

IRIS A_{per}TO



UNIVERSITÀ
DEGLI STUDI
DI TORINO

This is the author's final version of the contribution published as:

Davide Grassi. Democracy and social welfare in Uruguay and Paraguay.
LATIN AMERICAN POLITICS AND SOCIETY. 56 (1) pp: 120-143.
DOI: 10.1111/j.1548-2456.2014.00225.x

The publisher's version is available at:

<http://doi.wiley.com/10.1111/j.1548-2456.2014.00225.x>

When citing, please refer to the published version.

Link to this full text:

<http://hdl.handle.net/2318/127022>

This full text was downloaded from iris - AperTO: <https://iris.unito.it/>

iris - AperTO

University of Turin's Institutional Research Information System and Open Access Institutional Repository

Democracy and Social Welfare in Uruguay And Paraguay

Abstract: The aim of this article is to assess the ways democracy affects social welfare, by analyzing two Latin American countries: Uruguay and Paraguay, one with a vibrant democratic history and a progressive political landscape, the other with a generally authoritarian past and a conservative dominant party. We maintain that welfare systems in these countries have been critically shaped by the impact of democracy, or by its absence, and by the strategies adopted by major social and political actors, especially parties: these strategies have been determined in turn by parties' ideologies and by the workings of electoral competition. We also underline that the impact of democracy on social welfare is critically mediated by the role of previous welfare legacies, the presence of welfare constituencies defending acquired rights and privileges and by social and economic variables, as overall wealth levels, the formal or informal nature of labor markets and the political organization of domestic economies.

The aim of this article is to assess the ways democracy affects social welfare, by analyzing two Latin American countries: Uruguay and Paraguay, one with a vibrant democratic history and a progressive political landscape, the other with a generally authoritarian past and a conservative dominant party. We maintain that welfare systems in these countries have been critically shaped by the impact of democracy, or by its absence, and by the strategies adopted by major social and political actors, especially parties: these strategies have been determined in turn by parties' ideologies and by the workings of electoral competition. We also underline that the impact of democracy on social welfare is critically mediated by the role of previous welfare legacies, the presence of welfare constituencies defending acquired rights and privileges and by social and economic variables, as overall wealth levels, the formal or informal nature of labor markets and the political organization of domestic economies. This paper is organized as follows: in the first section we revise the theoretical foundations of our argument. Then, we proceed to describe the economic and political determinants of welfare performance in both Uruguay and Paraguay. In the following part, we trace the process by which organized interests, promoting or opposing specific policies, participated in reforming their respective pension systems. As usual, conclusions wrap up the analysis.

Theoretical review

It is known that, since the first instances of democratization in the nineteenth and early twentieth century, the political inclusion of workers was accompanied by demands of economic redress: participation was seen as an instrument of economic redistribution and franchising was often subordinated to the moderation of economic and social demands. In spite of the required moderation, however, through political incorporation workers were able to promote their interests in a more effective manner, by winning the right to organize and make their voices heard (Lipset and Smelser 1966; Lindert, 2004; Carbone, 2009). Under democracy, the less advantaged had a better chance to organize and asked to redistribute income downwards.¹ Politicians, in turn, had a greater incentive

¹ Studies on developed capitalist democracies confirm this finding (for instance, Alderson and Nielsen, 2002; Bradley, Huber, Moller, Nielsen and Stephens, 2003). Outside the Western World, democracies seem to perform better than autocracies in health, education levels and levels of

to satisfy voters' demands and expanded, at least in the long term, welfare entitlements and provisions, since they must appeal to broad constituencies to win elections and retain office. Such mechanisms are lacking in authoritarian regimes: especially where organized challenges are absent, social incorporation will not occur or will be minimal.² Political regimes permitted the organization and social incorporation of certain groups, notably workers and peasants, or mandated their exclusion and repression: inclusion took place mostly under democracy, exclusion under authoritarianism. Although authoritarian governments may occasionally favor the less advantaged, as with the Velasco regime in Peru or with semi-authoritarian regimes in Brazil and Mexico, regional dictatorships were generally less inclined than democracies to extend coverage of social security to new sectors of the population.³

In democratic regimes, the main bearers of political ideologies are political parties: they influence the emergence and evolution of welfare states through policy orientations. Ideologies refer to ideal worldviews and the instruments deemed necessary to accomplish them: in Latin America, as in more advanced industrial countries, parties may be classified based on a left/center-left versus right/center-right dichotomy. Left oriented policies are identified by the commitment to use state resources to promote social solidarity, reduce inequality and serve the underprivileged, as opposed to promoting growth, endorsing individualism and furthering the interests of the privileged (Coppedge, 1997; Huber, Nielsen, Pribble and Stephens, 2006: 949). While in the more advanced industrial countries large welfare states were promoted and consolidated by both left and right parties, the former endorsed policies that benefitted particularly lower income earners to a greater extent than did right leaning parties. Similar conclusions apply to recent developments in Latin America (Huber, Nielsen, Pribble and Stephens, 2006). However, once democracy is established, more and better social services and a progressive welfare system usually follow only when a certain amount of time has elapsed and workers are able to organize and get represented, both at the political and social level. One crucial implication is that democratic tradition, rather than democracy itself, is likely to lower inequality, since time is necessary for political parties to emerge,

human development (Przeworski, Alvarez, Cheibub, and Limongi, 2000; Reuveny and Li, 2003; Siegle, Weinstein and Halperin, 2004). The literature, however, is far from conclusive: some argue that democracies display higher levels of social expenditures, but not always achieve better results than authoritarian regimes (for instance, Bollen and Jackman, 1985; Ross, 2006; Nelson, 2007). Most scholars, finally, have focused on Western industrialized nations (Esping-Andersen, 1990; Kitschelt, 1994; Hicks, 1999; Huber and Stephens, 2001). Only recently a few major works have centered on extending and adapting this literature to new geographic and historical contexts, such as Asia, Latin America and Africa (Gough and Wood, 2004; Haggard and Kaufman, 2008).

² Empirical findings show that, in developing countries, popular pressures are likely to put land reforms on the agenda of elected governments (McAuslan 1998: 527) and that wage increases are more easily achieved within the framework of democratic regimes (Rodrik 1999). Under authoritarian rule, by contrast, landowners or capitalists with a stake in the governing coalition would likely prevent the adoption of similar measures, as they did in Pinochet's Chile, or in post-1964 Brazil (Bollen and Jackman 1985: 439; Gradstein and Milanovic 2004:519).

³ Under Velasco (1968-75), the welfare system was consolidated, but not expanded. In Brazil (1971-1985) and Mexico (1970-1982), semi-competitive political regimes somewhat extended social protection. However, in Brazil welfare policies were implemented mostly in order to prevent a revival of social unrest in the countryside and to fuel patronage politics in favor of the government-backed Arena party. In Mexico, social policies were even less resolute and intensified only as political challenges from competing parties became more acute. In both cases results were limited, well below those of sustained democracies, while social inequality remained enormous (Haggard and Kaufman, 2008: 16).

especially for those representing the underprivileged, as the underprivileged lack the power and money to influence decision makers directly (Huber and Stephens, 2001).

Once democracy is established, ideological orientation crucially interacts with electoral competition. When election results are fiercely disputed, irrespective of ideological orientation, parties may be driven to undertake policies that they might otherwise disregard, for the exclusive purpose of winning elections. Thus, we posit that governments refrain from taking unpopular cutbacks, unless they think they are in a strong enough position to absorb the electoral costs such measures imply. Besides, if the main electoral challenge comes from the opposite ideological camp, policies may be undertaken to capture the independent voter at the center and will be more conservative, or progressive, than the purely ideological stance of each individual party would imply (Pribble, forthcoming).⁴ In Uruguay, for instance, the hotly contested 1989 presidential elections, along with wide welfare entitlements and strong public expectations, induced the conservative Blanco party to engage in the defense of the established welfare system, even if this run counter to neoliberal tenets of social reform (Haggard and Kaufmann, 2008: 360).

