



UNRISD

United Nations Research Institute for Social Development

The Politics and Policies of Social Incorporation in Latin America

Fernando Filgueira

Senior Researcher at the Centro de Información y Estudios Sociales del Uruguay (CIESU)

Draft paper prepared for the UNRISD Conference
New Directions in Social Policy: Alternatives from and for the Global
South
7-8 April, 2014, Geneva, Switzerland



The United Nations Research Institute for Social Development (UNRISD) is an autonomous research institute within the UN system that undertakes multidisciplinary research and policy analysis on the social dimensions of contemporary development issues. Through our work we aim to ensure that social equity, inclusion and justice are central to development thinking, policy and practice.

UNRISD, Palais des Nations
1211 Geneva 10, Switzerland

Tel: +41 (0)22 9173020
Fax: +41 (0)22 9170650
info@unrisd.org
www.unrisd.org

Copyright © United Nations Research Institute for Social Development

This is not a formal UNRISD publication. The responsibility for opinions expressed in signed studies rests solely with their author(s), and availability on the UNRISD Web site (www.unrisd.org) does not constitute an endorsement by UNRISD of the opinions expressed in them. No publication or distribution of these papers is permitted without the prior authorization of the author(s), except for personal use.

The politics and policies of social incorporation in Latin America
(DRAFT VERSION, DO NOT QUOTE)

Fernando Filgueira*

* The section of this think piece draws heavily on a coauthored work: “Shallow states, deep inequalities and the limits of conservative modernization: the politics and policies of incorporation in Latin America” by Fernando Filgueira, Luis Reygadas, Juan Pablo Luna and Pablo Alegre published in Blofield, Merike *The Great Gap: Inequality and the Politics of Redistribution in Latin America*. Penn University Press, 2011

1. A great transformation and an incipient response

Karl Polanyi's classical work, *The Great Transformation* (1944), echoes in the odd twenty years following the demise of authoritarian regimes and the end of Import Substitution Industrialization (ISI) in Latin America. I will argue that the shift to the left that is currently taking place in the region is best characterized as an incipient response to a process of rapid and multifaceted socio-political conservative modernization that took place in the last two decades and a half.

Conservative Modernization is a process by which while certain spheres and arenas of society become based on "modern" social relations (capitalist, bureaucratic, democratic) others remain dominated by forms of elite enclosure and tradition, thus inhibiting the expansion of other modern dynamics (coercion-based social relations, traditional elite politics, status-based hierarchical). The end result was fascism as a final stage of conservative modernization. Populism in Latin America was one of the solutions to the crisis of incorporation. But the region demonstrated that other options could come of the crisis of incorporation: reformist, democratic and revolutionary experiments were part of the developments of the first crisis of incorporation in the 1930's and 1940's.

The elite project of the 1980s in Latin America known as the Washington Consensus was in many ways the last project of conservative modernization: accepting and even pushing for electoral democracy and for market expansion and education expansion, but limiting the range of acceptable policies in such a way that inequality and uneven distribution of opportunities remained a dominant feature of the region -if not a heightened one- due to representation faults in politics, incomplete, oligopolistic and segmented markets, and social enclosure and segregation of status and opportunity.

It is not simply inequality, poverty and exclusion that are the basis of recent political and policy developments. It is that in combination with other socioeconomic transformations

that carry with them promises of incorporation (urbanization, labor market incorporation, educational advancement, and exposure to new consumption patterns) and also, with one critical political ingredient: the expansion and experience with electoral democracy during the last two and a half decades.

There are five processes that in our view illuminate the incorporation push of these last 20 to 30 years in Latin America. These are: 1) the expansion of market dynamics and market exchange mechanisms among Latin Americans, 2) the exposure of the Latin American population to new consumption patterns and behaviours, 3) the processes of massive educational incorporation, 4) the continuing processes of urbanization and agglomeration of the Latin American people, and 5) the increasing electoral and political participation of the Latin American people.

I believe that the “shift to the left” in Latin America represents the political expression of what in political sociology was termed in the 1940s and 1950s an incorporation crisis. In the postwar period this notion was applied mostly to help explain the emergence of populist leaders, movements and parties. The emergence of a modern working class, the increasing demands of an already small but vocal middle class and the need to make room for large masses of rural migrants in regimes that remained politically elitist, economically limited in terms of the institutionalization of modern labor practices, and socially exclusionary created major political and social tensions in the 1940s and 1950s. The popular and in many cases populist shift that dominated Latin American politics in these years was its most clear political expression. In the 1990s a second crisis of incorporation was brewing in Latin America. In recent electoral waves, these “second crises” gave birth to their political offsprings, consolidating what is known today as a regional “shift to the left”. This is a shift that is born of three parents (uninterrupted electoral democracies, secular social change and the shortcomings --and achievements-- of the Washington Consensus era) and sustained by a contingent road companion, which was external and economic in nature (the commodity boom). Today, the political offspring of the second incorporation crisis is only taking the first unsteady steps towards a possible full blown developmental shift.

