Latin America: a new developmental welfare state model in the making?

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Latin America: transitions, development stages, varying speeds

Latin America (LA) is emerging from a century of tectonic transformation, moving out of its traditional agrarian economy into an urban industrial one. The Centro Latinoamericano de Demografía (CELADE, 1996) classified the population into four categories of demographic transition. According to this, about 10 percent of the population are still in the early or moderate stages, 75 percent are in full transition, and 15 percent have already achieved an advanced level of transition (Table 1).

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5 - This article is based mainly in the introduction, capter 1, 5 and 9 of the recent book Latin America, a New Developmental Welfare Model in the Making? 2007, Palgrave Macmillan, London. Sonia Draibe and Manuel Riesco are coauthors of the mentioned chapters, and the latter is the editor. The book is part of the series “Social Policies in a Development Context,” UNRISD, Geneva summarizes some of the findings of the book of the same title (edited by Manuel Riesco, 2007), mainly Draibe and Riesco Chapter 1 (2007a). All data in this text that are not specifically referenced are taken from the book.
### Table 1. Latin American and Caribbean countries according to groups of demographic transition, elaborated by CELADE.

<table>
<thead>
<tr>
<th>Classes of demographic transition: CELADE definition</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group I. Early transition</strong>&lt;br&gt;Countries with high birth rate and mortality, and a moderate natural growth of around 2.5 per cent. Countries in this group have a very young age structure, and a high dependency ratio.</td>
<td>Bolivia and Haiti</td>
</tr>
<tr>
<td><strong>Group II. Moderate transition</strong>&lt;br&gt;Countries with high birth rate but moderate level of mortality. Because of this, their natural growth natural is still high, around 3 per cent. Lowering of mortality, especially during the first year, has caused a rejuvenation of the age structure, which has also resulted in a high dependency ratio.</td>
<td>El Salvador, Guatemala, Honduras, Nicaragua and Paraguay</td>
</tr>
<tr>
<td><strong>Group III. Full transition</strong>&lt;br&gt;Countries with moderate birth rates and low or moderate mortality, which determines a moderate natural growth rate of around 2 per cent. As lowering of fertility is recent, the age structure is still relatively young, even though the dependency ratio has already decreased.</td>
<td>Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico, Panama, Peru and Venezuela in Latin America; and the Guyana, Surinam, and Trinidad and Tobago in the Caribbean</td>
</tr>
<tr>
<td><strong>Group IV. Advanced transition</strong>&lt;br&gt;Countries with low birth rates and low or moderate mortality rates, which translates into low natural growth rates of around 1 per cent. Two subgroups may be defined as follows:</td>
<td>Argentina, Chile, Cuba and Uruguay in Latin America; and the Bahamas, Barbados, Guadeloupe, Jamaica, Martinique and Puerto Rico, in the Caribbean.</td>
</tr>
<tr>
<td>• countries that have had low fertility and mortality for a long time (Argentina, Uruguay and, in lesser terms, Cuba) and consequently, have growth and age structures that are similar to developed countries;</td>
<td></td>
</tr>
<tr>
<td>• countries that, although having recently attained very low fertility and mortality rates, still have higher growth rates because their population is relatively young.</td>
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Significantly, when other indicators were added to the data on population, they suggested that the classification seemed to capture not just demographic transition, but also the degree of overall socioeconomic development in the different countries. Countries with an advanced level of transition, for example, show levels of per capita GDP adjusted by purchasing parity that are five times higher than those observed in countries with early transition (Tables 2 and 3).
Table 2. Population and GDP in Latin America and the Caribbean, according to demographic transition groups.

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I. Early transition</td>
<td>18,361 (3.3%)</td>
<td>1.9</td>
<td>34,996 (0.9%)</td>
<td>2,081</td>
<td>145</td>
<td>1.6</td>
</tr>
<tr>
<td>Group II. Moderate transition</td>
<td>39,293 (7.1%)</td>
<td>2.3</td>
<td>138,102 (3.5%)</td>
<td>4,109</td>
<td>112</td>
<td>3.6</td>
</tr>
<tr>
<td>Group III. Full transition</td>
<td>418,623 (75.2%)</td>
<td>1.3</td>
<td>2,968,667 (75.7%)</td>
<td>7,164</td>
<td>73</td>
<td>4.2</td>
</tr>
<tr>
<td>Group IV, Advanced transition</td>
<td>79,926 (14.4%)</td>
<td>0.9</td>
<td>779,478 (19.9%)</td>
<td>10,262</td>
<td>61</td>
<td>2.6</td>
</tr>
<tr>
<td>Total Latin America and the Caribbean</td>
<td>556,203 (100.0%)</td>
<td>1.4</td>
<td>3,921,243 (100.0%)</td>
<td>7,050</td>
<td>73</td>
<td>3.8</td>
</tr>
</tbody>
</table>


Table 3. Urbanization and salaried workers in Latin America and the Caribbean, according to demographic transition groups.