Accordingly, left-wing and right-wing parties may become more similar: the former cannot pursue their preferred policy of welfare state expansion because of budget constraints; the latter cannot pursue their preferred policy of cutbacks because their constituency has grown attached to welfare state's programs (Schumacher and Vis, 2009). Left leaning parties had to reckon with both the fiscal crisis of the state and the need to reform inefficient and unjust social systems: the return to democracy had allowed powerful constituencies to protect more effectively their rights and benefits, against not only neoliberal reforms but also the redistributive demands of unorganized social sectors. In response, such parties frequently adopted miscellaneous policies, liberalizing to some extent existing social security schemes for fiscal reasons; compensating influential organized interests to satisfy traditional constituencies; and targeting antipoverty programs at the very poor to correct past injustices in the distribution of income. Right leaning parties, in turn, could not ignore the demands to safeguard broadly based welfare systems: electoral responsiveness requires that parties develop policies that maximize their chances to win elections, by appealing to broader constituencies. From this point of view, conservative parties also exhibited a pragmatic behavior based on political calculations rather than on a clear split with left-of-center parties, rooted on purely ideological grounds.⁵

Competition, however, develops not only among parties, but also within parties. In Latin America, factions within parties have played a significant role in determining the

⁴ On occasions, political pacts have been struck by ideologically rival parties to support common policy positions, as with the rule of co-participation in Uruguay. This was an extremely important para-constitutional rule by which Blancos and Colorados divided state resources on a proportional basis.

⁵ In Uruguay institutionalized parties proved highly permeable to organized groups and often negotiated with them, especially in the phase of policy implementation. This broad understanding minimized the impact of political and social oppositions and produced welfare reforms which found defenders across the political spectrum, ensuring varying degrees of protection for major economic and social interests. The existence of direct instruments of democracy, as referenda, was also consequential: organized groups close to the ISI model could count on autonomous channels and institutional mechanisms to submit demands, to mobilize, and to stimulate feedback effects on the party system. This allowed the formation of a powerful veto coalition, backed by the political left and by more conservative parties, but also able to operate and block undesired legislation on its own.

policy positions eventually supported by the party as a whole. Factions have been especially relevant in Uruguay, where intraparty competition has been the norm since the nineteenth century and factions have sometimes adopted different policy preferences (Altman 2000, Appendix). For instance, the Movimiento Nacional de Rocha during the Lacalle administration and the Foro Battlista within the Colorado party upheld policy options clearly opposed to those defended by their respective parties. The relevance of party factions may be magnified by particular institutional features: in Uruguay, for instance, an unusual voting system (double simultaneous voting) allowed voters to select their candidate from within party lists and legislature seats in turn were divided among competing lists. This arrangement stimulated candidates to develop their own bases of support within the party and amplified intraparty competition.

Democracy and political parties, finally, crucially shape social policies in conjunction with other factors. In recent decades, economic downturns, the fiscal crises of the state and welfare legacies have caused a profound shift in social policies and facilitated reforms driven by an ideological trend that pushed for a weakening of the social responsibilities of the state. Meanwhile, a new wave of democratizations has created incentives to further expand welfare entitlements, while protecting existing social rights. Social well-being has also been shaped by the structure and political organization of the economy. In particular, the formal or informal nature of the labor markets, the nature of general development models and their sustainability over time have proved to be critical. In Uruguay, for instance, the Import Substitution model originated in the 1930s was based largely on the same popular sectors on which the new welfare system rested, namely urban employees belonging to the formal segment of the economy. In this perspective, the welfare legacies of earlier redistributive coalitions are especially relevant, as established political and social constituencies strive to protect their traditionally acquired benefits against further redistribution and new actors, as the administrators of private pension funds, have entered the scene. In short, past policies have contributed to structure the problems to be solved and the opportunities to exploit.

Economic and Political Determinants of Welfare performance

Uruguay and Paraguay are starkly different countries, both economically and politically. In the former, per capita income exceeded regional average by 42 per cent in 1970 and by 68 per cent in 2008 (Cepal, 2008). During this period, the economic record was particularly vibrant: still, in the 1970s the country suffered the demise of its import substitution model, based on domestic industrialization, and it underwent a rapid growth of trade deficits. It was only years after democracy was re-established that the economy started again to expand and reached new heights, with the notable exception of the difficult years between 1998 and 2002. In Paraguay, during the same period, per capita income was 72.5 per cent below regional average in 1970, a figure that decreased slightly to 69 per cent in 2008 (Cepal, 2008). The return of democracy, on the other hand, did not coincide with renewed economic growth. Levels of per capita income increased during the 1970s, but have since remained more or less unchanged. Consequently, the economic downturn at the end of the 1990s was somewhat more contained (Figure 1).

The formal or informal nature of labor markets is another key variable in shaping welfare policies and outcomes: if most of the economically active population is employed in the formal sector, an occupationally based pension scheme or health insurance that covers dependents can be very effective and provide ample coverage. However, if most workers are unemployed, self-employed or employed in the informal sector, that same scheme can be exclusionary and cover only privileged minorities. Differences in the two countries are evident in this respect, as well. In Uruguay, 34 per cent of the urban

population was informally employed in 1981 (Freije, 2003). This proportion increased to 40 per cent in 2004, but subsided again to about 25 per cent in 2011 (INE, 2011). Informal workers comprised around 49 per cent of the urban employed in Paraguay in the early 1980s. Recent estimates reckon that around 70 per cent of rural workers and more than 60 per cent of the urban labor force work in the informal sector (BTI, 2012).

Especially after the Great Depression and World War II, Latin American economies started to produce the manufactured goods that they had previously imported. Thus, domestic industry was heavily subsidized by the state and protected from external competition. In Uruguay, an Import Substitution model had originated in the 1930s, based on urban employees belonging to the formal segment of the economy. Social inclusion was stratified and unequal: in general, state and key sectors employees gained an earlier access and enjoyed more comprehensive benefits, while blue collar workers joined later and received less complete protection. On the contrary, rural workers and those employed in informal activities were excluded both from the new development project and from social security. Over time, the ISI model showed its limitations: the systematic transfers to loss-making public enterprises had negative fiscal implications, intensified by the weak tax base prevailing in the region. As a consequence, many politicians accepted a “neoliberal reform” agenda, which tightened the link between individual social contributions and benefits; expanded the role of private providers of welfare; improved oversight of public spending and policies; and targeted social outlays in favor of the most vulnerable.

In Paraguay, Stroessner did not pursue a policy of import substitution industrialization and manufacturing was stagnant even between 1974 and 1981, a period of tremendous economic progress due to the construction of the Itaipú dam. In fact, agricultural modernization preceded urban modernization: expansion applied to modern agribusiness, agro-exports and public employment. Black markets, controlled by the military, were fuelled by contraband and replaced foreign trade. This distorted development model retarded social diversification, in spite of high rates of growth: even after the boom years Paraguay remained a rural country. Worker and peasant mobilization, and thus wages, were held down by repression. The urban working class declined in size, as manufacturing decreased as a percentage of the economy, while the urban middle class grew slightly, but primarily from public employment and the tertiary sector. Finally, a rural business class was created, made up of loyal military and civilian bureaucrats rewarded by the regime with huge strips of land: from their ranks sprung a modern entrepreneurial class, which used state connections to invest in other sectors, creating complex interrelations between financial, farming, construction, industrial and transnational sectors. In sum, through “prebendalism”, the authoritarian regime awarded some social groups privileges and public jobs in exchange for loyalty, while even the most modern economic sectors were not well equipped, nor easily available, to lead ISI or other types of internal-based development.

