strengthen the anti-poverty effort by way of a more pluralist approach for managing social needs and demands.

An important program developed in the early 1990s was the Mother and Infant Nutrition Program (*Programa Materno Infantil y Nutrición*, PROMIN) that constituted the government's response to the deteriorated situation regarding maternal child health and nutrition, and the main program through which the government sought to fulfill its commitments defined by Argentina's approval of the International Convention for Children's Rights in 1990. PROMIN appeared as the flagship program of the Menem administration for the transformation of social governance in the early 1990s.

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[115] For a discussion of Plan Llamcay, see Grassi (2003).

According to the World Bank, the program "would initiate a process of expanded coverage and efficiency improvements in the delivery of social services which are at the core of the Government's follow-up strategy to complement ongoing economic and public sector reform programs" (World Bank, 1993).

Specifically, the goals of PROMIN were to extend coverage and improve the quality and efficiency in the delivery of primary healthcare services. It sought to achieve these goals by adopting a pluralist approach to guide its actions. Decentralization, participation and targeting were key institutional strategies through which PROMIN sought to improve on traditional delivery models of public healthcare, early childhood education and nutrition programs.[116] The program was designed as a social fund that finances projects carried out by local governments and NGOs. It sought to expand participation by involving the target population and delivery agents in all stages of project development. Its participative methodology also involved a strong emphasis on skills training and facilitating social communication to improve practices. Targeting mechanisms sought to maximize the effectiveness of resources by concentrating them on areas with higher proportions of structural poor and by the competition factor that allocated more resources to better-performing provinces. Weaker provinces were given technical assistance to help with project design and implementation.

It is evident that this approach was affected by the international discourse of the time promoted by the World Bank and other international development actors that favored pluralist ideas and practices in social development.[117] Influenced by these pluralist ideas, but distrustful of vested interests in the Argentine bureaucracy, the government commissioned UNICEF in 1991 to help with program design. The

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[116] For a comprehensive description of PROMIN, see Idiart (2002) and Chiara and Di Virgilio (2005).
[117] The point was stressed by key informants interviewed for this research and is also emphasized in internal program documents such as Ministerio de Salud (2000).

preparations initially suffered from delays because of bureaucratic resistance and the priority given by the government to the resolution of the economic crisis. Strong backing from UNICEF and the team of new experts at the Ministry of Health and Social Action (MSAS) helped move the project forward (Ministerio de Salud, 2000).

Yet as a result of the internal resistance to the new program among the more traditional bureaucratic elements within the MSAS, PROMIN was set up with strong autonomous organizational bases. This aspect was further strengthened by the important role the World Bank took in financing its operations. The World Bank was responsible for approximately 60 percent of PROMIN's funding. As a consequence, PROMIN's personnel were not part of the permanent bureaucratic structure of the MSAS, but were appointed under specific limited-term contracts requiring World Bank approval. This helped technocraticize PROMIN's project management and ensure staff commitment to the new (pluralist) management principles.[118] Indeed, program reviews generally recognize the comparatively high professional and technical capacity of procurement staff.

The program was approved by minister Julio Aráoz in November 1992 and officially launched by decree in March 1993. Over the course of the 1990s, PROMIN expanded its target areas, more than doubling its estimated beneficiaries to over 1 million in 1998 (Idiart, 2002). At the same time, it went on to take over tasks from the more

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[118] But, as Idiart (2002) point out, and confirmed by key informants for this study, the autonomous organizational bases of PROMIN led to coordination problems at the MSAS. PROMIN did not completely replace the traditional structures such as the old infant-maternity program – Programa Materno Infantil - which continued in place with its more centralized, statist and universalist characteristics, albeit with much reduced budgetary resources and drain of prestige. Although PROMIN went on to take over some responsibilities from the more traditional structures at the MSAS, the situation fed problems associated with overlapping, competition for beneficiaries and fragmentation. As we shall see, this phenomenon was not exclusive to this particular case, but became a recurrent theme more generally in social policy during the 1990s.

traditional social programs at the MSAS and, as a result, helped strengthen the pluralist approach at the MSAS despite considerable internal resistance.

As such, these new programs marked the first steps in the new anti-poverty strategy that was developed during the 1990s. Informed by the new policy ideas and practices promoted by international actors and driven by technocratic reformers with links to international policy networks, the new programs shifted the emphasis from traditional state-based welfare schemes to more participatory and decentralized practices for fighting poverty. Yet, while technocratic reformers played an important role in shaping the reform effort, policy change was ultimately a result of political expediency. To the Menem government, the new approach provided a means to respond to increasing social demands without abandoning fiscal austerity, and thus adapt politically to the new socioeconomic conditions. In this, the interests of government politicians and technocratic experts coincided. By delegating authority to technocratic reformers, the Menem government was able to bypass vested interests and displace conflict over the new approach.

The role of political interests in driving policy change can also readily be observed in the decision to decentralize POSOCO and PROSONU together with FONAVI to the provinces as part of the so-called Federal Pact in 1992.[119] This decision formed part of a political trade-off in which Peronist governors, in return for control over these social programs, lent their support for Menem's economic reform program. In this instance, one also notes the important role of regime institutions in shaping anti-poverty policy. The strong role of provincial leaders provided by Argentina's deeply federal regime structure meant that they were able to hold the government to "ransom" in this manner. In combination with a delegative type of democracy, including weak

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[119] For a discussion of this agreement, see Tommasi and Spiller (2007).

institutions of horizontal accountability, it also meant that the decentralized funds could be distributed with wide discretion by provincial actors, without much need to pay heed to the principles formulated by federal state technocrats. As such, for instance, the principles for fund management stipulated by the law that decentralized POSOCO and PROSONU were not respected by all provincial governments, and no measures were taken to enforce compliance. Similarly, in the case of FONAVI, the legal framework regulating the decentralized administration of the housing funds, which included requirements aimed at increasing transparency, participation and pluralist access to benefits, was ignored by the provincial governments.[120] According to key informants interviewed for this study, the decentralization of FONAVI exacerbated problems relating to patronage and the inefficient use of funds. The substantial increase in administrative costs following decentralization would seem to corroborate those views (MECON, 2000). Newspaper reports also point toward widespread political abuse of FONAVI funds during the 1990s (e.g. Clarín, 18/12/1995). In the absence of mechanisms for enforcing compliance with the FONAVI law and transparency in the selection of beneficiaries, provincial governments were free to divert these funds to clientelist ends.

Also, when turning to look beyond the formulation stage of programs such as PROSOL and PROMIN, the effect of regime institutions can be discerned. In the case of PROSOL, informants highlight the mismanagement of its funds, which is attributed to the lack of mechanisms of accountability and monitoring. No auditing was made of the US$88,000,000 subsidies distributed by PROSOL in 1992 and 1993 (López, 2003). An ad hoc commission for auditing the program was set up in 1994, but failed to improve the situation as its mandate was weak and dependent on the political authority (and will)

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[120] For a discussion of the decentralization of FONAVI, see Zanetta (2004; 2007).

of the Secretary of Social Development. As with the case of the Solidarity Bond program, a lack of mechanisms of control seems to have provided for the discretionary use of these funds. No agency was authorized with necessary clout to oversee the distribution of funds and, if need be, redress acts of mismanagement.

In comparison, PROMIN is viewed more favorably among social policy specialists interviewed for this study. Yet problems associated with a lack of compliance with the pluralist norms proscribed by program design are highlighted by informants and other primary sources (e.g. Ministerio de Salud, 2000). In particular, the participation of civil society in project management at the local level did not materialize because of the reluctance of sub-national political actors to comply with the norms prescribing participatory procedures. Provincial governments were reluctant to cede control over project management to NGOs and resisted efforts by the policy experts in charge of PROMIN at the federal level to provide for procedures of social auditing.

Another problem was overspending by provincial governments.[121] Projects were executed that significantly departed from what had been agreed with the federal level without accounting for such changes. To this was added the effect of elections, which was reflected in a notable rise in sub-projects executed in the provinces. Evaluations of PROMIN also document irregularities and lack of compliance with targeting criteria at the local level (referred to in Idiart, 2002).

Informants point to the lack of controls at the sub-national level that could have prevented such discretion, especially mechanisms for the opposition to hold sub-national governments to account.[122] As for federal government ministers, they were reluctant to put pressure on topocrats so as not to jeopardize political relations with

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[121] The funds provided by the World Bank had already been spent by 2000, three years before the projected termination of the program (Idiart, 2002).
[122] This point also comes up in an internal document given to the author in confidence (PROMIN, 2000?).

the provinces. Clearly, then, Argentina's regime institutions provided topocrats with discretion in managing projects funded by PROMIN which resulted in significant departures from original intentions when projects were being implemented.

In sum, while the policy specialists in charge of formulating the new programs during the first half of the 1990s generally seemed to have shared a commitment to the pluralist approach, they could often not prevent political interests from diverting these pluralist projects for clientelist goals. As we shall see, this became a recurring trend over the course of the 1990s.

The National Secretariat of Social Development

Towards the mid-1990s, in the context of a renewed upsurge in poverty, the Menem administration began to step up its anti-poverty efforts. Hitherto it had concentrated most of its energy on bringing inflation under control and rekindle economic growth, arguing that this was the best strategy for social improvement and poverty reduction. Efforts so far to redefine social welfare policies to emphasize poverty alleviation and create targeted programs to promote social integration had essentially remained isolated actions receiving little attention from president Menem himself.