2. Modernity and its undelivered promise: labor market incorporation, education expansion, real and virtual consumption, migratory patterns.

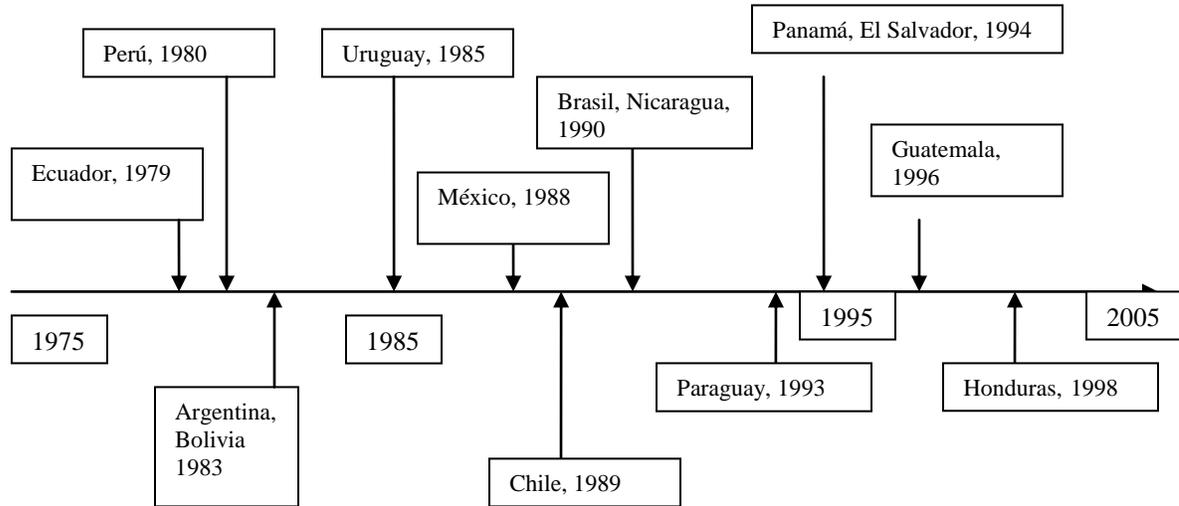
Sociologically, Latin America witnessed a major transformation during the last two decades. While this transformation creates a radically different scenario in terms of the frontiers and interactions between family, markets and the state, it is also fundamental to understand the micro-foundations of the political incorporation crisis that we describe in the next section. In other words, this social change is crucial to understand how collective political preferences are shaped and mobilized in contemporary Latin America.

The end of the ISI model and the thrust of the Washington Consensus had a radical effect in the degree to which market relations became a predominant channel through which people sought and gained a place in the world. This central transformation was joined by two additional factors to which Latin America became increasingly exposed to: transformed and expanded urban landscapes and a communications revolution that enhanced through demonstration effects and digital incorporation the exposure to and dissemination of new consumption patterns.

While going through these massive socioeconomic changes of the last 25 years, Latin America has also witnessed deep political change. In 1975 only four countries¹ in Latin America had electoral democracies and only one had had it for more than 20 years, Costa Rica. In the year 2000 almost all countries in Latin America were electoral democracies, however wanting they might be on issues relating to the liberal respect (Smith, 2004) or to substantive social incorporation. What is more important, between 1975 and 2005 more and more countries in Latin America elected their presidents and congress-members through open universal suffrage.

¹ These were Colombia, Costa Rica, Venezuela and the Dominican Republic.