Political differences are equally glaring. Over the last century, Uruguay was among the freest Latin American countries and one of the first to democratize. The challenge to the agro-export oligarchies that had dominated regional politics since the 1850s took place early on: the activation of democracy may be dated to the 1918 Constitution, which introduced universal male suffrage and the secret ballot. Women were fully enfranchised in 1932. Between 1930 and 2010 democratic governments have ruled for over sixty years: military interludes, though brutal, are now seen as blips on the

longer trajectory of stable democratic governance.⁶ Paraguay, on the contrary, is still undergoing a difficult transition process. In 1989, a military coup overthrew General Alfredo Stroessner's dictatorship: established in 1954, it was the most lasting Latin American dictatorship throughout the post-World War II period. The Stronato was supported by the military, and political power was handled through the hegemonic Colorado Party, that merged with the state. Under the false image of an 'institutionalized democracy', Stroessner used the party to exercise full power and eliminate political enemies. In 1992, a new Constitution adopted a democratic form of government, based on political pluralism and participation. The fragility of the emerging democratic institutions, however, is shown by almost twenty years of popular uprisings, military mutinies, antigovernment demonstrations, bitter political rivalries and unbroken Colorado rule. Information derived from comprehensive political data sets gives us a similar picture (**table 1**).

In addition, Uruguay's political history has been marked by the predominance of left-leaning political parties (**table 2**). The progressive Colorados exercised a virtual monopoly over the politics of democratic governments, while the 2004 and 2009 Presidential elections were won by the left Frente Amplio coalition. The opposition Blanco party, representing a more conservative stance, won its first twentieth century election only in 1958. After the reintroduction of democracy it returned to power solely between 1990 and 1994.⁷ The Colorados, inspired by reformist President José Batlle y Ordoñez (1903-07 and 1911-16), dominated when the social security system was first established in the 1910s, and in the 1948-54 period when it was expanded and reorganized. The policies implemented by the Blanco government expressed the reaction of the countryside against the welfare model imposed, mostly in the urban setting, by the Colorados. Under Blanco rule, however, such model was not dismantled: rather it continued to grow and progress, but its costs were increasingly transferred to the industrial and urban sectors. This attitude reflects the existence of a broad political agreement between the two parties, the rule of co-participation. Especially since 1933, both applied a rule to public life by which every single aspect of the state was divided on a proportional basis. For example, after the return to democracy the Colorado Party almost always governed in alliance with a section of the National Party, which refrained from systematic opposition, thereby helping to ease the legislative passage of government policies. In short, although the Colorados have had more propensity to build a welfare state, both traditional parties may be credited with the evolution of the state apparatus during the twentieth century. In 2004, the Frente Amplio won the presidential elections and resumed a more marked left stance, especially defending state workers, professionals, urban service and manufacturing employees in the formal economy: thus, the health system was reformed (Sistema Nacional Integrado de Salud) and poverty levels were tackled through specific plans, such as the Plan de Atención Nacional a la Emergencia Social (PANES) and the Plan de Equidad (PE). However, no major reforms were undertaken in the field of social security and pensions, mainly because of the veto power exercised by the economic interests within the current mixed system.

⁶ Democracy was interrupted twice by military interludes: first in 1933 (until 1942) and a second time in 1973 (until 1984).

⁷ The latter originally rested on the support provided mostly by peasants living in the interior; the former represented for the most part urban Montevideo dwellers, among which lower and middle social sectors were prominent, and had liberal connotations. Political representation was not based explicitly on class cleavages, but rather on clientelistic and electoral ties between social groups and parties that favored a project of multi-class integration.

The parties that exercised the strongest influence in Paraguay's political life are the Liberal and the Colorado. Born around 1887, they represented the European liberal ideals and nationalist principles, respectively. The Colorado, however, was the favorite instrument by which the military exercised their dictatorial rule, remaining uninterruptedly in power until August 2008. After the 1954 coup, the new government introduced a "predatory state" bent on ruthlessly exploiting the country's wealth. Elites controlled the state and used its fiscal capacity to extract rents, without providing citizens with collective goods, as infrastructures, regulation or social services. Beside direct repression, control was exercised through affiliation to the hegemonic Colorado Party, which was organized down to the most minuscule village, giving it a threatening potential for political mobilization. Although operating within a new and more democratic political framework after 1992, it has not renounced its openly conservative outlook. The main opposition group, the Partido Liberal Radical Auténtico, a moderate centrist party affiliated to the Liberal International, was actively persecuted under the dictatorship. Reorganized in 1989, it won several local and administrative elections, but returned to power only in 2008, within a larger left-leaning coalition. In sum, the centrality of the Colorados and the conservative nature of power holders in society held back the chances to create a progressive political movement. The victory of Fernando Lugo at the 2008 Presidential elections sparked new hopes that a "government of the people" was finally in place in one of the most conservative Latin American countries. The new government supported a series of social policies in favor of families in extreme poverty (Tekoporâ), child labour (Abrazo); students (Complemento Nutricional, Kits Escolares) and indigenous groups (Desarrollo Comunitario). However, no agrarian reform was passed and in spite of significant expenditures in social programs, poverty levels did not decline while income distribution actually worsened. Lugo's removal from office (June 2012), by means of a dubious impeachment procedure,⁸ is a powerful reminder of how fragile the perspectives of genuine democratic consolidation, and of incipient social reform, continue to be in the post-authoritarian phase.

Political and economic differences are reflected in social welfare policies and outcomes (Huber and Stephens, 2005). In Uruguay, in the 1970s, expenditures in education, as a proportion of GDP, were more than double; health outlays three times as high; and social security and welfare payments almost five times higher than in Paraguay. This gap further increased during the following decade. In 2010 Uruguay devoted almost 12 per cent of its GDP to pensions and social assistance, while the corresponding figure was only 3.9 per cent in Paraguay (**table 3**). The difference is even more apparent if we consider absolute numbers: between 2008 and 2009, only \$ 133 per capita were invested in public social expenditures in Paraguay, whereas this figure was over \$ 1,434 in Uruguay, a more than tenfold ratio (Cepal, 2011, table A-12). Between 2006 and 2007, public social expenditure in Uruguay was more than 21 per cent of GDP, while in Paraguay it barely exceeded 9 per cent (Cepal, 2011, table A-13).

From 1970 to 2010, Uruguay was one of the least unequal Latin American countries, and inequality declined over the period, whereas in Paraguay inequality remained high, with a Gini value that, in 2010, was standing at .53 (**table 3**). Only a handful of the countries in the region did worse than Paraguay: Brazil, Bolivia and some Central American countries. Likewise, levels of poverty were considerably lower in Uruguay. Although comparable data are difficult to acquire, according to the Economic

⁸ A number of Latin American governments declared that the proceeding was effectively a coup d'état and Lugo himself, while formally accepting the impeachment, called it a "parliamentary coup".

Commission of Latin America and the Caribbean, only 5.6 per cent of Uruguayan households lived below the poverty line in the 1990s, a figure which increased slightly to 8 per cent in 2010. In Paraguay, during the same period, the corresponding values were above 49 and 54 per cent, respectively.⁹ What appears to be critical, from our perspective, is that inequality and poverty were much less severe in Uruguay, while per capita social expenditures, as well as social expenditures as a percentage of GDP, were to a large extent more prominent.