But as a result of rising unemployment and pauperization from 1992 onwards the social question could no longer be ignored, particularly as it occurred at a time of macroeconomic stability and growth. Menem recognized that improving the social situation required more direct efforts. Contributing to this newfound interest for social policy was an upsurge in social protest. The *Santiagazo* in December 1993 spearheaded a period of accelerating social conflict that threatened governability in several internal provinces worst affected by the impact of austerity. As a result, Peronist governors preoccupied with the prospect of losing social control started to

call for more active social welfare policies. The rise of the center-left opposition movement Frente Grande in the 1994 constituent assembly elections sent Menem a similar message. It showed the incumbent, as Weyland (2002: 175) asserts, that "his success in ending hyperinflation might not guarantee him lasting support nor ensure his victory in the presidential contest of 1995".

With the launch of the Social Plan in early 1993, the Menem government sought to strengthen its social credentials.[123] The plan was presented by President Menem as the beginning of a second, "social" stage of transformation during which the shift to a new social policy approach would be intensified and the fight against poverty stepped up. It had been prepared on Menem's request by ministers Gustavo Béliz (interior) and Julio Aráoz (health and social action), both strong advocates of pluralist reform. The plan stated the government's intent "to consolidate a Copernican revolution in the administration of social investment" by way of decentralizing the execution of social programs, increasing the participation of civil society organizations, and improving the efficiency of social spending by better targeting towards the poorest and most vulnerable groups in society. Furthermore, the plan acknowledged the need for better monitoring of social funds and a more integral approach to avoid overlapping between the increasing amount of targeted programs. A Federal Social Cabinet led by the General Secretariat of the Presidency was created to coordinate the execution of the plan. With this the government sought to strengthen the role of the federal state in coordinating social actions and avoid problems of multiplicity. In practice, the Federal Social Cabinet failed to invoke any major improvements in the administration of social funds. On the whole, the 1993 Social Plan encountered resistance within the bureaucratic apparatus as well as within the governing party and achieved little in the

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[123] For a discussion of the 1993 Social Plan, see Grassi (2003a) and Repetto (2003).

way of implementing an integrated policy to combat poverty.[124] As such, it did not have any visible effects on social governance.

Acknowledging the failure of the 1993 Social Plan, the government in 1994 created the SDS under the Office of the President, charged with the responsibility of coordinating anti-poverty policy. To this effect, Menem decreed that parts of the Ministry of Health and Social Action would be transferred to the SDS. To pre-empt attempts to obstruct reform, the President chose a loyal technocrat, Luis Prol, to head the new secretariat. However, under the austere budget conditions imposed by economy minister Domingo Cavallo, the SDS was allocated few resources from the national budget. As such, Prol struggled to establish the authority of the SDS. The reluctance of provincial governments and the sectoral ministries to cede any control over social policymaking complicated matters further for Prol. The president was also of little help as most of his energies were directed towards attaining constitutional reform that would permit his re-election. It was not until the actual elections began to draw nearer in 1995 when Menem began to devote more attention to issues of social welfare that the president and his advisors decided to raise the profile of the SDS (Repetto, 2001). In this, an important decision was to replace Prol with Eduardo Amadeo - a respected economist belonging to the renewalist wing of the PJ.

Under Amadeo the SDS took the lead in driving pluralist social reform. A new Social Plan (Presidencia de la Nación, 1995) was prepared by Amadeo that stressed the need to strengthen opportunities for social integration by way of mitigating conditions of exclusion and the promotion of participation. "Desde la Secretaría de Desarrollo Social nuestra tarea tiene dos ejes: la solución de carencias básicas y el fortalecimiento de la

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[124] In trying to institute the new pluralist practices, Beliz repeatedly clashed with Peronist topocrats and, eventually, had to resign not only from government but also from the Peronist party altogether.

sociedad civil. No hay política social que tenga éxito si no fortalice a los actores. Por eso, en lugar de hacer política de arriba para abajo, clientelista y de entrega de comida, lo que hay que hacer es generar organización social para brindar a las personas la posibilidad de desarrollarse como personas" (La Nación, 1996/10/11). The 1995 Social Plan proposed a host of criteria and actions that sought to strengthen targeting mechanisms, coordination and civil society participation in social policymaking. Central to this was the view that the state needed to respond with more flexible and participatory social programs in order to come to terms with the variety of situations of social vulnerability suffered by the low-income population.

To implement pluralist reform, Amadeo gathered a highly technical team of policy experts that shared his pluralist ideas about social policymaking. Amadeo insisted on being able to recruit his own team as he did not want be dependent on the old bureaucratic structures that had been transferred to SDS from the MSAS and that he considered hopelessly bureaucratic and incompetent to implement the new pluralist approach. He explicitly wanted his team coming from outside the established welfare bureaucracy so as to provide the SDS with a stronger technocratic profile (author interview, 2005). Many of the members of this new team had extensive links to international policy networks as well as to the NGO universe. A key member of this team was Viviana Fridman, who had a long-standing relationship with the IFIs and was a close friend of Myrna Alexander, the World Bank representative in Argentina during the 1990s. Like Amadeo, Fridman had a background in the banking sector and had played an important role during the 1980s in the negotiations over Argentina's external debt obligations. Her connections proved instrumental in negotiations for external funding for social development projects. Indeed, the Amadeo team established a very close relationship with the IFIs, especially the World Bank.

Cultivating good relations with the IFIs was a pragmatic response to the relative lack of national budgetary resources given to the SDS. The President, for his part, had nothing against such a relationship. External funds provided additional means to cushion the effects of market reform without jeopardizing economic orthodoxy. At the same time, there was a more fundamental reason for the close relationship between the SDS and the IFIs. It was a result of a common theoretical-ideological understanding of the problems at hand and how best go about solving them. Negotiations for loans were made easy by the shared conception of social development that placed importance on pluralist practices. Indeed, according to Fridman, for the Amadeo team the IFIs and their representatives in Argentina were "partners" with whom it shared a language and common priorities (author interview, 2005).

The close relationship established with the IFIs brought important resources that were used to set up new social programs. In 1996, SDS already administered 25 programs, most of them IFI-funded. The common denominator for these programs, at least at the level of discourse, was their strong focus on civil society participation. The pluralist approach advocated by Amadeo and supported by the IFIs revolved around the idea of targeting funds to anti-poverty projects through a network of intermediary NGOs in order to avoid corporatist and political meddling. The inclusion of NGOs was designed to supplement state action in the implementation of programs and help promote self-organization at the grassroots level. Grassroots organizations were expected to contribute to social cohesion and integration by fostering a sense of "working for the collective good" and a "moral community among social actors" in line with theories of social capital.[125]

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[125] See, for example, Portes (1999).

A key program was the National Center for Community Organizations (*Centro Nacional de Organizaciones Comunitarias*, CENOC) that was set up to promote links to grassroots groups and their development into more formal organizations. One of its most important undertakings was the development of a database registering grassroots organizations and a program of capacity-building. The objective was to train grassroots civil groups in organizational skills, such as how to set themselves up as NGOs, as well as in development issues. Inclusion in the CENOC database became a condition for accessing funds from any SDS program. Curiously, the program was headed by Amadeo's wife, Beatriz Orlowski de Amadeo. She had been involved with assisting grassroots groups in La Cava, a slum area in the Buenos Aires province, during the 1980s. To CENOC she recruited social reformers that had worked in community projects, many of them in La Cava, and that shared her (and her husband's) pluralist conceptions about social development. Bringing with them a great deal of legitimacy among the grassroots, these social reformers were well placed to reinforce ties to autonomous social groups.

The strategy was extended across the board of SDS activities. By incorporating social development experts who were well-known at the grassroots level and committed to the pluralist approach, the SDS sought to build links to the array of new autonomous social groups that emerged in the wake of the dismantling of corporatism. Moreover, this strategy was not only confined to the SDS. Within line-ministries a host of new social programs were set up by technocratic reformers and policy consultants with the support of the IFIs. To these programs social development specialists with links to the grassroots were recruited to administer projects so as to facilitate the building of networks with civil groups. Hence, from the mid-1990s the pluralist approach became the lynchpin of the new governance strategy whereby the

government sought to manage the "new social question". From above, policy experts designed new pluralist welfare structures to reincorporate disaffected constituents and maintain governability at relatively low cost. From below, NGOs and grassroots organizations took advantage of these new structures and the opportunities for pluralistic inclusion they seemed to offer. Yet, as we shall see, this "alliance" between social technocrats and autonomous civil society organizations failed to produce lasting associative networks and a participatory mode of social governance. Argentina's regime institutions permitted politicians, when the political weather changed, to capture the new social programs and, thus, set the basis for a populist mode of social governance.

Plan Trabajar

As Menem began his second term in 1995, Argentina was emerging shaken from the "tequila effect". The economy lurched into recession with unemployment soaring to 17.5 percent and informalization approaching 35 percent (see Annex 2, Table A.4). Social protest became increasingly widespread and Menem began facing hardened opposition from within Peronism itself (see Levitsky, 2003). Under pressure to show some concern for the issue of unemployment, the government created the *Plan Trabajar* (Work Plan) in 1996.[126]

In essence, *Plan Trabajar* did not fundamentally differ from earlier employment generation programs carried out by the first Menem administration (Giraudy, 2007). These programs had been co-financed by the World Bank and the IDB and designed to cushion the effects of structural change. They targeted unemployed workers in the

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[126] Between 1996 and 2001, there were three slightly different versions of the program as modifications were introduced to improve targeting: *Plan Trabajar* I, II, and III.

informal sector (i.e. who did not receive social security or any kind of unemployment benefit) by offering a salary in return for work in service projects administered by NGOs or municipal governments. The program provided the funds for hiring unemployed workers, while the executing organization provided the materials needed. The salary was offered for a limited term and individuals could not participate in more than one program at a time. The programs were coordinated by the federal government and administered by provincial governments. Funds were sent from the federal government to the provinces, leaving the provincial governments with considerable discretion to determine how funds are allocated to different municipalities and NGOs. Clearly, these programs were designed to bypass corporatist institutions while targeting the growing cohort of informal workers. However, until 1995 expenditure on these programs remained low, amounting to around 0.1 percent of GNP (Márquez, 2000).