<table>
<thead>
<tr>
<th>Demographic transition classes</th>
<th>Urban population (per cent)</th>
<th>Average urbanization rate (percentage of total population per year)</th>
<th>Economic active population (EAP) in agriculture (per cent)</th>
<th>Non-farm occupational structure, 2000 (percentage of total occupied workforce)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group I. Early transition</td>
<td>26.2 55.2 1.8 63.2 39.3 NA NA NA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group II. Moderate transition</td>
<td>33.4 50.9 1.0 58.2 43.9 39.3 10.1 29.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group III. Full transition</td>
<td>47.4 78.4 1.1 43.3 23.1 52.4 13.2 39.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group IV, Advanced transition</td>
<td>69.3 86.5 0.6 20.5 12.4 54.2 12.4 41.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Latin America and the Caribbean</td>
<td>48.9 76.7 1.1 41.8 23.6 53.1 13.0 40.1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


On the other hand, total per capita public social expenditure in the advanced group is 14 times higher than in the early and moderate groups together. In the case of public expenditure on social security, this ratio rises, in some cases to over 30 times (Table 4).
Table 4. Public social expenditure in Latin America and the Caribbean, according to demographic transition groups.

<table>
<thead>
<tr>
<th>Demographic transition classes</th>
<th>Public social expenditure 2000–2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>1997 per capita</td>
</tr>
<tr>
<td>Groups I - II. Early and moderate transition.</td>
<td>114</td>
</tr>
<tr>
<td>Group III. Full transition</td>
<td>618</td>
</tr>
<tr>
<td>Group IV. Advanced transition</td>
<td>1,445</td>
</tr>
<tr>
<td>Total Latin America and the Caribbean</td>
<td>686</td>
</tr>
</tbody>
</table>


The region has two of the four largest urban centers in the world, each of them approaching nearly 20 million inhabitants, and several with over 10 million. However, over 42 percent of the total population are still peasants, according to the most recent World Bank estimates (World Bank, 2004).

The same day under the sun may still witness people living and working in styles that resemble almost every social formation recorded in history. They range from high-qualified professionals employed by large LA private multinationals, one of whose owners is one of the richest person in the world, to indigenous American peasants caring after their llamas and alpacas in the magnificent Andean highlands, and even aboriginal in the deep of Amazonian rain forests.

The vast majority, however, will descend by the tens of millions, before sunrise, into packed metros or ride for hours cramped in noisy buses that inch through the tortuous traffic in congested streets, on their way to salaried jobs somewhere in the huge factory that a typical, bustling, Latin American city has become. They will work long hours, even on Saturdays, Sundays, and fiestas de guardar, mostly in small or medium-sized private shops and firms, increasingly in the service sector.

Moreover, their jobs are often of short duration, and they are constantly forced to cross the porous boundaries between formal and informal employment, with periods of unemployment in between. Excellent statistics are available in Chile that track the individual job histories of the entire workforce, perhaps the only undisputed positive outcome of the renowned pension system, the Administradoras de Fondos de Pensiones (AFP). Almost 96.5 percent declare themselves to be salaried workers, and contribute to the pension fund as such while they are employed. However, only 11 percent do so regularly throughout the year. On average, two-thirds contribute less than once every two months, one-third less than once in five months, and one-fifth less than once in ten months.

The number of women who hold AFP accounts—each is identified by name and a unique ID number, with most contributing to the pension fund in recent years—exceeds the official Instituto Nacional de Estadísticas (INE) estimate of the female workforce by over one-third, 6

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6 Sundays and religious feast days, which had formerly been scrupulously respected as days when peasants did not have to work. Saturday, however, was a regular working day in the haciendas.
which suggests that, in addition to the above-mentioned formal–informal–unemployed rotation, they are also constantly moving in and out of the workforce altogether (INP, 2004).

**Myriad colours in the many rich paths toward modernity**

Latin America seemingly presents a single face to the outside world that is easily recognizable. However, a careful listener will distinguish the rich variety of tonalities in the Iberic tongues spoken by its peoples, who have traversed diverse historical paths—*huellas* and *chaquiñañes* as the Andean trails are called—toward their amazingly different modernities (Draibe & Riesco, 2007b; Therborn, 1995, 1999).