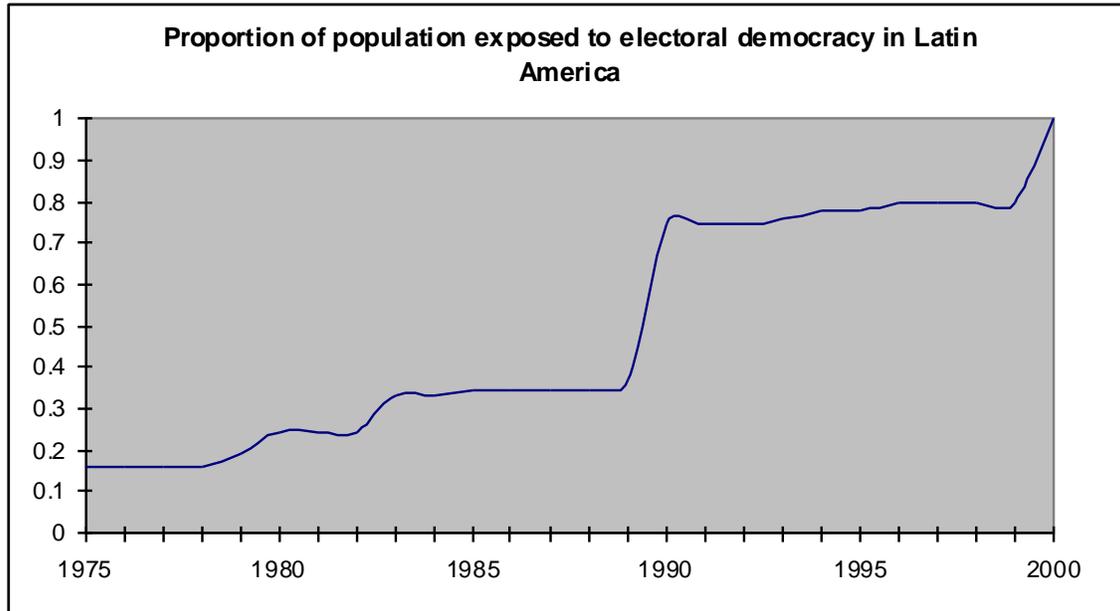
Figure 1. The invasion of the masses into Latin America through electoral democracy



Source: Smith, 2004, Przeworski et al, 2000

If we make a simple calculation we can through some simplifying assumptions estimate the increasing frequency of exposure to electoral promises, participation and eventually short term activism that the population in Latin America experienced in the last 20 to 25 years. Count each country and its population, classify it as electoral democracy or not and our chronology can be translated into the proportion of Latin Americans being exposed to competitive electoral processes. Thus for year “y” there are X_n countries with a Z proportion of population times 1 if they are classified as an electoral democracy and 0 if they are not.

Figure 2. Proportion of population exposed to electoral democracy in Latin America

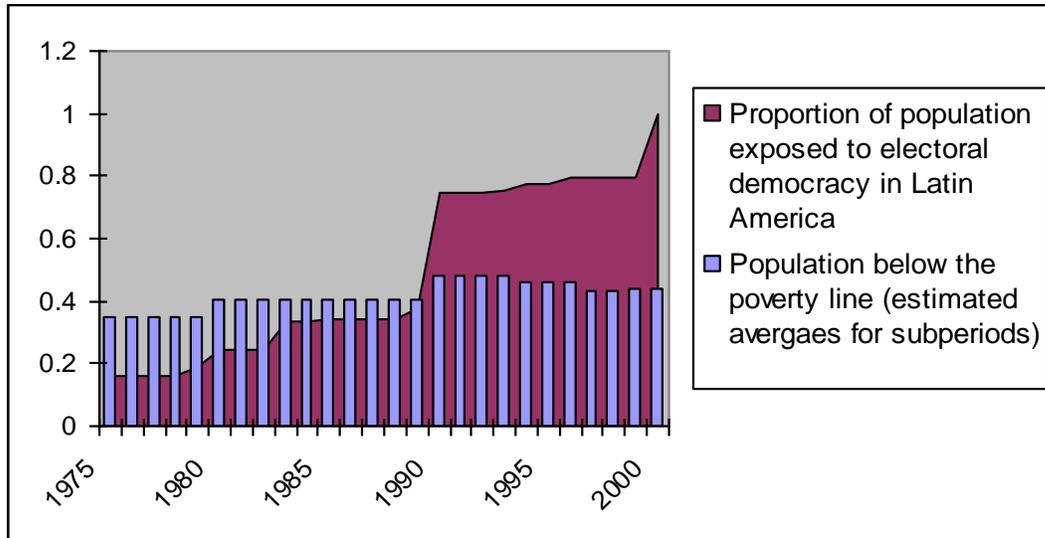


Source: Authors' elaboration based on World Bank population estimates for the year 2000, and data from Smith, 2004 for democratic regime classification.