Additional data on the actual allocation of social expenditure show a similar trend (**tables 4 to 6**). In Uruguay, the percentage of the population covered by health insurance swelled from 81 per cent in 1981 to over 95 per cent in 2000, and reached 97 per cent by 2010. In Paraguay, on the other hand, only 18 per cent of the population enjoyed some form of health insurance in the mid-1990s and slightly over 23 per cent in 2010. In the former country, in 1980, over 95 per cent of the economically active population was covered by some form of social security. The ratio between pension contributors and the employed decreased slightly from 84.7 per cent in 1990 to 80.9 per cent in 2000. By 2001, however, these figures were the highest in Latin America and stepped up again to almost 92 per cent in 2010. In Paraguay, in contrast, only between 18 and 19 per cent of the economically active population was covered by a pension scheme in 1995: this proportion went down to 14 per cent in 1998 and 12.7 per cent in 2008. In 2000, only 22,550 people received retirement and/or invalidity pensions, while the corresponding number was over 400,000 in less populated Uruguay. In this country, finally, while primary education had already reached quasi-universal coverage early on, net secondary enrolment has shown a sensible progress, going from 68 per cent in 1991 to over 85 per cent in 2010. In Paraguay, however, while primary school enrolment was close to universal, in 2002 only 56 per cent of children of official school age attended the third cycle of primary education (covering students from 12 to 14 years old). Although during the 1990s secondary enrolment experienced a dramatic increase, it only covered 42 per cent of proper age students by 2008.

Data on the redistributive impact of the latest democratic regimes, in both Uruguay and Paraguay, are consistent with these accounts (**table 7**). In Uruguay, the richest in society lost in favor of other social groups, but to a limited extent. Redistribution especially favored both the upper middle classes to which traditional parties had turned for political support and the lowest classes, which benefitted disproportionately from general and targeted social services. Blue collars and the middle class, represented politically by the Frente Amplio, were mostly able to defend the social rights and provisions to which they were traditionally entitled, but could not further advance their relatively privileged social status. In (urban) Paraguay, in the same period, redistribution was towards the top. The richest families significantly improved their share, while all other groups lost income: only slightly, the families immediately below them in rank; more severely, the 'poorest' 70 per cent of households, especially the bottom bracket. While in Uruguay a limited progressive redistribution did take place, no similar development occurred in Paraguay: during the period that followed democratization, the lack of previous democratic traditions and the predominance of a conservative party produced a further concentration of income in favor of the richest, a narrow social elite of businessmen, land owners and professionals with close ties with the ruling party and the military.

⁹ The 2010 figures for both countries refer to individuals, not to households, due to a change in data collecting introduced by Cepal in 2002.

Reforming the pension systems

In this section, we will illustrate the specific processes of policy formation and implementation promoted by elected governments, in both Uruguay and Paraguay, to reform their pension systems. While both countries have recently undergone such reform, the extent and nature of their effort varied: restructuring was broader and deeper in the former, limited to the public sector and mainly devoted to ensure financial viability in the latter. Our purpose is to clarify the interaction of political and economic factors and describe their impact on policy. Thus, we will discuss legislative battles, chart the organized interests promoting and opposing the reform, analyze their strategic interactions, explore the role of relevant policy legacies and economic arrangements, and evaluate the success or failure of remodeling.

In Uruguay, Social Security was in financial disarray since the 1960s and the situation had worsened in the following thirty years. Beside demographic change, the increasing lack of resources was caused by generosity of access, mismatch between levels of contribution and levels of benefits, evasion and lack of adequate technical criteria for investment. As a result, with the return of democracy, a widespread perception of decline in benefits and in people's welfare pushed ahead the issue of benefits indexation criteria (Filgueira and Moraes, 1999). In 1989, by way of a popular referendum which prompted a Constitutional amendment, pensioners demanded the indexing of pensions to the mean wage and adjustment timings linked to raises for state officials: the referendum was finally approved by almost 85 per cent of participants.

The main actor of this policy battle was the Organización Nacional de Asociaciones de Jubilados y Pensionistas del Uruguay (ONAJPU): this social movement, consisting of 120 retiree associations, was able to forge a successful coalition with the trade union movement and part of the political opposition (Castiglioni, 2005). Uruguayan unions had traditionally cooperated with the state, capital and parties in coalitions supporting import-substitution, but maintained a substantial degree of autonomy. After the return of democracy, the unified and independent PIT-CNT labor confederation had firmly opposed privatization of pensions.¹⁰ Indexing was also supported by the Frente Amplio which formed, along with pensioners and unions, a powerful anti-privatization coalition (Kay, 1999). With the re-introduction of democracy, both the Colorado and Blanco parties had started to identify with the groups benefitted by the new export-oriented model, as local employers and the transnational economic sector. Meanwhile, the Frente Amplio gained electoral strength, resuming political representation of old statist constituencies and the defense of the Battlista model. The policies of quasi universal welfare protection had strengthened the organizational capacity of certain social groups in the formal sector of the economy, in particular state constituencies: state workers, professionals, urban service and manufacturing workers. Such groups, backed by the Frente, were able to exercise a broad veto power against neoliberal reforms, facilitated also by instruments of direct democracy, as popular referenda, which allowed organized interests to submit directly to the political system claims in defense of the old welfare arrangement (Altman, 2011).¹¹ Politicians from the traditional parties, however,

¹⁰ Business organizations supported privatization, but did not take a prominent role in promoting reform. The Asociación Cristiana de Dirigentes de Empresa (ACDE) and the Consejo Superior Empresarial (CSE), for instance, formally endorsed the government plan after months of debate within the coalition government and only a few weeks before the law was finally approved (Kay, 1999: 411).

¹¹ Yet, these constituencies maintained their welfare status at the expenses not only of the wealthy, but also of the most vulnerable social sectors. In fact, the 1989 reform implied a drastic

fearing the loss of the pensioners, either backed the reform or did not take a position.¹² The existing welfare system enjoyed wide political support, not only among organized stake-holders, but also within the broader electorate: politicians bent on reforming the welfare system had to reckon with both (Luna, 2006).

The 1989 amendment, however, placed increasing strains on state fiscal budgets and on the economy.¹³ In order to control soaring pension expenditures, Blanco leader Luis Alberto Lacalle (1990-95), introduced four successive reform proposals, tailored along market lines: all were eventually rejected by Congress. A fifth reform, supported by a far-reaching coalition of Blanco and Colorado officials, was discarded in another referendum called by pensioners. Restructuring was finally approved in 1995, during the second Sanguinetti administration (Colorado), after a broad agreement was reached among leaders of the two major parties and ONAJPU. As a result, the traditional public pensions system, managed by the state, gave way to a mixed system that integrated private companies and a complementary capitalization arrangement for the upper income sectors: informal sectors workers continued to be excluded from the system, while powerful groups, such as the military, maintained an especially privileged condition. Although these changes deeply transformed the old system, this remained statist and coherent with social goals abandoned by other regional governments.

The key of the reform's approval was political: while between 1985 and 1995 the party that won the elections governed mostly alone, in 1995 a full blown coalition between the two major parties was formed. In the former period, laws were passed on a case by case basis and groups from other parties supported the government in specific instances. Whereas cooperation between them existed, as mentioned, it referred more to opposition restraint than to collaborative reformism.¹⁴ In 1995, Congress votes controlled by the party in government had declined from 55 to 42 per cent, along with the seats controlled by the winning party fraction. In short, government by one party and one fraction became increasingly difficult.¹⁵ With the new three-party system, a paradox developed in favor of the left opposition: the latter vetoed reforms to the traditional system of social protection and pushed for increased funding. In doing so, it compromised macroeconomic stability, and parties in government were in turn forced to pass unpopular laws that made the electoral perspective of the left opposition even more favorable. To sum up, until 1995 the traditional party in the opposition preferred to blame the party in power for painful reforms of the system and refused to enmesh in stable coalitions, so that it could not be blamed for the costs of the reforms. However, with time it became clear that the major beneficiary of this interaction was the left opposition. As a consequence, a new programmatic coalition was built between the two traditional parties: this time they preferred to pass broad reforms that would harvest benefits later rather than letting their political adversaries gain from their confrontation. In 1995, a multi-party

increase of financial means derived from regressive general tax revenues: such revenues climbed from 10.3 per cent of GDP in 1989 to 14.3 per cent in 1994.

¹² A notable exception was Colorado leader Jorge Battle, who advocated a reform Chilean style.

¹³ Between 1984 and 1994, expenses going to social security as a percentage of GDP went up from 9.3 to 14.3 per cent (Filgueira and Moraes, 1999: 14).