The fertile Andean valleys and highlands, from Mexico to Peru and Bolivia, have harboured most of the indigenous American population over the millennia, and continue to do so even to this day. Their hands forged the magnificence of ancient American empires, as well as the richness of their classical colonial and *latifundia* periods. Their monuments are witness to their greatness (Lipschutz, 1972). It seems not at all improbable that when these regions finally complete their rapid—and sometimes painful and chaotic—transition to contemporary times, their deep roots, rich cultures, and complex structures (Anderson, 1974) may perhaps also infuse the distinctive richness of authentic American modernity. However, that is yet to happen, perhaps some decades into the 21st century, although some of it may already be surfacing in modern Mexico (Brachet-Márquez, 2007; Sagasti et al., 2007).

In the late 19th and early 20th centuries, a massive number of immigrants flooded the rich shores of the Río de la Plata. The twin cities of Buenos Aires and Montevideo became among the few million-strong metropolises of the world at that time. The railroads and army expanded their influence into the pampas all the way south to Patagonia in a pincer movement that virtually exterminated the scarce and nomadic indigenous population, in much the same way as in the North American West around the same time. These early developers have created what is today the most advanced Latin American social formation, although others are catching up quickly (Barbeito & Goldberg, 2007; Bonino et al., 2007).

Brazil is a unique case, partly because of its sheer size. It encompasses 42 percent of the surface of Latin America, and about one-third of its gross domestic product (GDP) and population. In addition, slavery has played a dominant role here, as it has in Cuba. Over four centuries, about 40 percent of all African slaves came to Brazil. By the last decades of the 19th century, almost all the remaining slaves worldwide were in Cuba and Brazil (Blackburn, 1997; Draibe, 2007).

A different story may be told in the lands that lie on the meager fringes of the ancient American empires, such as Costa Rica and Chile. In the past, they were never able to sustain anything more than peasants and very modest feudal lords. The poor Spanish settlers established there since the 16th century formed tight-knit elites that, early on, built relatively strong states. After several mutations, these families even now constitute the core of the emergent bourgeoisies (Barahona et al., 2007; Illanes & Riesco, 2007; Jocelyn-Holt, 1999).

It is interesting to note that these transitional stages and historical patterns were not confined only to a single country; some of the larger countries contain all levels and patterns within themselves. Even small Ecuador resembles three very different countries, depending on whether it is seen from the Pacific coast, the Andes, or the Amazonia.

Considering all these different origins and conditions, we try to identify, yet in an embryonic way, the four patterns or path which have prevailed in the region’s socioeconomic transition to modernity.
The rise and pinnacle of the Latin American developmental welfare state: holding the rudder through the great tectonic change

In the last century, Latin American states led the transition by implementing two successive development strategies. Although the strategies often conflicted with each other, they nevertheless seemed to form part of a single process, against the backdrop of rapid socioeconomic transformation.

Starting around the mid-1920s, but especially after the Great Depression of 1929, a number of states explicitly assumed the twin challenges of bringing both economic and social progress to societies that were mostly agrarian. State developmentalism sought to replicate the process set in motion in advanced countries. However, the vast masses of salaried workers and industrial entrepreneurs, whose early emergence in the latter had powered this process, did not exist significantly in Latin America at the time. Consequently, the state had to replace these actors, while nurturing them at the same time. Developmentalism shows quite impressive achievements on both counts in many countries.

By the 1980s, many states had built basic institutions, infrastructure and industries. Most importantly, they were remarkably active in changing the region’s social structures. They taught millions of peasants how to read and write, improved their health, and helped their massive migration to the cities. The fact that social policies played an essential role in this
experience is frequently overlooked and should be stressed through the concept of developmentalist welfarism in Latin America (Draibe & Riesco, 2007; Kwon, 2005; UNRISD, 2003).

The block in power was led by the new bureaucratic elites, both civil and military, who were from the middle classes, rather than the traditional oligarchies. They were supported by the nascent bourgeoisies and workers, and the urban poor, as well as peasants in the later stages.

Developmentalism took several forms. In many countries, it started through progressive military coups, although at least two originated in an epic revolutionary manner. Some countries did not begin until the 1960s, or even later. Some developmental states reached their apogee under military rule; some, such as Brazil, were fairly conservative. In others, democratic governments pursued the strategy quite relentlessly, after being primed by the military. In the remarkable case of Mexico, a civil bureaucracy, consolidated after revolution and civil war, presided throughout developmentalism in a lasting alliance with entrepreneurs, peasants, and workers. Moreover, it also led the way into the next phase, which would be called the Washington consensus (Brachet-Márquez, 2007; Díaz Vázquez & Carranza, 2007; Draibe, 2007; Sagasti et al., 2007).