Table 6.1   Workfare Programs in Argentina, 1993-2002

Year	Federal programs	Provincial programs	Total
1993	26,236	0	26,236
1994	33,365	1,071	34,436
1995	48,909	377	49,286
1996	62,083	11,438	73,521
1997	126,264	23,938	150,202
1998	112,264	69,064	181,140
1999	105,895	56,326	162,221
2000	85,665	110,775	196,440
2001	91,806	191,017	282,823
2002	1,282,000	115,486	1,397,486

Source: Reproduced from Franceschelli and Ronconi (2005)

Faced with double-digit unemployment and increasing social turmoil, the government had to step up its efforts. *Plan Trabajar* expanded the coverage, reaching

an average of 20 percent of the unemployed population between 1996 and 2001 (Lodola 2005). The program was designed by a group of labor market experts at the MSAS together with economists from the World Bank and the IDB, institutions that co-funded the program from 1997.[127] In line with the new pluralist practices, mechanisms for competitive tendering were introduced requiring potential employers – municipal government, NGOs and private enterprises – to present community or social infrastructure projects to the provincial authorities, who with the assistance of technical staff and representatives of intermediate associations were to evaluate and authorize the most feasible proposals.[128] In practice, the federal nature of Argentina's system of government and the lack of institutional controls provided governors wide discretion to apply this mechanism in a highly arbitrary fashion giving rise to widespread accusations of clientelism and malpractice in the distribution of program funds. Indeed, evaluations indicate that the formal requirements for beneficiary selection and the distribution of funds were not properly enforced (SIEMPRO, 1997; CELS, 2003).

Plan Trabajar quickly became the keystone around which relations between the state and the rising cohort of unemployed workers played out. President Menem and the Peronist governors used benefits from *Plan Trabajar* to institute clientelist networks and dampen protest by unemployed workers. There seems to be a wide consensus among policymakers and scholars of widespread clientelism in the allocation of benefits from *Plan Trabajar*. In an analysis of Argentina's main newspapers, Ronconi (2002) finds that a majority of articles regarding *Plan Trabajar* report allegations of corruption and clientelist practices. Studies show that

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[127] Congress had no formal role in the process of initiating the program. Nor did Congress exercise any oversight of its implementation according to referents interviewed for this study.
[128] For a detailed description of the design, see Chiara and Di Virgilio (2005).

beneficiaries were asked to prove some kind of party affiliation and to attend political events backing ruling parties and governors in order to maintain their monthly subsidies (Oviedo, 2001). In many instances, local political brokers withheld part of the benefit to finance political organization (Fachelli, Ronconi and Sanguinetti, 2004).

Interestingly, these clientelist practices seem to have fuelled the *piquetero* movement.[129] Many *piquetero* organizations were explicitly formed to circumvent clientelistic party machines and political brokers, and gain direct control of the subsidies handed out by the state (see Svampa and Pereyra, 2003; Delamata, 2004). But more importantly, political manipulation in the allocation of benefits from *Plan Trabajar* seems to have directly induced individuals to participate in pickets (Franceschelli and Ronconi, 2005; Garay, 2007). As it became evident that the allocation of benefits did not correspond exclusively to pre-defined technical criteria but that a large measure of political discretion existed in the procedures for selecting beneficiaries, people had an incentive to engage politically to better their chances of receiving the benefit. Franceschelli and Ronconi (2005: 13) explains how eligible individuals, realizing that filling in the application form was not a sufficient condition to receive benefits, had two options: "One option they had was to solicit a benefit to a local political bosses, and in the lucky event of receiving the benefit, to accept the conditions imposed. A second option was to try to become politically powerful in order to obtain the benefit themselves and impose their own terms when bargaining with the government". The blocking of roads as a political tactic thus emerged in direct conjunction with the political manner in which the state handled benefits from social programs, especially *Plan Trabajar*.

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[129] The term *piqueteros* (picketers) refers to organized groups of unemployed workers and informals who block strategic roads as a political tactic to obtain concessions from the state.

Indeed, the tactic seemed to work. More and more benefits from *Plan Trabajar* and other targeted programs had to be used to buy off *piquetero* organizations. The decision in June 1996 to dampen a protest by unemployed workers in the province of Neuquén by using benefits from *Plan Trabajar* set a precedent for future conflicts (Giraudy, 2007). It strengthened the perception that access to benefits was a matter of political strength, not of fulfilling formal requirements. From 1996 to 2001, an escalating cycle of road blockades and workfare benefits can be observed (see Table 6.1 and Annex 2, Table A.7). As the state responded to protests with workfare benefit provisions, it triggered further demands generating "a pattern of protest and negotiation that strengthened these groups and dramatically expanded social policy" (Garay, 2007: abstract). In 1997, street blockades were already a more frequent type of demonstration than strikes (see Annex 2, Table A.7). Resources from *Plan Trabajar* contributed to empower piquetero organizations by reinforcing their structures and facilitating the recruitment of new members. As such, they also became key actors that political leaders sought to integrate into partisan politics. In the provinces new workfare programs were set up in order to co-opt these unemployed groups. In the case of the Buenos Aires province a massive struggle erupted over the control of benefits from *Plan Barrios Bonaerenses* between Peronist brokers and *piquetero* organizations (see Svampa and Pereyra, 2003).

Hence, from the original pluralist project little was left. New linkages were established between the state and unemployed workers, but these were far from the sort of "associative networks" that were supposed to characterize a new participatory governance. Instead, workfare programs were expanded by populist politicians fuelling intense political mobilization as well as clientelism, in a pattern more reminiscent of the populist era albeit with different actors. Technocratic reformers complain about

how the program was captured by political interests and how the high level of discretional power enjoyed by provincial governors made it impossible to control the process of implementation. Mechanisms to enforce compliance with rules for the selection of beneficiaries were non-existent. And while the UCR and FREPASO mounted heavy criticism of the way *Plan Trabajar* was being implemented, as long as they were in opposition, they were without means to do much about it. In Argentina's delegative democracy the ruling Peronist Party faced no such constraints as the Concertación in Chile.

FROM *TÉCNICOS* TO *POLÍTICOS*: PLURALIST REFORMS GONE AWRY

The 1990s in Argentina is characterized by an enormous growth of social programs oriented towards poverty alleviation. In 1996, the federal government already executed a total of 50 programs targeting poor and vulnerable groups (SIEMPRO, 1996). In parallel with this growth of federal social programs, sub-national governments also executed a host of new programs within their own jurisdictions. On the one hand, this growth in anti-poverty programs followed naturally from the pluralist notion of the poor not being a homogeneous group, but rather facing a variety of distinct situations of vulnerability and that solving the problem of poverty thus required a variety of programs targeted towards distinct vulnerable groups and situations. Enabling this growth were the program loans made by the World Bank and the IDB. On the other hand, as can be discerned from above, it was also an outcome of politicians' efforts to come to terms with escalating social protest and their attempts to re-establish clientelist links to the popular sectors in the wake of the dismantling of corporatism.

While the SDS played a major role in the design of new targeted programs, Amadeo and his team, nevertheless, considered that the low level of integration and coordination between different federal programs and among national and sub-national programs was hampering the anti-poverty effort. As in Chile, studies revealed problems associated with overlapping, competition for beneficiaries, fragmentation and lack of cooperation among programs. To successfully tackle poverty a more coordinated effort seemed essential. With a view to this, Amadeo tried to arm the SDS with more authority to coordinate anti-poverty policy.

From the perspective of the SDS, one problem was the federal and delegative nature of the Argentine regime. Sub-national governments enjoyed wide discretion with regard to the implementation of federal social programs. The SDS had few means to enforce compliance with rules for the selection of beneficiaries and the distribution of funds. Topocrats routinely discarded pluralist practices in favor of clientelist machinations. Funds were also transferred to other uses depending on political circumstances in the province. To this was added the reluctance of many sub-national governments to provide information about the distribution of funds. Provincial governments repeatedly declined to give details over the use of federal social funds to the SDS referring to their autonomous powers granted by the federal constitution.[130] Lack of monitoring mechanisms at the sub-national level made it impossible for the SDS to keep track of beneficiaries such as how many and who they were. In many instances, municipalities simply lacked the technical capacity to comply with the rules for administering federal social programs.

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[130] A proposal by senators Yoma, Pichetto and Muller to modify the National Law for Financial Administration to obligate the provinces to present documentation corresponding to the execution of social program funds and in case of their failing to comply, possibilitate the President's Office to withdraw funding, failed to prosper in the Senate (Dinatale, 2004).

Surveys conducted by SIEMPRO confirm these problems. Irregularities were found on numerous occasions in the manner federal programs were administered at the sub-national level.[131] Governors were found blatantly ignoring the rules for program administration. Yet, as Menem depended on the support of provincial party bosses for the enforcement of his program, few measures were taken to rein in provincial discretion in handling federal social funds. On the contrary, Peronist governors put pressure on President Menem to decentralize more social funds to the provinces to be able to deal with the incipient social crisis and unemployment.

In July 1996, after a meeting in Santa Fe between the federal government and Peronist governors, the Federal Council for Social Development (*Consejo Federal de Desarrollo Social*, COFEDESO) was set up within the SDS to coordinate anti-poverty policy with the provinces. It was comprised of the ministers for social development in the provincial governments and chaired by the SDS. Amadeo considered it an opportunity to strengthen the authority of the SDS, gain more influence over program implementation, and more effectively be able to enforce rules for program administration.