¹⁴ The inability to discipline members of sub-lists within each party, as illustrated above, severely hindered the chances to build an alliance between traditional parties (González, 1993).

¹⁵ Between 1985 and 1995, the votes of the traditional parties declined while the left opposition gained weight. In 1985, the Colorado party received over 42 per cent of the vote, but only 32 per cent ten years later; in the same period, the Blancos went down from 35 to 31 per cent. Meanwhile the left wing coalition increased its votes from 24 to almost 31 per cent (Buquet, 1995).

commission started to work on pensions' reform: when an early consensus was reached, the bill was presented to Congress and approved with minor changes with the votes of the Colorado and Blanco parties. Only the left coalition voted against.

The implementation phase implied controlling a possible reaction in the form of a plebiscite or referendum to repeal the law. To avoid this risk, the old system remained unchanged for retired persons and persons close to retirement (Filgueira and Moraes, 1999: 19). When a referendum was actually called, the electoral Court decided that such request was unconstitutional, since the executive had a legal monopoly over social security initiatives. A second critical factor explains the successful implementation of the reform: the creation of new stake holders. Both the administrators of private funds Administradoras de Fondos de Ahorro y Previsión (AFAP) and their members have a stake in supporting the new system. By September 2008, 822,663 people were integrated into the capitalization funds, representing more than 24 per cent of the population, 50 percent of the labor force and 60 percent of the employed. Furthermore, the AFAP managed approximately \$ 3,600 million, which accounted roughly for 11 per cent of GDP.¹⁶ One of the reasons of this success is already evident in the late 1990s: by 1999, 45 per cent of left wing voters were affiliated to an AFAP (actually a higher percentage than other parties). The most important veto player at the political level had half its constituencies as stake holders in the new system (Garmendia, 2010). Thus, even when the Frente Amplio rose to power in 2005, it did not fundamentally challenge the reformed system, which it had previously resisted.¹⁷

The problem of pensions was crucial in Paraguay, as well. The González Macchi administration (1998-2003) had left the country in a nearly bankrupt condition and unable to meet payments on certain of its obligations. The accumulated deficit of the pensions system over the previous six years was about \$ 52 million and, in 2003 alone, it amounted to \$ 15 million (Rodríguez Silvero, 2003). The Duarte government (2003-2008) strived to reach a pact with the IMF and the World Bank: new credits were made available in exchange for a series of reforms aimed at rationalizing spending and containing the deficit. The reform of public sector pensions (administered by the Caja Fiscal)¹⁸ was one of the measures agreed on: in particular, the new president proposed that, in order to retire, teachers substantially increase the years of service requirement, from 25 to 40, and raise their salary contributions from 14 to 16 per cent.

The reform jeopardized one of the key supporters of the patronage system developed by the ruling Colorado Party: pensions benefits were part of the rewards to state employees, who were required until 1989 to be members of the party, and teachers were a key component of this sector. The proposal caused a massive mobilization: on November 6th, over 20.000 teachers demonstrated in the streets of Asunción chanting

¹⁶ Opinion polls confirm the popularity and acceptance of the new system: in 1997, 28 per cent of those surveyed believed that the new system was good for them and the population, against 27 per cent that believed it was bad. Within those that were actually affiliated to the capitalization funds, 50 per cent declared conformity with the new system (El País, 1997).

¹⁷ This cautious approach has been motivated also by a lack of consensus within the left on the reforms to be adopted, especially whether the individual capitalization pillar should be eliminated or not; by the presence of private agents (the AFAPS) supporting the maintenance of the new system; and by the additional considerable costs deriving from its further reorganization (Midaglia, 2009: 145-46).

¹⁸ The Caja Fiscal managed old age and seniority pensions, along with invalidity pensions, survival pensions and occupational injury insurance for public sector employees. Only 12.5 per cent of the active labor force was covered by state pensions, including public sector employees, police and the military.

slogans against Duarte and his new plan, nicknamed “grandmother project”, a reference to the older age they would have to reach to enjoy retirement. A strike followed in the next two weeks, with participation rates exceeding 90 per cent. Eventually an agreement was achieved by the two parties, with teachers accepting 28 years of service for retirement and a 16 per cent wage contribution. The results achieved by schoolteachers constituted a clear although incomplete victory, since they were able to demonstrate their ability to resist and negotiate (Turner, 2004).

Duarte’s ambiguous stance towards teachers may be understood by looking at the dynamics of “predatory states”, such as Paraguay. In “predatory states” political access is restricted, so that power is used to limit economic competition and generate rents that benefit small minorities. When confronted with a contraction of rent based assets, the “predatory state” must find alternative resources or face a challenge to its rule (Richards, 2008). Thus, in order to receive what had become a vital financial support by the IMF, Duarte had to commit himself to restructuring the pension system, but he avoided hurting the most powerful party constituencies and softened the social costs imposed by the reform. In fact, the most traditional base of Colorado support (the Police and the Army) continued to enjoy a particularly privileged status: while University professors and public officers were required 30 and 40 years of contributions to retire, members of the Police and the Armed Forces only needed 10 and 15 years, respectively. In addition, the new government drastically reduced the sacrifices initially demanded to teachers and the new discipline was applied only to those who entered the system after 1984, therefore safeguarding teachers who had already matured 20 years of service by 2003. Finally, the new president selectively enforced additional reform policies supported by the international lending institutions: while a campaign against corruption was effective in the cleaning up of customs, it did not translate into more severity against powerful but dishonest allies in the state oil distribution monopoly.¹⁹

The reform of public pensions was backed by the IMF and by technical members of the cabinet, among whom Dionisio Borda, a respected economist in charge of the Finance Ministry. Business and agrarian interests were also in favor: their representation rested mainly with small economic elites in industry and agriculture, which controlled the flow of demands to policy makers in government.²⁰ However, in 2005 the resignation of Minister Borda, who took special pride in fighting institutionalized corruption, was interpreted as a clear sign of the president’s progressive subordination to the institutional and individual interests of the Colorado party, at the expense of his self-proclaimed reformist vocation. Reforming was opposed, on the other hand, by a number of social organizations, mostly public sector unions. These, however, were especially weak and fragmented: on the whole, seven union federations coordinated less than 5 per cent of the labor force (Bogado, Carosini and Barrios, 2006: 174-75). In addition, president Duarte rejected negotiations with the groups resisting the new arrangement and refused to consolidate them into large social and political blocs that might facilitate engaging in

¹⁹ During his mandate, Duarte submitted a series of key reform projects, the most controversial of which were the reform of the pensions system, the 2004 budget and the tax reform bill.

²⁰ More generally, the inadequacy in health, public housing, and education policies reflect not only the lack of clout and representation of civil society, but also the power of vested interests in the Colorado Party and its continued alliance with the military and conservative economic elites. Public deficits to finance the least advantaged are perceived by these groups as jeopardizing rents to be distributed among political allies (Sondrol, 2007: 58).

shared policy-making.²¹ Instead, he chose to criminalize the protest, using all forms of judicial and police repression and mandated that the exclusive partners of government in policy concertation should be political parties (Lachi, 2004). In turn, the traditional elitist character of parties, as well as the elite incapacity to forge links with masses increasingly alienated with democracy, discouraged the introduction of deeper and more durable social changes.

The strategy eventually adopted to secure the reform was to negotiate with parties with Congressional representation, thus limiting lobbying by the organizations opposing change. At least initially, public opinion backed Duarte who inserted his reforms in a broader discourse on improving state efficiency and fighting corruption.²² Critically, the President's legitimacy and general popularity in public opinion polls strengthened his ability to maintain discipline within the Colorado party in Congress and improved the credibility of these accords for the opposition. In fact, Congress approved quickly the reform with only minor adjustments (Turner, 2004: 27-8).