Everywhere, the states increasingly confronted traditional landed elites and foreign exploiters of natural resources (Riesco et al., 2005). Sometimes events turned violent, especially as developmentalism approached its climax in the 1960s and 1970s, resulting, in some countries, in full-blown revolutions that completely and irreversibly wiped out traditional structures within a few years. This explains the fact that these countries miraculously seemed to leap ahead during the following period.

The legacy of neoliberalism

In the 1980s and 1990s, states throughout the region adopted the policies pushed by the Washington consensus, based on a neoliberal theoretical support. As a strategy, it was little more than a short list of simple rules that emphasized the importance of a business-friendly environment and openness to globalization (Williamson, 2002). In practice, the rules were applied unilaterally for the benefit of emergent capitalists, and especially foreign investors.

Often, the rules of the Washington consensus resulted in a severe dismantling of state institutions (Suleiman, 2003), especially within the realm of social policy, as a privatization and tariff reduction frenzy seemed to take hold of LA elites. Some profited considerably from it—foreign multinationals in particular, but also local capital—as they acquired privatized state companies at a bargain. New, segmented private services, including social services, were made available to those who could afford to pay. Most people enjoyed the flood of better quality and lower priced imported goods—except those who lost their jobs and their companies, when tariffs were lowered precipitously.

A happy few, the affluent 10 percent, secured for themselves over 40 percent of the income, while the poorest 40 percent had to get along with no more than 10 percent on average (see Table 5). The inequalities in some countries were even worse, with two or three notable positive exceptions such as Costa Rica, Cuba, and Uruguay (Draibe & Riesco, 2007b).
Table 5. Human development and income distribution in Latin America and the Caribbean, according to demographic transition groups.

<table>
<thead>
<tr>
<th>Demographic transition classes</th>
<th>Human Development Index (HDI) 2001</th>
<th>Share of total income (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Relative position in HDI ranking of 175 countries</td>
<td>Life expectancy at birth (years)</td>
</tr>
<tr>
<td>Group I. Early transition</td>
<td>132</td>
<td>56.2</td>
</tr>
<tr>
<td>Group II. Moderate transition</td>
<td>110</td>
<td>68.3</td>
</tr>
<tr>
<td>Group III. Full transition</td>
<td>65</td>
<td>70.3</td>
</tr>
<tr>
<td>Group IV. Advanced transition</td>
<td>41</td>
<td>74.8</td>
</tr>
<tr>
<td>Total Latin America and the Caribbean</td>
<td>65</td>
<td>70.3</td>
</tr>
</tbody>
</table>


Furthermore, the dismantling of social policy affected the middle sectors the most. They were left largely unprotected, as their jobs became precarious and their livelihoods insecure in the face of globalization. Meanwhile, what remained of the reduced public social spending targeted the extreme poor, alleviating their terrible conditions slightly, or at least keeping them from deteriorating further.

However, the degree of unilateral implementation of these reforms varied widely, depending on the type of government in place and the timing of the reforms. A few countries pioneered the first wave of neoliberal reforms in the late 1970s and 1980s in the midst of a severe economic crisis, a decade or more before consensus was reached in Washington. Military dictatorships, which were common in the region around that time, imposed the reforms. These were supported by young elites (who wanted to avenge the effects the earlier, successful state-led reforms on their forefathers) or by threatened landed oligarchies (Therborn, 1999).

A second wave was implemented in the 1990s by democratic governments that had replaced dictatorships almost everywhere (Ffrench-Davis, 2002). These governments were moderate and came into power against the backdrop of an expansion in per capita public social spending that averaged 40 percent during the decade (UNDP, 2002b). Nevertheless, some measure of state dismantling took place, although it was now under the influence of “third wave” ideologues, who made damaging efforts to transform public institutions into private service providers (Suleiman, 2003).

The massive and rapid social transformation that had been taking place in Latin America under developmentalism—which was then so effectively both stimulated and made more humane by its public social policy—continued in full swing during the neoliberal period. It

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7 The Washington consensus emerged from a 1992 meeting in Washington. Long before that, in the mid-1970s, the Pinochet regime pioneered neoliberal reforms in Chile in their most extreme version. During the late 1970s and 1980s, a “first wave” of reforms tried to be implemented more or less brutally in Argentina, Peru, Uruguay, and several countries in Central America, notably El Salvador.
even reached new heights, although in a rather brutal manner. Literacy, housing and sanitation policies, on the one hand, and agrarian reform on the other, had been the main instruments of social change under developmentalism (Hobsbawm, 1995). Under the neoliberal period, they were replaced by the violent culmination of agrarian reform processes that, instead of repositioning latifundias, forcefully expelled hundreds of thousands of people on to the country roads. This effect was also caused by protracted civil wars, especially in Central America, which resulted in massive peasant migration to cities and to the United States. In addition, large economic displacement brought about by economic crisis and globalization also played an important part.