Yet, the effort failed almost completely. COFEDESO never became an effective platform for the inter-jurisdictional coordination of anti-poverty policy. The provincial governments were not willing to give up any authority over local anti-poverty policy. At best, COFEDESO functioned as a forum for the exchange of information. Most of times its meetings were used by the provincial governments to mount criticisms over federal policies. Interviews with functionaries at the SDS reveal how COFEDESO was quickly turned into another ambit for provincial demand-making and the articulation of pressure on the federal government to decentralize more social funds.

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[131] See also Dinatale (2004) for a discussion of irregularities found in reports and evaluations.

As seen from the perspective of the policy experts at the SDS, the problem with populist social governance in the provinces only grew worse toward the end of the Menem era. Federal grants for social programs helped maintain local systems of patronage and clientelistic relations. The negotiations over provincial fiscal adjustment, and the threat to withdraw from any agreement, was a potent weapon in the hands of governors demanding greater discretion over federal grants for social programs.[132] Indeed, federal transfers to the provinces grew throughout the 1990s (see Gibson and Calvo, 2001; Manzetti, 2009). In the absence of federal control mechanisms as well as local mechanisms for enforcing horizontal accountability, topocrats in provinces such as Santiago del Estero and San Juan could easily make use of central government transfers to buttress local clientelist networks that ran counter to the pluralist practices and participatory mechanisms advocated by the policy experts at the SDS.[133] Neither did they show much enthusiasm with reining in social spending in general as the Argentine system of fiscal federalism generated perverse incentives to "overspend" in order to milk the central state for stabilization subsidies and so called "co-participation" funds.[134]

A short look at the province of Buenos Aires serves to illustrate these developments. In Buenos Aires Governor Duhalde used federal transfers invested in the *Fondo Conurbano* to equip a vast clientelist network that consolidated his grip of the province. The *Fondo Conurbano* was created as a result of an agreement between Menem and Duhalde, in which Menem guaranteed to supply Duhalde with extraordinary resources to tackle social problems in the province in exchange for political loyalty. Delegative democracy allowed Duhalde to allocate these resources

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[132] For a discussion, see Spiller and Tommasi (2007).
[133] See, for instance, Beard Liikala (2002), Bill Chavez (2003), and Gibson (2004).
[134] For a discussion of Argentina's "fiscal labyrinth" and how it generates "economic populism" at the provincial level, see Saiegh and Tommasi (1999). See also Remmer and Wibbels (2000).

with almost complete discretion. Repetto (2000: 608fn.15) notes how Duhalde held meetings every Saturday with loyal mayors in which "de acuerdo con reglas de juego absolutamente informales y de índole coyuntural (pero siempre donde la úlitma palabra la tenía el propio Duhalde), se iba determinando la asignación de los recursos previstos para esa semana". The bi-cameral commission that was supposed to control the administration of the *Fondo Conurbano* had no real powers and held only a consultative function. Mechanisms for enforcing horizontal accountability in relation to the use of these funds were absent.[135] According to Repetto (2000: 609): "Una vez más el Poder Legislativo se encontró sin herramientas para controlar el Ejecutivo".

A major part of the resources from the *Fondo Conurbano* were administered by the Women's Provincial Council (*Consejo Provincial de Mujer*) under the command of the governor's wife, "Chiche" Duhalde. This entity was given control over the bulk of the province's social programs. The most significant in both political and social terms was *Plan Vida*, a food distribution program launched in 1994 as the pet project of Chiche that used female volunteers – known as *manzaneras* – to distribute aid. Repetto (2001) estimates that by 1999 there were 30,000 *manzaneras* delivering milk, eggs, cereal and other basic goods to approximately one million people. Indeed, a major aspect of this program was the role played by the *manzaneras* as brokers between the provincial government and the beneficiaries, which contributed to create an extremely efficient and decentralized clientelist network that became one of the defining features of state-society relations in the province of Buenos Aires. Facing no institutional checks in administering *Plan Vida*, Chiche enjoyed almost complete

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[135] International consultants also voiced their concerns over the lack of control: "El fondo se apoya en mecanismos de excepción para lograr una mayor agilidad en su operatoria, previéndose la intervención a posteriori de los organismos de contralor. Esta agilidad se ve en la práctica entorpecida por la inseguridad de los funcionarios que deben tomar las decisiones, sobre un sustento legal elemental y en algunos casos ambiguos (UNDP report cited in Repetto, 2000: 609).

discretion in the handling of funds. Indeed, referents point to the fact that no records exist that would even show the amount of these funds and how they were allocated. What seems clear, however, is that in the distribution of benefits political logic trumped principles of pluralistic access. As for any participation-enhancing effects of *Plan Vida*, in the verdict of Repetto (2000: 611) "la participación social se vio limitada a la práctica a la vez atomizada y colectiva de estas mujeres, en detrimento de una organización comunitaria capaz de ir más allá del reclamo inmediato: atomizada en tanto se trataba de voluntarias que operaban cada una en su ámbito espacial; colectiva a partir de que conjuntamente respondían a la voluntad política de la esposa del gobernador". Thus, despite in many ways its flexible, decentralized and targeted character, *Plan Vida* was a far cry from the kind of participatory governance expected by advocates of the pluralist approach.

From the perspective of the policy experts at the SDS, another problem related to the lack of coordination at the federal level itself. In his Plan Social (Presidencia de la Nación, 1995), Amadeo had proposed the setting up of an intra-ministerial cabinet to coordinate anti-poverty policymaking between the various social ministries. Amadeo wanted the SDS to preside this cabinet, giving the SDS the role of a social authority with powers to define priorities in the assignment of social expenditures.[136] The "balkanization" of the anti-poverty effort into a host of small targeted programs with questionable effect on poverty reduction, the realization that the programs were used to sustain clientelistic networks in the provinces, and that social actors such as *piqueteros* used these targeted interventions to "extort" the state for concessions, also led the Amadeo team to propose moving in the direction of more universalistic

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[136] Note the parallels with efforts in Chile to raise the authority of MIDEPLAN in coordinating social policymaking.

interventions. Amadeo managed to negotiate World Bank support for a proposal to create a single subsidy as insurance against unemployment and informal employment. In conjunction with this, SDS experts under the lead of Amadeo proposed the setting up at the SDS of a single register with all beneficiaries of federal subsidies to improve targeting and prevent abuse (see SIEMPRO, 1996b).

However, this effort to initiate a more integrated approach in anti-poverty policy and give the SDS a stronger role in coordinating anti-poverty policymaking brought the SDS into conflict with the MECON who saw in it an attempt to go beyond a strictly neoliberal approach and worried that it could jeopardize the authority of the MECON over public expenditures.[137] The proposal for a *Subsidio Único Familiar* thus came to nothing. The proposal for a *Sistema de Identificación Único de Familias Beneficiarias* also failed to take off as provincial governors fiercely opposed such a single register for fear of losing their discretion over the selection of beneficiaries. As for the initiative to set up an intra-ministerial cabinet, it brought Amadeo into conflict with the Office of the Cabinet Chief (*Jefatura de Gabinete de Ministros*, JG) over who would control the vast menu of targeted programs. Menem's political advisors in the JG wanted to make better political use of these programs to support *Menemismo* in the legislative elections of 1997 and the subsequent presidential elections of 1999. Unlike in Chile, where the Ministerial Secretariat of the Presidency with a view to the constraints inherent in "protected" democracy took great care in avoiding populist social governance, Menem's political advisors in the JG argued for a stronger populist project to counter political pressures arising in connection with a stronger opposition and the

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[137] Interestingly, officials at the MECON used IMF recommendations that were at odds with such a proposal as further legitimation for blocking the effort. It shows, in accordance with what Weyland (2003b) has argued, how IFIs may work at cross-purposes. Rather than representing a single "will", IFIs often represent different ideas allowing domestic policymakers, as in this case, to lean against the ones that further their own interests.

intra-Peronist block that had started to form around Governor Duhalde. In this, the technocrats at the SDS were seen as an obstacle.

In February 1997, shortly before the legislative elections, Menem decreed the creation of the Social Cabinet (*Gabinete Social*, GS) with the function of coordinating anti-poverty programs. The JG was put in charge of the GS with the SDS only given a subordinate role. Referents testify as to how from the start the struggle between the JG and the SDS over the control of anti-poverty programs inhibited the work of the GS. As such, the GS largely failed in its role to promote better intra-ministerial coordination. The number of targeted programs continued to rise, reaching 70 in 1999 (SIEMPRO, 1999). However, putting JG in charge of the GS instead of the more technocratic SDS signaled a change in the anti-poverty strategy toward a more direct political use of targeted social programs.

In the legislative elections of 1997, Peronism lost heavily to the opposition parties united in the newly created Alianza coalition. Under the influence of his advisors, Menem decided to throw the *técnicos* at the SDS overboard and bring in the *políticos* with a view to the presidential elections in 1999. In February 1998, Jorge Rodríguez, head of the JG, asked for the dissolution of the SDS (Clarín, 21/2/98). Shortly after, in April 1998, Amadeo was replaced by Ramón Ortega, the former governor of Tucumán and a close Menem ally that was picked as the prospective presidential candidate of the Menemist faction for the 1999 elections. Under Ortega, the distribution of program funds became an important tool for gaining political support for *Menemismo*. The emphasis on pluralist practices was loosened in favor of more openly clientelistic machinations. The focus was on executing more direct interventions to cope with increasing social and political pressures rather than enhancing participatory aspects of programs. Other high-profile technocrats at the SDS, such as the head of the *Sistema*

de Información, Monitoreo y Evaluación de Programas Sociales (SIEMPRO), Irene Novakovsky, also came under fire amidst rows over the future direction of the SDS. SIEMPRO was the technocratic heart of the SDS and the new administration wanted to downgrade its profile and prevent it from going public with reports that could politically harm *Menemismo* (author interview, 2005). In December 1998, as it had become clear that Ortega would not be supported by strategically important Peronist bosses for the presidential bid, he was replaced by José Figueroa in front of the SDS. Under Figueroa, all pretensions to uphold pluralist practices in program administration were dropped. Figueroa concentrated on making trips to the interior, bringing with him direct clientelist hand-outs in the form of food aid, construction supplies and workfare programs for the poor. As such, the SDS was turned into a mechanism for the execution of a populist strategy through which Menem and his allies sought to manage growing political and social pressures.