The weakness and limits of the 2003 reform are shown by an analysis of its aftermath. The reform was aimed mainly to secure financial viability: even this circumscribed goal, however, was threatened by later developments. At least seven new laws, approved by Parliament, have modified and watered down its original formulation.²³ In a country where only few want to pay their taxes, but all want to take advantage of state assistance, these changes jeopardize not only the pension system of public employees, but also public finances. In 2011, the deficit of the Caja Fiscal has reached \$ 202.9 million, 43 per cent of which corresponds to the difference between contributions and disbursements. In 2012, this figure will further grow to \$ 316 million (Ministerio de Hacienda, 2012). Accordingly, both international and domestic observers have expressed renewed doubts on the financial viability of the public pension system (Ultima Hora, October 2nd 2011; and November 13th 2012).

Concluding Remarks

This study points to the existence of a positive relationship between democracy and social welfare. While the ability to reach progressive welfare outcomes is not guaranteed by a democratic polity, such outcomes are more likely under democracy than under authoritarian governments or under regimes that restrain political and economic participation. In the absence of competitive checks and mechanisms, politicians have few motivations to support egalitarian social bargains and are more inclined to redirect social resources to personal or private goals, thus upholding or increasing political and social inequality. Especially where democratic institutions have become established, progressive political parties emerged over time and pushed for more equitable income redistribution, as in the political experience of Uruguay in the first part of the twentieth century. Later on, the role of parties became more ambiguous: social policy choices were less directly related to ideological differences and critically influenced by electoral

²¹ At the beginning of the new century civil society was still very weak. The number of people actively involved in national politics and public policy in a poor, small nation of six million like Paraguay numbered no more than a few thousand (Sondrol, 2007).

²² Duarte had presented himself as an independent politician, a champion of sound finances and an enemy of corruption: actually he was the first President to win internal Colorado elections without ties with Stronist circles, either "military" or "entrepreneurial" (De Riz, 2007). However, he rapidly shifted back to a familiar pattern in Paraguayan politics, based on securing firm control of internal party competition and maintaining a power system centered mainly on patronage.

²³ For instance, the bill submitted by Member of Parliament Fabiola Oviedo (UNACE-Capital) endorsed shortening the time period required by teachers to retire (Ley N° 3.613/09).

competition, economic and financial restraints, as well as legacies of previous welfare models. Democracy allows vested interests to organize and press politicians for favorable policy decisions, directly or through the electoral connection. As a consequence, if welfare entitlements and provisions were widely disseminated in society, conservative parties resisted fully implementing neoliberal reforms and adopted welfare policies that upheld established social rights. Conversely, in the last decades left parties confronted social constituencies that struggled for a defense of the existing system, against the interests not only of privileged upper classes, but also of marginal social groups. Consequently, they put into practice miscellaneous welfare measures, including some recommended by neoliberal economists.

The circumstances of pension reform in Uruguay and Paraguay confirm that the impact of democracy on social welfare is tightly intertwined with crucial political realignments; political institutions as electoral rules or instruments of direct democracy; the structure and performance of the economy; and the emergence of domestic constituencies, shaped by these policies, which may exercise a veto power over additional policy changes. Thus, in Uruguay, organized pensioners fought both against privatization of the public pension system and further redistribution to the poorest while, in Paraguay, business and rural interests vetoed a more generous redistributive welfare, whereas teachers' unions were able to water down the partial reform promoted by president Duarte. In short, an understanding of the surprisingly different versions of the welfare policies adopted by the two countries demands an analysis of democratic politics, political interests and rules, economic circumstances, and development strategies, along with a careful evaluation of their redistributive implications.

Table 1. Political Performance in Latin America

MBPL (1945-2007)		Polity IV (1945-2010)	
Costa Rica	1	Costa Rica	10
Uruguay	0.8	Venezuela	5.5
Venezuela	0.8	Colombia	5.5
Chile	0.7	Uruguay	4.3
Brazil	0.6	Ecuador	3.4
Colombia	0.6	Chile	2.5
Ecuador	0.6	Brazil	2.1
Argentina	0.5	Peru	1.5
Dominican Rep.	0.5	Honduras	1.5
Bolivia	0.5	Guatemala	0.6
Peru	0.4	Panama	0.6
Panama	0.3	El Salvador	0.4
El Salvador	0.3	Bolivia	0.3
Honduras	0.2	Dominican Rep.	0
Guatemala	0.2	Argentina	-0.8
Mexico	0.2	Mexico	-2.6
Nicaragua	0.2	Nicaragua	-3
Paraguay	0.1	Paraguay	-4.1

Source: Polity IV, *Data set*, see <http://www.cidcm.umd.edu/polity/>; Mainwaring, S. and D. Brinks. (2008) "Political Regimes in Latin America, 1900-2007." Unpublished manuscript at: http://www.nd.edu/~smainwar/Political_Regimes.pdf.

Table 2. Presidents of Paraguay and Uruguay

Presidents of Paraguay	Took office	Party
Alfredo Stroessner	15 August 1954	Colorado
Andrés Rodríguez	3 February 1989	Colorado
Juan Carlos Wasmosy	15 August 1993	Colorado
Raúl Cubas Grau	15 August 1998	Colorado
Luis Ángel González Macchi	28 March 1999	Colorado
Nicanor Duarte	15 August 2003	Colorado
Fernando Lugo	15 August 2008	Patriotic Alliance for Change
Presidents of Uruguay	Took office	Party
Juan Bordaberry	1 March 1972	Colorado
Arocena; Alberto Demicheli	12 July 1972	Colorado, National and Military
Lizaso; Aparicio Méndez Manfredini; Gregorio Álvarez		
Armelino		
Julio Sanguinetti	1 March 1985	
Coirolo	1 March 1990	Colorado
Luis Lacalle de Herrera	1 March 1995	National
Julio Sanguinetti		Colorado
Coirolo (second term)	1 March 2000	
Jorge Batlle Ibáñez	1 March 2005	Colorado
Tabaré Vázquez	1 March 2010	Broad Front
José Mujica Cordano		Broad Front

Table 3. Social Performance in Uruguay and Paraguay

	Uruguay				Paraguay			
	1970-80	1981-90	1991-2001	2010	1970-80	1981-90	1991-2001	2010
Percentage Households below Eclac Poverty Line	14.5	13.2	5.6	8.4*	na	na	49.5	54.8*
Estimated Gini	47.4	43.4	43.2	43	na	na	56.2	53
Education expenditures as a percentage of GDP	2.1	2.5	2.3	4.7	1	0.9	2.8	4.7
Health expenditures as a percentage of GDP	0.9	2.2	2.7	4.7	0.3	0.4	0.9	2.3
Social Security and Welfare expenditures as a percentage of GDP	10.8	12.8	17.8	11.3	1.9	2.4	2.1	3.9

Source (1970-2001): Evelyne Huber, John D. Stephens, Thomas Mustillo and Jennifer Pribble, *Latin America and the Caribbean Political Dataset, 1945-2001*, University of N. Carolina, 2008;

Source (2010): Cepal, *Panorama Social de América Latina*, 2011.

* Data refer to individuals not households.

Table 4. Health Coverage (% Total Population)

	Paraguay	Uruguay
1980	18	69
1991		93.2
1996		88
1997	18.1	
1998		
1999	19.1	
2000	18	95.6
2001	18.1	
2002	18.5	
2003	18	
2004	18.2	
2005	21.6	97.2
2006		96.2
2007	21.6	97.9
2008		98.1
2009	23.7	96.7
2010	23.4	97.2

Source: Paraguay: 1- Dirección General de Estadística, Encuestas y Censos: Censo 2002 y Encuesta Permanente de Hogares, Cuadros: Tienen seguro médico (Asunción: DGEEC, various years).