As a result, the pace of peasant migration doubled toward the mid-20th century, tripled during the height of developmentalism in the 1970s and 1980s, and declined only in the 1990s. However, in the countries where this process started later, migration is still ongoing, and probably even accelerating (Draibe, 2007; Illanes & Riesco 2007; Sagasti et al., 2007).

On the other hand, the privatization of state enterprises, social services, and pension funds replaced tariffs and credit policies used by developmentalism as means to promote local capitalists, and led to the growth of some huge private conglomerates. In some cases, they succeeded without disbursing a penny of their own—which they did not possess in the first place—as functionaries in charge of privatizing public enterprises and utilities grabbed them for themselves (Fazio, 2000).

Why did the Washington consensus replace developmentalist strategies in Latin America? An assessment of the data will probably contradict commonly held views. Stagnant growth was not responsible because the developmentalist period showed a still unparalleled record in growth, especially as it approached its high point. The 1980s crisis affected the extremely neoliberal Chile the most, and pragmatic and “unorthodox” Costa Rica the least. Nor was it due to “big government” because public expenditures—especially concerning social policies—had been very low in Latin America by international standards, and regulations rather slack. It also seems difficult to blame “populist monetary irresponsibility” (Dornbusch, 1991): while developmentalism was generally expansionary, the worst episodes of hyperinflation took place under neoliberal ministers. Further, conspiracy theories critical of the Bretton Woods institutions (BWIs) are inadequate to explain such an overarching phenomenon, in spite of the fact that the BWIs actively promoted it.

It was, perhaps, just the success of developmentalism in modernizing social structures that eventually made it not only redundant but an obstruction, especially in some of its economic aspects. It also created its own gravediggers in some of the new social actors it helped come of age, and who now support modern economic development. This is certainly market-based today, although not in the unilateral—and sometimes fanatically “bourgeois anarchist” (Hobsbawm, 1995)—manner that became fashionable among Latin American elites in the neoliberal period (Draibe & Riesco, 2007b).

Another turn of the rudder?

What was characterized by The Economist (2002), assessing Luiz Inácio Lula da Silva’s first

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8 In the wake of the 1973 coup in Chile, for example, all peasants suspected of supporting agrarian reform were forcefully expelled, and hundreds assassinated. Together with their families, they numbered some hundreds of thousands. However, other peasants considered “loyal” were, in fact, given about 40 percent of the expropriated lands in private parcels. About 30 percent of the land was returned to its former owners, but in the form of relatively small reservas stipulated by the agrarian reform law. The rest, mainly mountains, were auctioned to forestry companies, which quickly proceeded to expel most of the peasants living in their lands. At the same time as the expulsion, peasants were migrating at a fast pace during the 1970s and 1980s. The migration declined only in the late 1990s.
election in 2002, as an “unambiguous shift of direction” away from neoliberalism, had already been taking place in Latin America since the 1997 economic crisis. Throughout the region, wide, and sometimes unexpected, coalitions have sprung up and have accessed to political power in many countries or have come close to doing so. Neoliberal thinking is still strong, dominating academia and holding its own among government cadres, especially in the seemingly impregnable citadels of finance ministries and central banks. However, it has now been pushed into the defensive, and not even Right-wing parties use it in their campaigns.

A new development strategy is evolving, which repositions the state as a leading actor, although this time it may rely on modern civil society actors who came of age during the two previous periods. Social policy is once again centre stage: the new strategy explicitly offers a Rooseveltian New Deal (PT 2003) to the massive—and precarious—urban salariat that is emerging in the region’s booming cities, and renews its commitment, both to the urban poor and the peasants who continue their migration in huge numbers, especially in some countries. Income support has been extended to wider segments of the poor. Draibe and Riesco (2007a) argue that the notion of the developmental welfare state (Kwon, 2005) can capture the emerging arrangement of economic and social policy in Latin America (Draibe & Riesco, 2007a).

Although controversial, and subject to serious criticism from the Left, the case may be made that Lula pioneers the new development strategy in what is by far the largest and most powerful country in Latin America. Based on his Partido dos Trabalhadores (PT), a highly structured, experienced, and mass worker-based party and movement, which has been characterized essentially as “non co-optable,” Lula has managed to assemble an impressive alliance, while continuing to maintain unprecedented popular support (Draibe, 2007).