The curve is staggering. And yet this is a curve that changes because of “new entries” into electoral democracy. We have to add to this evidence that of the durability of electoral democracies. Going back to Smith (2004) we can assert that never did so many democracies last for so long in Latin America.

But, Latin American societies exhibit levels of inequality and poverty that almost two decades of democracy had failed to overcome in any meaningful way: in many cases poverty had increased - or had persisted at appalling new heights – and in almost all instances inequality had intensified. This poses a dual challenge to the democratic future of the region: the challenge of **strengthening or, rather, constructing the social pillars of democracy** and that of demonstrating to the citizenry a certain **social function of democracy**. This last challenge does not imply the realization of socioeconomic equality among citizens, but the demonstration that in the long-term democracy seeks to protect the majority in times of crises and to ensure that citizens benefit in times of prosperity. As illustrated in the following graph, which shows the evolution of poverty in the region, the “social function of democracy” had not been fulfilled by the turn of the century.

Figure 3. Proportion of people living in electoral democracies and proportion of people living below the poverty line in Latin America



Source: World Development Indicators, World Bank, Smith (2004) and poverty estimates based on ECLAC 2006

Although the obstacles just discussed are still present, at the dawn of the new millennium, the political reality of Latin America has been transformed. The shift to the left has shown that apathy or apparent random outbursts could rapidly turn into **mass mobilization with a political purpose**, and that the apparent consensus on policies and limits for redistribution can be shattered at the rhetorical -and in many cases- real level. The old party systems that had existed before the authoritarian period of the 1970s, were put under siege by social and political contenders. These parties had to play the unpalatable role of final undertakers of the ISI model and embraced the complex construction of the open market-centric model. In the most unequal region of the world, in electoral democracies that became increasingly competitive and with a rhetoric and a model that looked at (already shallow) states and contentious politics with open animosity, the old parties attempted the impossible: to maintain legitimacy in a democratic context renouncing the state. The political landscape became populated by political corpses that gave way first to semi-authoritarian leaders with market-minded technocrats and later to new parties or to old contenders that appealed to a rather heterogeneous social base that included the historically excluded and the recently nervous

middle classes. Menem, Collor de Melo, Salinas de Gortari and Fujimori are part of the same crisis of incorporation that today empowers the left leaning options.

III. Universalism and its enemies: the promises and limits of social reform in Latin America

The second crises of incorporation opened the way to left leaning governments in Latin America. A simple figure shows the advance of these minded governments in the region. If we were to graphically express this shift to the left by electoral votes, the curve would be even more impressive, since in many countries left leaning options did not gain executive office, but notoriously increased electoral support.

With these governments a number of changes in policy were undertaken. Most of the sacred tenets of the Washington Consensus were contested. Thus, the State Enterprises and especially those dealing with the exploitation of natural resources were once again expanded rather than attacked and privatized, capital flows became more, not less regulated and labour market reform geared towards rights rather than deregulation.

The other area in which these changes became evident relate to social policy and fiscal policy. Expansion of coverage regarding social security, non-contributory transfers, health care and education and new risks being covered are part of today's advance in social citizenship. A parallel expansion of the fiscal basis of the state also took place.

The first experiment in social citizenship took place in the most advanced countries of Latin America with the ISI model of development. This was a corporatist push in line with the continental regimes of Europe, based on the idea of full employment, contributory social security and the male bread winner model. Given the limitations of the labour markets this was at best a stratified and truncated welfare model. With the crisis of ISI came a partial dismantling of this model and an attempt to build a residual welfare model in line with the tenets of the Washington Consensus with a retreat of the state, market and targeted solutions to social protection. Again the frailty of labour

markets and fault lines in the social sphere due to extremely high inequality and unaddressed old and new risks soon made obvious the limitation of the residual model.

During this shift to the left the region has witnessed a strong second push for social incorporation through social policies that is reshaping the boundaries of contributory, targeted and universal modes of social protection and social policy. Increased non-contributory pension transfers and family transfers, coverage expansion in health care guarantees and insurance, and an expansion in the educational services both in time (fulltime schools) and ages (early childhood and upper secondary and tertiary) testify to this push for a new frontier in social citizenship, aiming at mixed modes of universal social protection.

Yet these positive changes have been checked and limited by five obstacles that the region has not yet been able to overcome:

- The electoral coalition of left leaning governments: the complex distributional architecture of insiders and outsiders

Old ISI constituencies and long excluded informal and rural sectors form the lax coalition that has empowered the left leaning options. That places complex dilemmas for policy makers regarding the expansion of targeted, contributory and universal modes of social protection.