Populist Governance

As we have seen, from the early 1990s technocratic reformers had begun promoting pluralistic social policy with a view to institute a new, more participatory mode of social governance. These technocrats sought to move social policy away from reliance on traditional corporatist and clientelist linkages toward measures that targeted the poor directly and provided for pluralistic access to social programs.[138] With the help of international agencies such as the World Bank and the IDB, targeted social programs that stressed community participation and the participation of other private actors such as NGOs were designed to form the basis of this new social governance. The

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[138] According to Fox (1994: 158, fn. 21): "Access to social programs can be considered pluralistic when it is not conditioned on political subordination."

programs were supposed to allow for the "associative" inclusion of subaltern sectors into relatively apolitical networks that would link state and society on the social policy arena.

In practice, as we have seen, most of these programs were either captured by topocrats or delivered, as increasingly became the case after the mid-1990s, through Menem's own clientelist channels. There is broad consensus among policymakers and scholars that these social programs have failed to effectively help the needy sectors of society escape poverty. Neither have they helped to install a more participatory mode of social governance and pluralistic access to social benefits. Studies and evaluations have found vast irregularities in the manner social programs have been implemented.[139] Despite regulations and mechanisms designed to guarantee pluralistic access to these social programs, clientelist machinations have trumped pluralist practices in the selection of beneficiaries. In contrast to Chile, technocratic reformers in Argentina failed to protect pluralist reform from capture.

This study argues that technocratic reformers in Argentina had regime institutions stacked against them. First of all, the political regime directly hampered technocratic reformers' efforts to enforce compliance with the pluralist practices. As was already discussed in Chapter 2, delegative democracy provides Argentine political leaders, both at the national and the sub-national level, with wide discretion to politically manipulate social programs. According to most referents interviewed for this study, agencies of intra-state control such as the *Sindicatura General de la Nación* (SIGEN) or the Auditoría General de la Nación (AG) lack resources to properly monitor and control the administration of social programs, not to mention powers to sanction abuse. Evaluations carried out by the AG have found important irregularities and corruption in

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[139] For an overview, see Dinatale (2004). See also Vinocur and Halperin (2004).

the manner that a number of social programs have been implemented, but these evaluations have had no practical consequences as they have either been withdrawn following political interference or, having been approved and sent to Congress, hindered from being discussed by the congressional committee in charge (i.e. the *Comisión Mixta Revisora de Cuentas*).[140] According to officials at the SDS, neither SIGEN nor AG played any significant role in the control of the implementation of social programs. On the whole, according to these officials, abuse could not be prevented other than by withholding program resources from being transferred, but this Menem did not want to do (author interviews, 2005; 2006). As for the World Bank and the IDB, organizations that provided the bulk of funding for these programs, they were primarily interested in seeing funds allocated on time. Whether programs were being implemented according to pluralist practices were of a lesser concern (Ibid). This issue also arose in interviews with officials from the IDB who confirmed that the level and timing of loan executions were their main concern (author interviews, 2005). With regard to the ability of the opposition to enforce congressional oversight mechanisms and checking for abuse in the allocation of social funds, it was limited due to the "hyper-presidentialist" characteristics of the Argentine democratic regime. Most social programs under Menem were executed by decree without the legislature having a chance to influence their design and enforce control mechanisms.

Secondly, and relating to Menem's unwillingness to withhold funds from being transferred to the provinces, the territorial regime has prevented technocrats from effectively implementing pluralist practices at the sub-national level. As was shown in Chapter 2, decentralized-federalism provides topocrats in Argentina with considerable influence over social program execution. Officials at the SDS testify about their deep

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[140] See Dinatale (2004) for details. See also Santiso (2008) for evidence of the politicization of the AG.

frustration with territorial politics. Mechanisms designed to invoke pluralist practices in administering social programs were continually subverted by local political interests. Facing weak agents of intra-state control and under pressure to respond to popular demands, topocrats had compelling incentives to make use of a "delegative mandate" to consolidate clientelistic networks in their respective "fiefdoms". For topocrats, such as the Juarez clan in Santiago del Estero, Governor Saá in San Luis, or Governor Duhalde in Buenos Aires to mention only the most notorious examples, funds from federal social programs provided essential resources to sustain local party machines and populist projects. From the perspective of technocratic reformers at the SDS, even worse was the decentralization of programs such as FONAVI whereby the federal state lost all control over fund management. With regard to programs centrally administered by the SDS, officials complained about how local executives and party bosses could use their leverage over the federal government to have auditory and technical procedures for the administration of program funds relaxed. According to one program official, the federal government was even compelled by local executives to withdraw project funding where it contributed to strengthen autonomous civil groups at the expense of party networks (author interview, 2006). Clearly, the "political topography" of Argentina, in which sub-national political actors are provided with both incentives and opportunities to capture targeted programs for the local populist projects, constituted a major hindrance to technocrats' efforts to implement a more pluralist and participatory social governance. As the power of the executive also depends on commanding a large enough coalition of topocrats, he/she needs to engage in territorial pork-barrel politics to ensure their loyalty. As such, Menem was hard pressed to turn a blind eye to the widespread abuse of targeted programs at the sub-national level. In fact, by giving allied governors funds to fuel their local party

machines and to feed Peronist political loyalties, Menem was able to sustain a "peripheral coalition" in support of his political program (see Gibson, 1997).

Hence, as a result of Argentina's regime institutions, efforts to institute a more participatory mode of social governance were subverted by political interests. Given the dismantling of corporatism, targeted programs provided a new means for Peronist leaders to reinforce clientelistic linkages, helping the PJ sustain its ties to the popular sectors and defuse popular protest in a context of neoliberal reform. Benefits from targeted programs were thus used to foster populist projects at the local level even when policies designed at the national level were obviously anti-populist. As Levitsky (2003) has showed, the PJ converted from having been a union-based party into a party based on the distribution of clientelistic benefits to the growing strata of informal and poor workers. During the 1990s, clientelistic networks linked to the ruling PJ became an increasingly important channel for state access. Through these "problem-solving networks" (Auyero, 2000) subaltern sectors were able to acquire goods and services in exchange for their political loyalty.

Such populist governance carried risks as the new clientelistic ties helped politicize the linkages between the ruling elites and the subaltern sectors. The process whereby politicians variously dole out particularistic benefits in return for political loyalty or to dampen political protest feeds political mobilization that under the right circumstances may be turned against the incumbent elite. As Auyero et al. (2009) have showed, clientelist politics played an instrumental role in the massive uprisings against the ruling elites from the late 1990s onwards. Clientelist networks served as a mobilizing structure for the organization of protest. As the case of *Plan Trabajar* aptly demonstrates, the discretionary manner in which program benefits were handled generated incentives for collective organization on the part of unemployed and

community groups. Access to benefits also helped empower these groups making them "attractive partners for opposition labor unions, which sought to leverage discontent against the national government" (Garay, 2007: 34). What initially was conceived as a way to co-opt these rather small and isolated instances of autonomous organization thus ended up having the opposite effect by strengthening these groups and multiplying acts of protest.

Ultimately, such populist governance also generated electoral costs for the ruling party. The opposition gained strength from the widespread discontent among the middle classes with clientelist practices and populism. The opposition focused much of its criticism on crucial features of the populist mode of social governance, particularly the endemic clientelism and politicization of social programs. Indeed, taking advantage of the growing dissatisfaction with social governance the Alianza easily won the 1999 elections. By then, however, the populist mode of social governance was already firmly enmeshed within the political topography of Argentine federalism, making it hard for the new ruling coalition to depart from it. While it falls outside the scope of this chapter, it suffices to say that the attempts by the new government to revamp social governance failed in face of opposition from PJ topocrats who still controlled a majority of the provinces. In an effort to undercut the power of PJ clientelist networks and co-opt the piquetero movement, the De la Rúa government allowed piquetero organizations to have direct access, control and administration of social programs such as *Plan Trabajar*. Yet, this strategy only contributed to increase the autonomy and power of the *piquetero* movement vis-à-vis the government, which was demonstrated in all clarity as the Alianza fell victim to its own strategy in December 2001, when groups of piqueteros and middle-class protesters took to the streets disgusted with the ruling elite demanding "*Que se vayan todos*" ("Out with them all!").

CONCLUSION

Though initially helping the consolidation of free market democracy, the populist mode of social governance that emerged under Menem arguably failed to ensure long-term governability. In fact, it may have directly contributed to the unravelling of the neoliberal model under the Alianza government. As was argued in Chapter 1, populist modes of social governance are inherently unstable and prone to sudden outbursts of counter-mobilization. Indeed, the social, political, and economic collapse at the end of 2001 highlighted the contradictions and the weakness of the populist mode of social governance that emerged in the 1990s. The chronic overspending derived from the need to finance clientelist networks, the perceived corruption of such clientelism, and the inconsistency between the economic imperatives of the neoliberal model and the politicization of state-society relations inherent in the populist mode of social governance all contributed to the 2001 crisis.

The populist mode of social governance was important for the imposition of the neoliberal economic model during the 1990s. Presidential decree powers could not stem the prospect of rebellion in the Peronist party or massive popular protest that potentially could have derailed economic reform and undermined governability. The clientelistic rewards inherent in the populist mode of social governance helped defuse popular protest and buy the support of provincial leaders. But it left several problematic legacies that put Menem's successors in a difficult bind, particularly as economic conditions turned for the worse towards the end of the 1990s.