In Argentina, former President Néstor Carlos Kirchner reshuffled the Peronist party. This early urban mass worker-based party pioneered state developmentalist welfarism in Latin America during the life of General Juan Perón. In the 1990s, the government of Carlos Menem presided over a singularly corrupt—although, from other points of view, certainly not the worst—version of the Washington consensus. In the wake of the cataclysmic implosion of the Argentinean neoliberal experience in 2002, “Kirchnerism” performed a surprising leap from remote southern provincial politics to national dominance. The government presided over the most explicit, active, coherent, and advanced formulation of the new development strategy in practical terms. As in the case of Lula, Kirchner’s popular support was overwhelming, and his wife Cristina won a landslide victory in the 2007 presidential election (Barbeito & Goldberg, 2007).

Even neoliberal Chile is overhauling its privatized pension9 and education10 systems. The

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9 There was clear evidence that the pension scheme was leaving about two-thirds of the workforce without any effective coverage at all. This has been acknowledged by a reform approved in March 2008, which will gradually provide non-contributory basic public pensions for up to 60 percent of older people, those with lower incomes (CENDA, 2008). Polls reveal that a vast majority of active Chilean workers would go back to the old pay-as-you-go public pension system if permitted to do so. This system still pays pensions to three out of every four senior citizens in Chile, and the amount received by its beneficiaries easily duplicates the corresponding pensions being paid out at by the private AFP system; this difference is even larger in the case of women (Illanes & Riesco, 2007; UNDP, 2002b). Similar situations prompted the Argentinean and Peruvian parliaments to enact laws in early 2007 that allow active workers to return to the old pay-as-you-go systems, which were also kept in place in those countries. In the case of Argentina, tens of thousands flocked to change in the first day, led by President Kirchner himself (CENDA, 2008).

10 One million secondary students took to the streets in 2006, demanding the derogation of the privatization laws inherited from Pinochet—which the democratic governments had not dared to, or wanted to, change. Dismantling of public institutions and privatization resulted in a reduction in the number of students in the public system by over 700,000 since 1974, about a fifth of the total. This process has continued, even though
government of President Michelle Bachelet, and especially the president herself, is less identified with the “Washington consensus” model than her predecessors. In fact, the political situation in Chile today is fairly fluid, and it is not at all improbable that wider protests may erupt, this time involving not only students or the unemployed from poor poblaciones, but millions of salaried urban workers as well. Such an occurrence would certainly change the political balance of power, and may finally prompt the end of a period that will probably not outlive Pinochet, who died in December 10, 2006, for very long.

All of the above events are taking place in South American countries that are in later stages of the transition process. In Mexico—the other Latin American heavyweight, apart from Brazil, which accounts for one-fifth of regional GDP adjusted for purchasing power parity (PPP) (Draibe & Riesco, 2007b)—the Partido de la Revolución Democrática (PRD), led by Andrés Manuel Lopez Obrador, was on the brink of winning in the recent elections. The PRD also explicitly proposes the replacement of the neoliberal model by a modern state-led strategy.

In a different scenario, important events are taking place in Bolivia, Nicaragua, and other countries that are in the early or moderate stages of socioeconomic transition, as well as in Venezuela and Ecuador which are in full transition. In these countries, movements that question the neoliberal model in a radical manner have surged to power. While all have a common aim of changing the model, the processes are strikingly different from those in relatively more advanced countries. The most significant difference between the two is that the main social actors—in the case of countries in the earlier stages of transition—were peasants and the recently migrated urban poor, groups that have been reduced to a relatively small number in countries such as Argentina or Uruguay, which attained development decades ago, and in relative newcomers such as Chile (Barbeito & Goldberg, 2007; Bonino et al., 2007; Illanes & Riesco, 2007).