- The lock-in effects of contributory systems and the veto effect of privatized social protection

Contributory stratified systems subsidized from the general treasury take up a large amount of the disposable surplus –from wages and state resources- and limit the expansion of flat rate universal programs. The constituencies of contributory systems are stronger and better organized than the informal sector, women and rural population. The other veto player regarding a shift towards universal social policy and social protection are the very market solutions created in the late eighties and nineties. Private capitalization funds and health care providers are weary of robust expansions in coverage and quality that can compete with their clientele.

- The fragmentation effect of restricted targeting on policy and egalitarian distributional coalitions

Targeting tends to create a myriad of programs that are small in coverage but increasingly powerful in bureaucracy. This fragmentation creates the illusion of “doing something” while usually they lack strong effects in terms of both poverty and inequality reduction. Yet the effect they tend to have is to alienate the middle classes for the working poor and the informal sector. The perception of these middle sectors is that they are financing with their taxes the idle and the non-deserving poor. This drives a dangerous wedge in the very coalition that should be the long term constituency of the shift to the left.

- Fixed costs for middle class status and the competing space for the private and social wage

The middle classes and the new non-poor are weary of increased taxation. They do not trust the state capacity to give them back adequate services and social policies. Increases in productivity tend to go to private wages and less to state revenue and social investment.

- The public goods trap

This last point is strongly related to the former issue. Public goods (and merit goods) in Latin America are weak and lack a strong constituency. Thus those who can, opt out of these goods, and search (and pay) for private solutions (security, health care, education). In doing so they have no loyalty nor do they use their voice to defend these public and merit goods. In the end society as a whole only trusts private solutions and expect a private wage that will allow them to purchase these solutions in the market. This undermines the economic and fiscal feasibility of a strong state and the glue that would hold together a stable redistributive coalition.

References

- Blofield, Merike and Juan Pablo Luna , 2008. "The Social Bases of Polarization: Public Opinion Toward Redistribution in Latin America" *Paper presented at the annual meeting of the APSA 2008 Annual Meeting, Hynes Convention Center, Boston, Massachusetts.*
- ECLAC (2005); *Panorama Social de América Latina 2004*, CEPAL, Santiago de Chile.
- ECLAC (2007) *Panorama Social de América Latina*. CEPAL, Santiago de Chile.
- Filgueira, Fernando (1999). "Tipos de welfare y reformas sociales en América Latina: Eficiencia, residualismo y ciudadanía estratificada". *Reforma do Estado e mudanca institucional no Brasil*. M. A. Melo. Recife, Editora Massangana.
- Filgueira, Fernando. 2005. Welfare and Democracy in Latin America: The Development, Crises, and Aftermath of Universal, Dual, and Exclusionary Social States. UNRISD Project on Social Policy and Democratization.
- Filgueira, Fernando (2007); *Cohesión, riesgo y arquitectura de protección social en América Latina*. Serie Políticas Sociales 135, CEPAL (Santiago de Chile).
- Filgueira, Fernando *et al.*, (2005) *Universalismo básico : una alternativa posible y necesaria para mejorar las condiciones de vida en América Latina*, Montevideo, INDES.
- Germani, G. (1962): *Política y sociedad en una época de transición. De la sociedad tradicional a la sociedad de masas*, Buenos Aires, Paidós.
- Luna, Juan Pablo (2007) *Blossoming in the desert: Is the left really growing in contemporary Latin America? Why? For How long?*, paper presentado en el seminario "Latin America's Left Turns?: Political Parties, Insurgent Movements, and Alternative Policies", British Columbia, Vancouver.
- Moore, Barrington. 1966. *The Social Origins of Dictatorship and Democracy*. Beacon Press: Boston.
- Polanyi, Karl. 1944. *The Great Transformation*. Beacon Pres: Boston, MA.
- Roberts, Kenneth (2006b). "Left, Right and the legacies of neoliberal Critical Junctures in Latin America", paper presented in the American Political Science Association Annual Meeting, Philadelphia.
- Roberts, Kenneth M. (2008). The Mobilization of Opposition to Economic Liberalization. *Annual Review of Political Science*, 11, 327-349.
- Smith, Peter (2004) "Cycles of Electoral democracy in Latin America 1990-2000". Working Paper #6. Centre for Latin American Studies. University of Berkeley at California
- World Bank (2009) World Development Indicators in World Bank Electronic resources Data Set WDI. Washington.