The populist mode of social governance was sustained in part by accumulating public debt. Federal transfers to the provinces increased steadily throughout the decade with large amounts flowing directly into local patronage organizations. Desperate for the support of the powerful governors, the central state had few means

to enforce fiscal prudence on the provinces. Weak horizontal controls also ensured that provincial leaders were free to politically manipulate these funds, without much regard for structural adjustment or pluralist principles formulated by central state technocrats. Indeed, the logic of the system generated incentives to "overspend" in an effort to milk the central state for stabilization subsidizes and federal redistribution funds. Such overspending helped to increase the burden of federal debt while it simultaneously defused pressure at the provincial level for structural adjustment.

The political manipulations of targeted funds also contributed to the dramatic rise in public hostility toward the political elite, which was manifested in the wave of protests and riots that culminated in December 2001. As public funds to finance clientelist exchanges dried up and structural adjustment in the provinces could no longer be postponed, the grassroots organizations and social movements that had been nurtured by clientelism turned against the system. Indeed, as Ayuero has shown, the very same clientelist networks set up to manage social demands and defuse opposition against neoliberal restructuring became instrumental in feeding the wave of protest and riots that shook the country from the late 1990s onwards (Ayuero, 2005; Ayuero et al., 2009). As such, the populist mode of social governance in all likelihood helped sow the seeds of the 2001 crisis.

LOOKING BACK AND AHEAD

The present study provides an analytic description of the transformation of social governance in Argentina and Chile. The analysis shows how major economic and social changes put pressure on political leaders to initiate social policy reform, and how these reform attempts are shaped by prevailing ideas and institutions. Crucially, it shows how similar policy reforms may result in different modes of social governance. In Argentina and Chile, despite similar policy reforms being implemented – e.g. corporatist reforms in the 1930s/1940s and pluralist reforms in the 1990s – the result has not been a convergence in the mode of social governance between the two countries. This study argues that contrasting regime characteristics account for most of this divergence. Figure 7.1 summarizes the core features of this argument.

Figure 7.1   The Politics of Transforming Social Governance
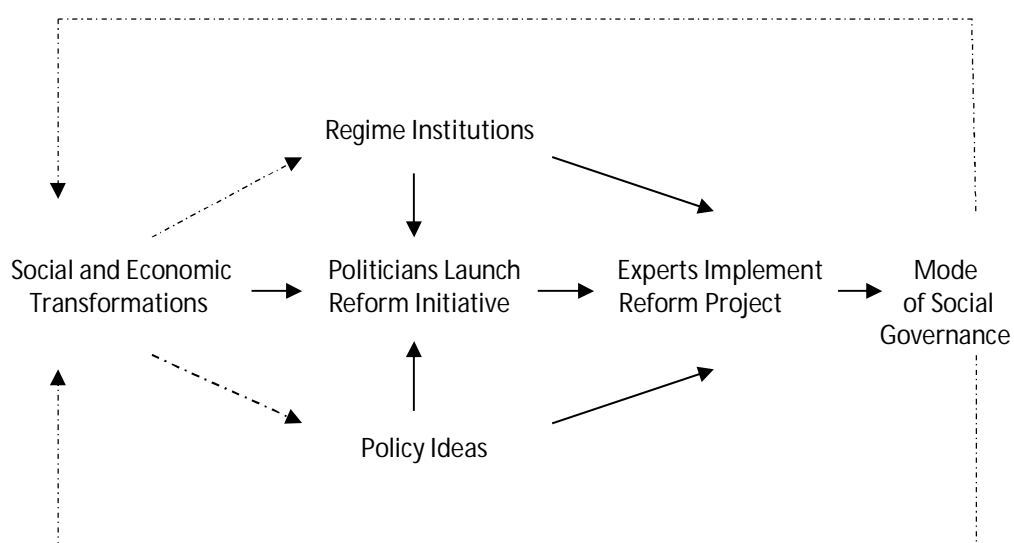
Prior studies have not provided a satisfactory framework for understanding diverging modes of social governance. In this study I provide a set of new conceptual and analytic tools for looking at the politics of transforming social governance. The comparative analysis of Argentina and Chile demonstrated the value of these tools by showing how they can account for the similarities and differences in social governance between the two countries. Previous analyses focus strongly on the external environment in explaining social policy change. While not dismissing the role played by international actors such as the World Bank and pressures of globalization, this study shows how the impact of external influences is filtered through domestic political contexts and constellations. Importantly, prior studies seldom look at how social policy reforms are actually being implemented. This study shows how pluralist anti-poverty reforms may have important unintended consequences as a result of "implementation gap". Herein, my findings also challenge widely held assumptions that expect pluralist reforms to help to institute a more participatory mode of social governance.

Interestingly, almost counter-intuitively, the study shows how pluralist reforms have contributed to strengthen some state actors, most importantly topocrats (especially in Argentina) and social technocrats (especially in Chile). Implementing the pluralist social policy approach calls for technocratic experts to design new targeted and participatory mechanisms. Successfully administering targeted interventions requires technocratic skills and procedures. Also, mechanisms designed to strengthen participation and demand-orientation such as competitive bidding help to strengthen technocratic control over the allocation of benefits. As such, in both Argentina and Chile, technocratic experts had a key role in social governance during the 1990s. As we saw in the case of Argentina, however, the influence of technocrats was circumscribed by topocrats who were able to capture many of the pluralist social reforms and anti-poverty programs. The pluralist approach with its emphasis on decentralization and targeted programs provided topocrats with valuable resources to strengthen clientelist networks and consolidate their grip on local political turf. Paradoxically, then, pluralist social policies may create opportunities for traditional elites to reassert their hegemony, particularly in places where institutions of horizontal accountability are weak. As we saw in Chapters 3 and 4, corporatist social policies in the 1930/1940s helped to destroy the powerbases of traditional elites and to strengthen popular actors such as trade unions. As corporatism was later dismantled in the neoliberal era, trade unions were severely weakened. Pluralist social reforms were then presented as a means to strengthen the ability of new popular actors such as NGOs and grassroots organizations to participate in social policymaking. But rather than launching "associative networks", these organizations were usually incorporated into either neo-clientelist networks as in Argentina, where they have often been enlisted to act as middlemen in doling out particularistic benefits to political loyalists, or into neo-

pluralist networks as in Chile, where they are incorporated into funding relationships on the highly technical terms set by the techno-bureaucracy and in the process come to downplay political advocacy functions and reduce their demands on the state.

Obviously, with only two countries on which to draw, the insights that rise from this study needs to be examined critically by testing them against other cases. As for generalizing, the present study merely aspires, in the spirit of Malloy (1979: 4), to "present findings that will be theoretically suggestive for future comparative analysis". Indeed, the study raises a number of important questions for future research.

First of all, the role of regime institutions in shaping social governance needs to be further examined. One question concerns the effect of *political regime*. For instance, this study showed how the type of democracy aids in explaining the mode of social governance in Argentina and Chile. "Delegative" democracy in Argentina provides incentives (and opportunities) for political leaders to strategically manipulate social funds for populist purposes in helping to install a populist mode of social governance. By contrast, "protected" democracy in Chile provides political leaders with neither incentives nor much discretion to manipulate social funds in a populist fashion. Instead, protected democracy induces Chilean political leaders to follow a highly technocratic trajectory in implementing social reforms in which rational-bureaucratic criteria trump political considerations in the distribution of social funds helping institute a technocratic mode of social governance. Does this apply to other cases of delegative and protected democracies as well? Importantly, this study did not include a case of full-fledged "liberal" democracy in which institutions of both vertical and

horizontal accountability are strong.[141] Future studies should include cases of all types of democratic regime to find out the exact effects on social governance.

Another question concerns how *territorial regime* affects the politics of transforming social governance. This study showed how territorial regime directly affects the ability of technocratic reformers to implement pluralist reform. The Argentine case suggests that in decentralized-federalism topocrats constitute a formidable obstacle to the successful implementation of pluralist anti-poverty reform. By contrast, in centralized-unitarism, as the Chilean case suggests, topocrats are weak, paving the way for technocratic reformers to assert control over the process of implementing pluralist anti-poverty reform. Future research also needs to incorporate other types of territorial regime to the comparative analysis. This study lacked cases of decentralized-unitarism as well as centralized-federalism (see Figure 1.1, Chapter 1). Moreover, modes of social governance may vary widely at the sub-national level. In cases of decentralized-federalism such as Argentina and Brazil we can expect variation in how social governance is being conducted between different sub-national units. Such variation is presumably less prominent in centralized-unitary regimes such as Chile and Uruguay. What about centralized-federalism or decentralized-unitarism? A comparison of sub-national units should also bring obvious benefits in terms of being able to use intra-national comparisons that make it easier to establish control over alternative explanatory variables.[142]

Secondly, the role of policy sector needs to be further examined. Chapters 3 and 4 of my study adopted a cross-sectoral perspective, conducting a historical analysis of key social policies with a view to the transformation of social governance in Argentina

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[141] Nor did this study include any cases from the "limited" democratic category depicted in Figure 1.2, Chapter 1.

[142] For a discussion of the "subnational comparative method", see Snyder (2001).

and Chile. Chapters 5 and 6 then turned to give specific focus to anti-poverty policy in the contemporary era. As such, however, the study does not shed enough light on the role that sectoral variation may play in the politics of transforming social governance. Does the mode of social governance differ between sectors? Studies that specifically compare different policy sectors should improve our understanding of the politics of transforming social governance. By including in the comparative analysis of Argentina and Chile another policy sector, such as housing or healthcare, the argument made in this study could be put to the test through controlled case comparison.