The towering and colourful figures of presidents Hugo Chavez and Evo Morales led these processes in Venezuela and Bolivia, joined by the more recently elected Presidents Rafael Correa in Ecuador and Daniel Ortega in Nicaragua. These heads of state model themselves after Cuba’s former president Fidel Castro, who, despite his advanced age and recent health problems—not to mention the Cuban revolutionary government’s own tribulations—is highly respected by the masses in Latin America, and increasingly by its elites, as well as by most of Latin America’s political leaders. In Peru, also a country in full transition, important movements are taking place in the same direction (Díaz Vázquez & Carranza, 2007; Sagasti et al., 2007). Similar movements may erupt easily in many LA countries that are in early, moderate or full transition, as they already have in Paraguay in 2008. They share a popular background, the radical questioning of neoliberalism and a lively confrontation with the administration of US president George W. Bush that have captured the imagination and democratic governments since 1990 have made significant efforts to recover public educational expenditure that was cut in half by the dictatorship. Since 1990, nine of ten students have entered private schools that receive state subsidies; meanwhile, the public system continues to lose tens of thousands of pupils each year. The poor quality, social segmentation and inequity of the privatized Chilean educational system—at present, half the students are in private schools and universities, and families disburse half of school fees overall—were so severe that they prompted the current student protests and overhauling of the system. Over 70 percent of Chileans believed that schools should return to the Ministry of Education which, by the 1960s, had built a decent national public system at all levels of education that was also free of charge. Overall, neoliberal policies have reduced the total proportion of students in both public and private institutions in relation to the entire population, from 30 percent in 1974 at the end of the developmentalist period, to 25 percent in 1990, and 27 percent in 2007. At the same time, changes in the population age pyramid have made it possible to attain full coverage at basic and secondary levels. However, the country has fallen seriously behind at the tertiary level, where coverage is still 32 percent, half of those of neighboring Argentina and Uruguay, and far lower than the 98 percent attained by the Republic of Korea.
sympathies of a wide range of sectors, both throughout Latin America and internationally.

Their have not been empty words. For example, Venezuela and Bolivia, as well as Ecuador, have successfully renegotiated with powerful foreign companies for a fairer redistribution of the large revenues from oil and gas. This has resulted in billions of dollars in annual revenues being restored to their rightful owners, the citizens of the countries that own these rich mineral resources and are entitled to the significant ground rent they generate. By contrast, the neoliberal-leaning Chilean governments have not been able to deal effectively with a small group of mostly London-listed conglomerates, which at present exploit over 70 percent of the country’s rich copper mines. In 2007, they reaped profits of around $20 billion, roughly the equivalent of 60 percent of the total annual budget of the Chilean state, and equal to total public social expenditure, and paid around $6 billion in taxes (Riesco, 2008; Riesco et al., 2005).

A young giant in the making?

A new kind of developmental welfare state model seems to be in the making in Latin America. Unlike 20th century developmentalism, now the state is assuming a strategic and regulatory role, relying on emergent private enterprise for most economic matters. Its design is based on the models of Western Europe and other advanced regions in the 20th century. This is not surprising, because the new social structure also bears a strong resemblance to those existing in Europe at the time. Its stated purpose could be worded in what the United Nations Research Institute for Social Development (UNRISD) calls the construction of developmental, democratic and socially inclusive societies (Mkandawire, 2001).

However, the new relevant questions may be: Will the emerging strategy remain confined within the national borders of the different countries, or will it evolve over the wider space of an increasingly integrated Latin America? If so, what might be the role of regional social policy in this construction?

The magnitude of the challenges facing a rapidly modernizing Latin America exceeds the dimensions of its present republics—even in the case of the largest. It seems that strategies designed to achieve a certain minimal level of autonomy in science and technology, energy provision, fast communication networks and complex industries (such as informatics, aerospace, and defence), are not possible within their current dimensions, at least for most countries in Latin America. The challenge of building a modern market itself, with a degree of sovereignty that may enable it to compete with the major players of the 21st century, evidently requires a wider space.

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11 The remaining production, as well as over half of reserves, are still in hands of CODELCO, the giant state copper company inherited from the developmentalist period. All mineral resources were nationalized by President Salvador Allende and declared “inalienable” even by the 1980 Pinochet constitution, still in effect. However, a legislative twist introduced by Pinochet and sustained by the democratic governments permitted private companies to exploit these resources under long-term leases, without paying any royalties or even regular income taxes at all for over a decade. A small royalty charge was introduced in 2004, after wide public dissatisfaction with this situation. However, the new scheme in practice reduced the effective tax rate of the copper companies.

12 In modern nation building, there seems to be a tendency toward achieving something that approximates a minimum, or optimal, dimension of the sovereign space. During the 19th century, this dimension seems to have coincided, approximately, with the order of magnitude of the pioneering Western European countries and, in particular, with Great Britain. During the 20th century, the emergence of the United States, a new leader with continental dimensions—and, in a sense, the Soviet Union—stimulated the creation of the European Union. Recently strategic planners, and increasingly informed public opinion, have been assessing the impact of the emergence of China and India, which may potentially surpass the United States (Goldman-Sachs, 2003). It seems reasonable that this idea should be given much thought by strategic planners in Latin America—and happily, it seems to have been, by some.
Latin America appears to be the natural space for such an institutional construction. The total population of the region approached 600 million in 2007 and will reach around one billion by mid-century, on par with the world’s most populous countries (CELADE, 1996). Furthermore, the population will no longer consist largely of subservient, ignorant peasants, as they were at the turn of the 20th century, or even masses in full transition, as they are today. In two or three decades, at most, the vast majority will have achieved the status of modern citizens. They will have acceptable health standards, full basic and secondary education of reasonable quality, with large numbers completing the tertiary level as well. The economic projection of the emergence of this huge concentration of qualified, commodity-producing workers will constitute a sound base for an important market (Draibe & Riesco, 2007b). This could become a reality if—and this is a big “if”—in addition, Latin America manages to acquire some degree of sovereign power.