Uruguay: Uruguay: 1- 1980: Carmelo Mesa-Lago, Aspectos económicos-financieros de la seguridad social en América Latina y Caribe. II Congreso Interamericano jurídico de la seguridad social, Montevideo (1990); 2- 1990-2002: Natalia Ferreira-Coimbra, Alvaro Forteza Protección social en Uruguay. Financiamiento, cobertura y desempeño, 1990-2002, Cuadro 43: Tienen cobertura de salud. (Santiago de Chile: OIT, 2004); 3- 2007: Fanny Trylesinski, Encuesta Nacional de Hogares Ampliada. Informe temático: Los uruguayos y la salud. (Montevideo: INE, 2007); 4- 2008-2010: Uruguay en cifras. Salud (Montevideo: INE, various years).

Table 5. Pension Coverage

	PARAGUAY Covered by pension % EAP	URUGUAY Covered by pension (contributors/employed)	URUGUAY Covered by pension (contributors/EAP)
1980			81
1990		84.7	77.6
1991		85.0	77.4
1992		84.6	77.0
1993		88.6	81.2
1994		87.5	79.4
1995	18-19	86.1	77.3
1996		84.4	74.3
1997		85.3	75.6
1998	14	81.0	72.8
1999	13.2	82.2	72.9
2000		80.9	69.9
2001	13	78.3	66.3
2002	12.5	82.4	77
2003	12.5	94.4	78.5
2004		92.3	81.1
2005		94.5	89.1
2006		85.2	75.9
2007		88.5	80.4
2008	12.7	90.1	83.9
2009			
2010		91.7	85.5

Sources: Paraguay: 1- 1995-2001. Dirección General de Estadística, Encuestas y Censos, Encuesta Integrada de Hogares, 2000/01 (Asunción: DGEEC, 2001); Dirección General de Estadística, Encuestas y Censos, Boletino TAEC, 9, 12/2001(Asunción: DGEEC, 2001) ; 2- 2002-2008: Dirección General de Estadística, Encuestas y Censos, Encuesta Permanente de Hogares (Asunción: DGEEC, various years).

Uruguay: 1- 1980: Carmelo Mesa-Lago, Aspectos económicos-financieros de la seguridad social en América Latina y Caribe. II Congreso Interamericano jurídico de la seguridad social, Montevideo (1990); 2- 1990-2001: Natalia Ferreira-Coimbra, Alvaro Forteza, Protección social en Uruguay. Financiamiento, cobertura y desempeño, 1990-2002, Cuadro 65: cobertura del programa de invalidez, vejez y sobrevivencia, (Santiago de Chile: OIT, 2004); 3- 2002-2010: Instituto Nacional de Estadística, Uruguay en cifras, cuadros: cotizantes al sistema de seguridad social (Montevideo: INE, various years).

Table 6. School Enrolment

	PARAGUAY		URUGUAY	
	Primary school (age 6-11) Net %	Secondary school (age 15-17) Net %	Primary school (Age 6-11) Net %	Secondary school (age 12-17) Net %
1990	93	15		
1991	95	13	94.9	68.6
1992	95	17	94.5	68.4
1993	94	19	95.3	68.3
1994	92	20	95.1	66.1
1995	91	22	95.2	67.5
1996	91	24	95.5	68.5
1997	91	27	94.9	68.7
1998	90	28	95.2	67.6
1999	90	30	95	70.2
2000	90	31	94.8	70.6
2001	90	33	95.5	73.6
2002	92	39	94.7	75.5
2003				
2004	93.1 (gross) age 6-14			
2005	92 (gross) age 6-14		96.5	
2006		39	99.6	85.1
2007	94.3 (gross) age 6-14			84.4
2008		42		84.7
2009				86.2
2010				85.3

Sources: Paraguay: 1- 1990-2001: Ministerio de Educación y Cultura, Análisis cuantitativo de la evolución educativa, 1990-2001 (Asunción: MEC, 2003); 2- 2002-2007: Dirección General de Estadística, Encuestas y Censos, Resultados Finales. Encuesta Permanente de Hogares (Asunción: GDEEC, various years).

Uruguay: 1- 1990-2002: Administración Nacional de Educación Pública, Panorama de la Educación en el Uruguay. Una década de transformaciones. 1992-2004 (Montevideo: ANEP, 2005); 2- 2005-2006: Rubén Katzman and Francisco Rodríguez, Encuesta Nacional de Hogares Ampliada. Informe temático: Situación de la educación en Uruguay, (Montevideo: INE, 2006); 2007-2010: Encuesta Nacional de Hogares. Principales Resultados (Montevideo: INE, various years).

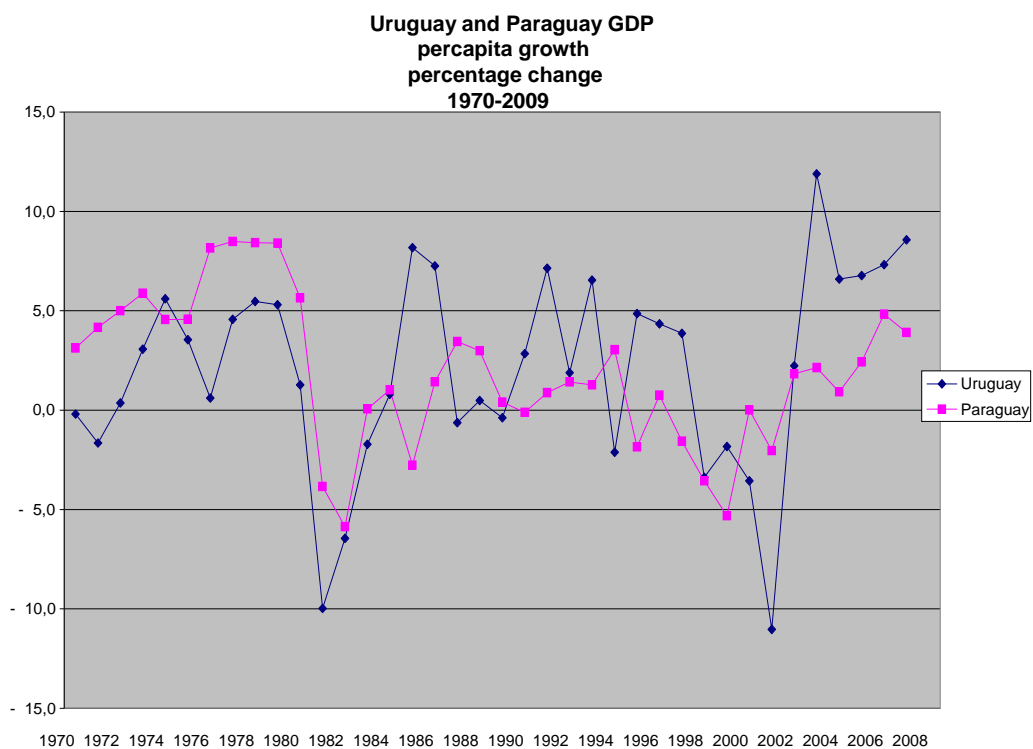
Table 7. Changes in the Distribution of Household Income.
Uruguay and Paraguay (1990-2005)

	Poorest 40 per cent	30 per cent following the poorest 40 per cent	20 per cent preceding the richest 10 per cent	Richest 10 per cent
Uruguay (Urban)	+1.5	+0.4	+ 1.5	-3.4
Paraguay (Urban)	-3.6	-1.8	-0.4	+5.8

Source: Cepal, *Panorama social de América Latina*, Cuadro 1.7 (Santiago de Chile: ONU, 2006).

FIGURES

Figure 1.



Source: Eclac, *Statistical Yearbook of Latin America* (various years).