Finally, future research should reserve more attention to "different actors' capacities for political participation and civic engagement" (Shadlen, 2004: 11), particularly dynamics of collective action and organization building among the subaltern sectors. This study puts emphasis on state actors in social governance. There are good reasons for such an emphasis. As explained above, the pluralist social policy approach may, somewhat paradoxically, contribute to strengthen state actors such as topocrats and technocrats. The dismantling of corporatism has led to a weakening of social actors such as trade unions. Under corporatism, states provided unions with organizational support and access to resources in exchange for their submission to the system of corporatist controls. As we saw in Chapters 3 and 4, the corporatist social policy approach helped strengthen societal interests and demand-making to the point when they spiraled "out of control" (Kurtz, 2004b: 271). The efforts by neoconservative dictatorships to restore governability hinged on deactivating these societal actors through repression and prohibitions against socio-political organization. The structural changes coupled with the decline of the state-centric matrix have

helped exacerbate the weakening of societal actors' organizational and mobilizational capacities.[143]

Potentially, the pluralist approach may help generate organizational and mobilizational capacity among subaltern sectors. As we saw in Chapter 6, *Plan Trabajar* contributed to form common interests and identities among *piqueteros* in Argentina, helping them overcome barriers to collective action (Garay, 2007). In this instance, politicians provided workfare benefits in exchange for unemployed workers' submission to the system of clientelist controls. Again, it contributed to foster coordinated action among previously isolated sectors, helping unleash social forces beyond the control of the state, culminating in the crisis of 2001. While often having unintentional consequences, state responses to societal demands are thus clearly an important determinant of different societal actors' capacities for collective action and political participation.

Yet, the literature on social movements and collective action has showed that the bases of different actors' capacities for political participation not only depend on state structures and policies but also on variables such as the party system, class structures and organizational as well as cultural traits.[144] These are variables that are not given much room in this study. Future research would benefit from looking more closely at how these variables affect the opportunities and capacities of the poor to govern themselves.

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[143] For discussion, see Collier and Handlin (2005).
[144] For an overview, see Tarrow (1998).

SELECTED INTERVIEWS[145]

<u>Argentina</u>

Amadeo, Eduardo. 2005. Diputado Nacional (PJ – Province of Buenos Aires, 1991-94) and ex-Secretario de Estado de Desarrollo Social. Interview by author. Buenos Aires.

Acuña, Carlos. 2004. Ex-Program Manager, PROMIN. Expert on social policy in Argentina. Interview by author. Buenos Aires.

Bombarolo, Félix. 2006. Consultant; and ex-Coordinador de Planificación y Gestión, PAGV-SDS. Interview by author. Buenos Aires.

Cravino, María Cristina. 2006. Poverty and housing policy expert. Interview by author. Buenos Aires.

De Paula, Aldo. 2006. Civil society activist (Madre Tierra). Interview by author. Buenos Aires.

Díaz Muñoz, Ana Rita. 2005. Consultant; ex-Coordinadora General, PAGV-SDS.

Fara, Luis. 2005 and 2006. Ex-Director de Cultura-ATE; ex-Gerente de Asistencia Técnica and ex-Coordinador Nacional, PROMIN-MSAS. Interviews by author. Buenos Aires.

Fernández Wagner, Raúl. 2006. Slum settlement and housing policy expert. Interview by author. Buenos Aires.

Fernández, Roque. 2006. Ex-president of the Central Bank and ex-Minister of the Economy. Interview by author. Buenos Aires.

Forni, Pablo. 2005. Poverty and civil society expert. Interview by author. Buenos Aires.

Fridman, Viviana. 2005. Ex-Coordinadora de la Unidad de Financimiento Internacional de la Secretaría de Desarrollo Social; ex-Subsecretaria de Proyectos Sociales de la Secretaría de Desarrollo Social. Interview by author. Buenos Aires.

García Delgado, Daniel. 2005. Administration expert. Interview by author. Buenos Aires.

Goytia, Cynthia. 2006. Housing policy expert. Interview by author. Buenos Aires.

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[145] In addition to the interviews listed here, a number of more informal discussions with social activists and representatives of civil society organizations were conducted by the author.

Langsam, Martin. 2004. Ex-official at the Social Expenditure Unit – Ministry of the Economy.

Leiras, Marcelo. 2005. Public policy expert. Interview by author. Buenos Aires.

Levy, Esther. 2005. Trade union activist (CTA) and social policy expert. Interview by author. Buenos Aires.

López Levy, Marcela. 2005. Civil society expert. Interview by author. Buenos Aires.

Martínez de Jiménez, Lydia Mabel. 2006. Ex-Directora Nacional de Políticas Habitacionales and ex-Directora de Planificación Habitacional, Subsecrataria de Desarrollo Urbano y Vivienda – SDS. Interview by author. Buenos Aires.

Meisegeier, José María (Padre "Pichi"). 2006. Jesuit priest; community activist; President of el Secretariado de Enlace de Comunidades Autogestionarias (SENECA). Interview by author. Buenos Aires.

Novakovsky, Irene. 2005. Ex-Coordinadora, SIEMPRO-SDS. Interview by author. Buenos Aires.

Peruzzotti, Enrique. 2005. Civil society expert. Interview by author. Buenos Aires.

Pessino, Carola. 2006. Ex-advisor to the Minister of the Economy and Undersecretary of Public investment and Social Expenditure – MoE; ex-Secretary of Fiscal Equity – Jefatura de la Gabinete; ex-General Coordinator of the National Tax and Social Identification System (SINTyS). Interview by author. Buenos Aires.

Puppo, José María. 2005. Ex-Resident Representative, IDB-Argentina. Interview by author. Buenos Aires.

Rocha, José. 2006. Civil society activist (Madre Tierra/FTV). Interview by author. Buenos Aires.

Rodríguez, Raul Pedro. 2006. Director de la Dirección Control de Gestión del FONAVI. Interview by author. Buenos Aires.

Rodulfo, María Beatriz. 2006. Ex- Directora Nacional de Políticas Habitacionales and ex-Directora Nacional de Programas para la Emergencia Habitacional, Subsecretaria de Desarrollo Urbano y Vivienda – SDS/MSALyAS. Interview by author. Buenos Aires.

Saba, Roberto. 2005. Public policy and legal expert. Interview by author. Buenos Aires.

Sabra, Mariel. 2005. Ex-Civil Society Liaison, IDB-Argentina. Interview by author. Buenos Aires.

Solla, Alejandra. 2005. Consultant; ex-Asesor de Capacitación, CENOC-SDS.

Tedeschi, Sebastián. 2006. Coordinador del Programa de las Américas del Centro por el Derecho a la Vivienda contra los Desalojos (COHRE). Interview by author. Buenos Aires.

Chile

Arriagada, Patricia. 2006. Ex-Jefa de Comité, Asesora Técnica y Jefa de la Subdivisión Jurídica en la División Toma de Razón y Registro; ex-Jefa de la División Municipalidades – Contraloría General. Interview by author. 2006.

Bowen, Sebastián. 2006. Civil society activist (Un Techo para Chile). Interview by author. Santiago de Chile.

Camhi, Rosita. 2006. Poverty and social policy expert. Ex-Coordinadora de Programas Sociales – ODEPLAN. Ex-Asesora de la Fundación Miguel Kast. Interview by author. Santiago de Chile.

Díaz Silva, Juán. 2005. Trade union leader (FENPRUSS). Interview by author. Porto Alegre.

Etchegaray, Alberto. 2006. Ex-Ministro de Vivienda y Urbanismo; ex-Presidente del Consejo Nacional para la Superación de la Pobreza. Interview by author. Santiago de Chile.

García, Alvaro. 2006. Ex-Ministro Secretario General de la Presidencia; ex-Ministro de Economia; ex-Subsecretario de Planificación – MIDEPLAN. Interview by author. Santiago de Chile.

Horst, Bettina. 2006. Local government and housing expert. Ex-Consejera (UDI – Gobierno Regional Metropolitano de Santiago); Ex-Jefa del Area Monetaria en el departamento de Estudios – Banco Central. Interview by author. Santiago de Chile.

Irrarázaval, Ignacio. 2006. Poverty and civil society expert; ex-Miembro del Consejo Ciudadano para el Fortalecimiento de la Sociedad Civil. Interview by author. Santiago de Chile.

Mercado, Olga. 2006. Ex-Profesional del Departamento del Estudios Sociales and del Departamento de Planificación y Gestión del Territorio– MIDEPLAN. Interview by author. Santiago de Chile.

Molina, Sergio. 2006. Ex-Ministro de Planificación y Cooperación. Interview by author. Santiago de Chile.

Navia, Patricio. 2006. Political Scientist. Interview by author. Santiago de Chile.

Palma, Andrés. 2006. Diputado Nacional (DC – Región Metropolitana); ex-Director Ejecutivo del Programa Chile Barrio; ex-Ministro de Planificación y Cooperación. Interview by author. Santiago de Chile.

Pérez Díaz, Cecilia. 2006. Ex-Jefa de Estudios and ex-Directora Ejecutiva de la Fundación Nacional para la Superación de la Pobreza. Ex-Ministra de Planificación y Cooperación; ex-Ministra del Servicio Nacional de la Mujer. Interview by author. Santiago de Chile.

Razcynski, Dagmar. 2006. Social policy expert; ex-Consejera en el Consejo del FOSIS; ex-Directora Ejecutiva de CIEPLAN. Interview by author. Santiago de Chile.

Rodriguez, Alfredo. 2006. Civil society activist. Director del SUR. Ex-Asesor de Alberto Ethegaray en el Ministro de Vivienda y Urbanismo.

Sepúlveda Ocampo, Rubén. 2006. Housing policy expert. Interview by author. Santiago de Chile.