The new state-led development strategy will probably only make sense over this larger, and increasingly integrated, space. However, there are plenty of obstacles to overcome, not least of which are the large differences in socioeconomic, historical, and institutional evolution of the different countries and regions. These difficulties may not be insurmountable, especially when compared with the complexity of uniting myriad peoples, languages, cultures, histories, and relative levels of development during the process of building Western European nations in the 19th century, or during the formation of the European Union.

The largest hurdle to Latin American integration is the powerful gravitational pull of the huge economy of its neighbor in the north—which also represents an immense economic opportunity. In 2002, the GDP of Latin America as a whole, when adjusted by purchasing power parity (PPP), adds up to around 40 percent of the GDP of the United States. Brazil, the largest country in the region, accounts for a third of this, which means that it is about 13 percent of the US economy (Draibe & Riesco, 2007b). Even without taking other aspects of relative state power into account where the differences are even more overwhelming, it seems out of the question that the United States would, in this way, consider surrendering even a minimal degree of its sovereignty for the benefit of building an integrated zone on more or less equal terms.

Surmounting these obstacles requires strong actors committed to integration. Certainly, the most interested actor will be the emerging bourgeoisies that already concentrate all their direct foreign investment in neighbouring LA countries and consider that those who do not “Se pasan de giles (behave like fools)” as Hörst Paulman, owner of the giant Jumbo retail chain has famously declared. The Latin American bureaucracy, which, as a group, is by far the largest, most structured and with the most stable employment in any country for over a century, has been a primary actor in the region. It may also seem surprising to many that the Latin American military, the branch of bureaucracy that is the most powerful, autonomous and strategically aware, is also perhaps one of most important actors behind national integration (CENDA, 2004).

The regional chancelleries are another part of the bureaucracy that have quite consistently been a key driving force behind the process of national integration. Itamaraty—the Brazilian foreign office—has assumed the leading role in this respect for decades, despite the presence of governments of otherwise divergent political stances (Pinheiro Guimarães, 2007). Moreover, Brazil has influenced a large number of the region’s professional diplomats, who have studied at the prestigious Brazilian Diplomatic Academy. In addition, Latin American representations around the world officially constitute and operate as the Grupo Latinomericano (GRULAC).
However visionary and powerful the above-mentioned actors may be, integration will not be possible unless they are able to convince the region’s new massive social force: the emerging urban salaried middle classes. In the present social setting of Latin America as a whole, and especially in countries in the more advanced phases of transition, any progressive strategy—especially regional integration—must include this emerging force as a basic part of the power block required for it to succeed. How is this force to be persuaded to support a political alliance that may realize this strategy?

On the other hand, it has been noted above that the current changes in state development and integration strategies follow two quite distinctive and complementary paths. Both share the idea of *cambiar el modelo neoliberal* (change the neoliberal model), but are quite different in nature and in their socioeconomic foundations. This difference derives mostly from the presence or absence of a single group: the peasants. The term peasant is used loosely to include recent immigrants, the marginalized and the urban poor. The integration of Latin America must consider this group if it is to succeed. This group comprises almost half of the overall population, and there is always the danger—as tragic historical experiences have shown—that it may become prey to separatist, nationalists, and xenophobic sentiment.

Huge and necessary cross-border developmentalist projects and the need to build a modern market of 21st century dimensions could perhaps be enough to incite business into allowing frontiers to be opened to regional trade, investment and labour mobility. Perhaps the strategically minded staff of the bureaucracies in Latin America are already convinced of the need to partially cede their rather ineffective national sovereignty for the benefit of sharing a more respectable regional stature. Nevertheless, it is less easy to convince salaried workers if this move is not associated with their rights and with more concrete measures of regional social policy for their direct benefit. Furthermore, in the case of most Latin American peasants and the urban poor, regional social policy measures seem indispensable to motivate them to integrate. Once again, as in 20th century developmentalism, social policies seem to be an essential component of the state development model that seems to be emerging in Latin America.
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