REFERENCES:

- Alderson AS and Nielsen F (2002) 'Globalization and the Great U-Turn: Income Inequality Trends in 16 OECD Countries', *American Journal of Sociology* 107: 1244-99.
- Altman David, (2011) *Direct Democracy Worldwide*. Cambridge: Cambridge University Press.
- Altman David (2000) 'The Politics of Coalition Formation and Survival in Multiparty Presidential Democracies: the Case of Uruguay, 1989–1999', *Party Politics*, 6, 3, pp. 259–283.
- Bogado, D, L Carosini and L Barrios (2006), 'El caso paraguayo', in JM^a Pérez de Uralde y Mario Radrigán Rubio, La economía social en Iberoamérica. Un acercamiento a su realidad, FUNDIBES.
- Bollen KA and Jackman R (1985) 'Regression Diagnostics: An Expository Treatment of Outliers and Influential Cases', *Sociological Methods and Research*, 13: 510-42.
- Bradley D, Huber E, Moller S, Nielsen F and Stephens JD (2003) 'Distribution and Redistribution in Post-Industrial Democracies', *World Politics*, 55: 193-228.
- BTI, Bertelsmann Transformation Index (2012) Paraguay Country Report, available at <http://www.bti-project.org/countryreports/lac/pry/>
- Buquet D., (1995) Los efectos del sistema electoral uruguayo. En, "Reforma Electoral y Consolidación Democrática en America Latina". ICP/OEA.
- Castiglioni R (2005), 'Reforma de pensiones en América Latina: orígenes y estrategias, 1980-2002', *Revista de ciencia política (Santiago)*, 25, 2:173-89.
- Carbone GM (2009,) 'Do All Good Things Go Together? Exploring the Consequences of Democratization', *Journal of Democracy*, 20 (2): 123-37.
- Cepal (2011), *Panorama Social de América Latina*. Santiago de Chile: ONU.
- Cepal (2008) 'América Latina y el Caribe Series históricas de estadísticas económicas: 1950-2008'. <http://www.eclac.cl/deype/cuaderno37/esp/index.htm> (accessed 1 September 2010).
- Coppedge M (1997) 'A Classification of Latin American Political Parties', South Bend, IN: Kellogg Institute Working Paper #244.
- De Riz, L (2007), 'Los dilemas de la democracia paraguaya' <http://www.historiapolitica.com/datos/biblioteca/deriz3.pdf>
- El País, (1997, May 18), Montevideo.
- Esping-Andersen G. (1990), *The Three Worlds of Welfare Capitalism*. Princeton NJ: Princeton University Press.
- Filgueira F and Moraes J.A. (1999), 'Political environments, sector specific configurations, and strategic devices: understanding institutional reform in Uruguay', Inter-American Development Bank, Working paper R-351.
- Freije S (2003) 'Empleo informal en América Latina y el Caribe', Caracas: Banco Interamericano de Desarrollo – IESA.
- Garmendia G (2010), 'Evaluación de la reforma del sistema de pensiones en Uruguay', *Perfiles latinoamericanos*, 18, 35.
- González, L E (1993), 'Estructuras políticas y democracia en Uruguay', Montevideo, Fundación de Cultura Universitaria.
- Gough I. and Wood G. eds. (2004) *Insecurity and Welfare Regimes in Asia, Africa and Latin America: Social Policy in Development Contexts*. Cambridge: Cambridge University Press.

- Gradstein and Milanovic (2004), 'Does Libertè = egalité ? A survey of the empirical links between democracy and inequality with some evidence on the transition economies', *Journal of Economic Surveys*, 18, 4: 515-37.
- Haggard S and Kaufman RR (2008) *Development, Democracy and Welfare States*. Princeton: Princeton University Press.
- Hicks AM (1999) *Social Democracy & Welfare Capitalism: a Century of Income Security Politics*. Ithaca: Cornell University Press.
- Huber E., F. Nielsen, J. Pribble and J.D. Stephens (2006), 'Politics and Inequality in Latin America and the Caribbean', *American Sociological Review*, 71, 6: 943-63.
- Huber E and Stephens JD (2005) 'Successful Social Policy Regimes? Political Economy, Politics, and the Structure of Social Policy in Argentina, Chile, Uruguay and Costa Rica'. South Bend IN: the Kellogg Institute (October 7-8).
- Huber H and Stephens JD (2001) *Development and Crisis of the Welfare State: Parties and Policies in Global Markets*. Chicago: the University of Chicago Press.
- Kay, S (1999), 'Unexpected Privatizations'. Politics and Social Security Reforms in the Southern Cone, *Comparative Politics*, 31, 4: 403-422.
- Kitschelt H (1994) *The Transformation of European Social Democracy*. Cambridge: Cambridge University Press.
- INE Instituto Nacional de Estadística (2011) Encuesta Continua de Hogares (ECH), Montevideo.
- Lachi, M (2004), 'Gobernabilidad democrática al "estilo" paraguayo' NovaPolis, 7, May.
- Lindert PH (2004) *Growing Public: Social Spending and Economic Growth since the Eighteenth Century*. Cambridge: Cambridge University Press.
- Lipset SM and Smelser NJ, eds. (1966) *Social Structure and Mobility in Economic Development*. Chicago: Aldine Publishing Company.
- Luna JP (2006) 'Frente Amplio and the Crafting of Social Democratic Alternatives in Uruguay', Unpublished paper, Instituto de Ciencia Política, Universidad Católica de Chile.
- McAuslan P., (1998), 'Making Law Work: Restructuring Land Relations in Africa' *Development and Change*, 29, 3: 525-52.
- Midaglia C. (2009), 'Las políticas sociales del gobierno de izquierda en Uruguay. Una aproximación a sus características y resultados', in *Consenso progresista: Las políticas sociales de los gobiernos progresistas del Cono Sur*, ed. by Yesko Quiroga, Agustín Canzani, Jaime Ensignia. Fundación Friedrich Ebert: 183-222.
- Ministerio de Hacienda, (2012), 'Informe de las Finanzas Públicas de la República del Paraguay', <http://www.hacienda.gov.py/web-presupuesto/index.php?c=164>
- Nelson K (2007) 'Universalism versus Targeting: The Vulnerability of Social Insurance and Means-Tested Minimum Income Protection in 18 countries 1990-2002', *International Social Security Review*, 60 (1): 33-58.
- Pribble Jennifer (Forthcoming), *Welfare and Party Politics in Latin America*, Cambridge: Cambridge University Press.
- Przeworski A, Alvarez M, Cheibub JA and Limongi F (2000) *Democracy and Development*. Cambridge: Cambridge University Press.
- Reuveny R and Li Q (2003) 'Economic Openness, Democracy, and Income Inequality', *Comparative Political Studies*, 36 (5): 575-610.
- Richards D. (2008), Transition and reform in a predatory state: the case of Paraguay', *Journal of Economic Policy Reform*, 11, 2: 101-114
- Rodríguez Silvero, R. (2003), 'Paraguay 2003: Discusión política en torno a los sistemas locales de seguridad social y status actual en materia de proyectos de ley.' Paper presented at FECON 2003, Universidad Autónoma de Asunción, 21 November.

- Rodrik, D., (1999), 'Democracies pay Higher Wages', *Quarterly Journal of Economics*, 114(3): 707-738.
- Ross M (2006) 'Is Democracy Good for the Poor', *American Journal of Political Science*, 50 (4): 860-74.
- Schumacher G. and B. Vis (2009) 'Party Organization, Electoral Competition and Reform of Welfare State Generosity in OECD Countries, 1973-2002', Paper Prepared for the Annual Meeting of the APSA, Toronto, September 3-6.
- Siegle JT, Weinstein MW and Halperin MH (2004) 'Why Democracies Excel', *Foreign Affairs*, 36 (5): 575-601.
- Sondrol PC (2007), 'Paraguay: A Semi-Authoritarian Regime?', *Armed Forces & Society*, 34, 1: 46-66.
- Turner B (2004), 'State Reform and Anti-Neoliberal Rhetoric in Paraguay', *Maclas, Latin American Essays*, vol. xviii.
- Ultima Hora (2011, October 2), 'Modificaciones a ley de Caja Fiscal agravan situación', Asunción.