Walker, Ignacio. 2005. Diputado Nacional (DC – V Región de Valparaíso); ex-Ministro de Relaciones Exteriores; ex-Director de CIEPLAN; ex-Asesor de Edgardo Boeninger en la Secretaría General de la Presidencia. Interview by author. Helsinki, Finland.

ECONOMIC AND SOCIAL INDICATORS

Table A.1 Macroeconomic Indicators for Chile, 1980-2006

Year	GDP Growth	Inflation[1] (Greater Santiago)	External Debt
1980	7.9		11 207
1981	6.2	9.5	-
1982	-13.6	20.7	-
1983	-2.8	23.1	-
1984	5.9	23.0	-
1985	2.0	26.4	20 403
1986	5.6	17.4	-
1987	6.6	21.5	-
1988	7.3	12.7	-
1989	10.6	21.4	-
1990	3.7	27.3	18 576
1991	8.0	18.7	17 319
1992	12.3	12.7	18 964
1993	7.0	12.2	19 665
1994	5.7	8.9	21 768
1995	10.6	8.2	21 736
1996	7.4	6.6	22 979
1997	6.6	6.0	26 701
1998	3.2	4.7	31 691
1999	-0.8	2.3	34 112
2000	4.5	4.5	36 477
2001	3.4	2.6	38 527
2002	2.2	2.8	40 504
2003	3.9	1.1	43 067
2004	6.0	2.4	43 517
2005	5.6	3.7	44 934
2006	4.6	2.6	47 590

Source (the autor has received permission by ECLAC to include this material): Matías Holloway and Salvador Marconi, "América Latina y el Caribe: series históricas de estadísticas económicas, 1950-2008" serie *Cuadernos estadísticos*, No. 37 (LC/G.2415-P), Santiago de Chile, Comisíon Económica para América Latina y el Caribe (CEPAL), agosto de 2009. Publicación de las Naciones Unidas, No. de venta: S.09.II.G.72.; ECLAC (Economic Commission for Latin America and the Caribbean) (various years[3]), *Anuario Estadístico de América Latina y el Caribe/Statistical yearbook for Latin America and the Caribbean*, Santiago de Chile. United Nations Publication.
Note: [1]Average annual growth of consumer prices. [2]Total disbursed external debt
(includes public and private as well as debt with the IMF). [3]See list of references for specific source referencing.

Table A.2 Macroeconomic Indicators for Argentina, 1980-2002

Year	GDP Growth	Inflation[1] (Greater Buenos Aires)	External Debt[2]
1980	1.5	-	27 162
1981	-5.4	131.3	-
1982	-3.2	209.7	-
1983	4.1	433.7	-
1984	2.0	688.0	-
1985	-6.9	385.4	49 326
1986	7.1	81.9	-
1987	2.6	174.8	-
1988	-1.9	387.7	-
1989	-6.9	4923.5	-
1990	-1.8	1343.9	62 233
1991	10.6	84.0	61 334
1992	9.6	17.5	62 766
1993	5.7	7.4	72 209
1994	5.8	3.9	85 656
1995	-2.8	1.6	98 547
1996	5.5	0.1	110 613
1997	8.1	0.3	125 052
1998	3.9	0.7	141 929
1999	-3.4	-1.8	145 289
2000	-0.8	-0.7	146 575
2001	-4.4	-1.5	140 273
2002	-10.9	41.0	134 340

Source (the autor has received permission by ECLAC to include this material): Matías Holloway and Salvador Marconi, "América Latina y el Caribe: series históricas de estadísticas económicas, 1950-2008" serie *Cuadernos estadísticos*, No. 37 (LC/G.2415-P), Santiago de Chile, Comisíon Económica para América Latina y el Caribe (CEPAL), agosto de 2009. Publicación de las Naciones Unidas, No. de venta: S.09.II.G.72.; ECLAC (Economic Commission for Latin America and the Caribbean) (various years[3]), *Anuario Estadístico de América Latina y el Caribe/Statistical yearbook for Latin America and the Caribbean*, Santiago de Chile. United Nations Publication.

Note: [1]Average annual growth of consumer prices. [2]Total disbursed external debt (includes public and private as well as debt with the IMF). [3]See list of references for specific source referencing.

Table A.3 Unemployment and Informality in Chile, 1980-2006 (Selected Years)

Year	Unemployment	Informality[1]
1980	10.4	-
1985	15.3	-
1990	7.8	21.4
1991	-	-
1992	6.7	-
1993	6.5	-
1994	7.8	-
1995	7.4	-
1996	6.4	22.0
1997	6.1	-
1998	6.4	22.9
1999	9.8	-
2000	9.2	23.7
2001	9.1	-
2002	9.0	-
2003	8.5	22.4
2004	8.8	-
2006	-	20.2

Source (the author has received permission by ECLAC to include this material): ECLAC (Economic Commission for Latin America and the Caribbean) (various years[2]), *Anuario Estadístico de América Latina y el Caribe/Statistical yearbook for Latin America and the Caribbean*, Santiago de Chile. United Nations Publication.; CEDLAS and the World Bank, *Socio-Economic Database for Latin America and the Caribbean* (http://www.depeco.econo.unlp.edu.ar/sedlac/eng/index.php).

Notes: [1]Share of salaried workers in informal jobs (i.e. workers with no right to a pension). [2] See list of references for specific source referencing.

Table A.4 Unemployment and Informality in Argentina, 1980-2002 (Selected Years)

Year	Unemployment (Urban areas)	Informality[1] (Urban areas)[2]
1980	2.6	-
1985	6.1	-
1986	-	24.0
1987	-	-
1988	-	29.9
1990	7.4	-
1991	-	32.5
1992	7.0	31.2
1993	9.6	31.9
1994	11.5	29.1
1995	17.5	33.1
1996	17.2	35.1
1997	14.9	36.2
1998	12.9	37.9
1999	14.3	38.3
2000	15.1	38.5
2001	17.4	38.7
2002	19.7	44.1

Source (the author has received permission by both ECLAC and CEDLAS to include this material): ECLAC (Economic Commission for Latin America and the Caribbean) (various years[3]), *Anuario Estadístico de América Latina y el Caribe/Statistical yearbook for Latin America and the Caribbean*, Santiago de Chile. United Nations Publication.; CEDLAS and the World Bank, *Socio-Economic Database for Latin America and the Caribbean* (http://www.depeco.econo.unlp.edu.ar/sedlac/eng/index.php).
Notes: [1]Share of salaried workers in informal jobs (i.e. workers with no right to a pension).
[2]Represents a large and increasing number of urban areas. [3]See list of references for specific source referencing.

Table A.5 Poverty and Income distribution in Chile, 1987-2006 (Selected Years)

Year	Poverty[1]	Extreme Poverty	% Share of Bottom 20%	% Share of Top 20%	Gini[2]
1987	45.1	17.4	3.4	61.3	0.561
1990	38.6	13.0	3.6	60.4	0.551
1992	32.8	9.0	3.9	60.0	0.547
1994	27.7	7.6	3.8	60.0	0.549
1996	23.2	5.7	3.7	60.1	0.548
1998	21.6	5.6	3.6	60.6	0.555
2000	20.2	5.6	3.7	60.5	0.552
2003	18.7	4.7	3.9	60.0	0.546
2006	13.7	3.2	4.3	57.5	0.518

Source (the author has received permission by CEDLAS to include this material): CEDLAS and the World Bank, *Socio-Economic Database for Latin America and the Caribbean* (SEDLAC) (http://www.depeco.econo.unlp.edu.ar/sedlac/eng/index.php).
 Notes: [1]Individuals below the poverty line as a percentage of total population. Include individuals in situations of extreme poverty (SEDLAC misleadingly characterizes the category as "moderate poverty", although the data is based on the CASEN household survey that lists the share of total poor under this category. See MIDEPLAN, *Serie de análisis de resultados de la Encuesta de Caracterización Socioeconómica Nacional (CASEN) 2006.* Santiago de Chile: MIDEPLAN, 2007). [2]Calculated on the basis of household per capita income.

Table A.6 Poverty and Income distribution in Argentina, 1980-2002 (Selected Years)

Year	Poverty[1]	Extreme Poverty	% Share of Bottom 20%	% Share of Top 20%	Gini[2]
1980	-	-	5.9	45.7	0.393
1986	-	-	5.5	48.2	0.422
1988	32.3	10.7	4.4	50.7	0.456
1989	47.3	16.5	-	-	-
1990	33.7	6.6	-	-	-
1991	21.5	3.0	4.9	52.4	0.465
1992	17.8	3.2	4.8	50.6	0.450
1993	16.8	4.4	4.7	49.7	0.444
1994	19.0	3.5	4.6	50.6	0.453
1995	24.8	6.3	4.1	53.4	0.481
1996	27.9	7.5	4.0	53.4	0.486
1997	26.0	6.4	3.9	53.3	0.483
1998	25.9	6.9	3.7	54.8	0.502
1999	26.7	6.7	3.8	53.8	0.491
2000	28.9	7.7	3.5	54.8	0.504
2001	35.4	12.2	3.1	56.4	0.522
2002	54.3	24.7	3.0	57.5	0.533

Source (the author has received permission by CEDLAS to include this material): CEDLAS and the World Bank, *Socio-Economic Database for Latin America and the Caribbean* (SEDLAC) (http://www.depeco.econo.unlp.edu.ar/sedlac/eng/index.php).
Notes: [1]Individuals below the poverty line as a percentage of total population in the area of Greater Buenos Aires. Include individuals in situations of extreme poverty (SEDLAC misleadingly characterizes the category as "moderate poverty", although the data is based on the EPH household survey that lists the share of total poor under this category. See INDEC (www.indec.gov.ar). [2]Calculated on the basis of household per capita income.

Table A.7 *This graph, "Social Conflict in Argentina 1982-2002 (Number of Demonstrations by Type)", has been removed as the copyright is owned by another organization.*

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