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Working Paper

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WIDER Working Paper, No. 2012/08

Provided in Cooperation with:

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Suggested Citation: Roberts, Kenneth M. (2012) : The politics of inequality and redistribution in Latin America's post-adjustment era, WIDER Working Paper, No. 2012/08, ISBN 978-929-230-471-3, The United Nations University World Institute for Development Economics Research (UNU-WIDER), Helsinki

This Version is available at:

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Working Paper No. 2012/08

The Politics of Inequality and Redistribution in Latin America's Post-Adjustment Era

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January 2012

Abstract

Declining social and economic inequalities since the late 1990s coincided with several basic shifts in Latin America's political landscape, including an electoral turn to the left and a revival of social mobilization from below. These shifts helped to 'repoliticize' inequality and return redistributive policies to a central place on the political agenda in the aftermath to the structural adjustment policies of the 1980s and 1990s. Equity gains, however, have occurred under conservative governments as well as leftist ones, and they are associated with a diverse set of public policy initiatives. The new politics of inequality, therefore, differ significantly from those of Latin America's ISI era, as well as those that prevailed during the period of economic liberalization.

Keywords: inequality, redistribution, structural adjustment, political parties, populism, social policy

JEL classification: H4, I2, I3, J3,

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This study has been prepared within the UNU-WIDER project 'The New Policy Model, Inequality and Poverty in Latin America: Evidence from the Last Decade and Prospects for the Future', directed by Giovanni Andrea Cornia.

UNU-WIDER gratefully acknowledges the financial contributions to the research programme by the governments of Denmark (Ministry of Foreign Affairs), Finland (Ministry for Foreign Affairs), Sweden (Swedish International Development Cooperation Agency—Sida) and the United Kingdom (Department for International Development).

ISSN 1798-7237

ISBN 978-92-9230-471-3

Acronyms

ISI import substitution industrialization

EAP economically active population

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Typescript prepared by Liisa Roponen at UNU-WIDER

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1 Introduction

The declines in social and economic inequality registered in many Latin American countries since the late 1990s coincided with a basic change in the region's political landscape—that is, a shift from the politics of market-based structural adjustment to a new, post-adjustment era in which the social problems of poverty and inequality have returned to a prominent place on the democratic agenda. For most of the 1980s and 1990s, these social problems were relegated to the margins of a political agenda that was dominated by issues of debt-fuelled austerity, stabilization, state retrenchment, and market liberalization. By the middle of the 1990s, however—when Brazil became the last country in the region to defeat hyperinflation—the central tasks of structural adjustment had been completed, and the logic of democratic competition increasingly politicized the 'social deficits' left behind by the process of market liberalization.

This politicization—or, more properly, repoliticization—of social problems took a number of different forms, but it was most prominently manifested in the outbreak of mass protest movements that toppled a succession of pro-market presidents in Ecuador, Argentina, and Bolivia (Silva 2009), along with an unprecedented series of electoral victories by left-of-centre presidential candidates. Between 1998 and 2011, leftist presidents were elected in 11 different Latin American countries, placing two-thirds of the regional population under the authority of national governments of the Left (Weyland, Madrid and Hunter 2010; Levitsky and Roberts 2011). Although many of these governments have remained relatively cautious and orthodox in their management of macroeconomic policies, all have introduced or expanded redistributive social policies. The post-adjustment era is thus characterized by a broader range of policy debate and a more varied mix of political actors, at least some of whom challenge the pro-market conformity and technocratic political logic of the 'Washington consensus' of the 1990s (Williamson 1990).

Although it is tempting to attribute declining inequalities to this revival of popular and leftist alternatives in the post-adjustment era, the causal relationship between these two trend lines remains a point of considerable scholarly debate. Declines in inequality, after all, have occurred under conservative as well as leftist governments in contemporary Latin America, and they are related to complex combinations of market forces and social policies (see López-Calva and Lustig 2010; Cornia 2011). But even if leftist parties and movements cannot claim exclusive credit for declining inequality, there is little doubt that they have been instrumental in raising the salience of redistributive issues and repoliticizing Latin America's entrenched inequalities.

This paper thus explores the demise and revival of redistributive politics in recent decades in Latin America. It seeks to explain how the politics of inequality that characterized the era of import substitution industrialization (ISI) broke down, and how the 'dual transitions' to political democracy and market liberalism in the 1980s and 1990s reconfigured the new politics of inequality at the turn of the century. Although the new politics of inequality has taken a number of different forms—as seen, for example, in the diverse types of left-leaning parties or movements that have come to power since 1998—variation within it is not random. Instead, it is conditioned by partisan political alignments during the critical juncture of market liberalization, which heavily influenced how societal demands for redistribution would be mobilized, and

whether they would be channelled into or against established party systems and democratic regimes.

2 Populism and redistributive politics in the ISI era

The politics of structural adjustment in the 1980s and 1990s involved the dismantling or scaling back of many state policies that were designed to redistribute income or provide economic protection to low-income groups. These policies—most of them embedded in the broader statist development logic of ISI—were deemed too costly, inefficient, or market-distorting to be sustained in a period of debt-induced austerity and market restructuring for enhanced international competitiveness. Cutting or dismantling these programmes, however, inevitably created conflict with the social and political coalitions that benefitted from them—coalitions that dated back, in some cases, to the rise of populism in the 1930s and 1940s.

Prior to the rise of populism, Latin American political systems invariably reflected and reproduced the class inequalities inherited from the colonial era. Commodity export-based economies reinforced the dominance of agrarian and commercial oligarchies that governed directly or in tacit alliance with military caudillos. Until industrialization and the rise of urban middle and working classes transformed the social landscape, oligarchic political orders were highly exclusive, relying on suffrage restrictions or military rule to contain political mobilization from below. Even where elections allowed for a measure of intra-oligarchic political competition, democratic institutions tended to be weak, elitist, and unstable, providing little impetus for the redistribution of commodity rents to broader sectors of society.

Populism thus marked the onset of mass politics following a century of post-independence oligarchic rule, and it remains the quintessential expression of redistributive politics in the region. Populist leaders mobilized working- and lower-class support by grafting social and economic demands onto political claims for democratic rights, including suffrage and the right to form labour unions and engage in collective bargaining (Collier and Collier 1991; Conniff 1999). Although populist movements varied in the extent to which they mobilized peasants and incorporated land reform within their political platforms, they built labour unions and new mass-based party organizations, and they established corporatist channels of interest representation that allowed organized labour to press claims on the state. These claims included a broad range of redistributive policies and social protections, ranging from higher wages and employment security to pensions, eight-hour work days, unemployment and disability compensation, and the right to strike.

Social mobilization in the countryside, whether it was led by populist or more left-leaning actors, was often even more contentious than that in the urban workplace. Peasant movements aimed not only to secure higher wages and workers' rights, but to change the very structure of property ownership by redistributing land to small-scale producers. By targeting asset ownership and property relations, rural mobilization challenged the very core of Latin America's traditional class structure, especially in countries like Bolivia, Peru, and Chile, where large-scale land seizures occurred and left-leaning governments implemented major land reform measures.

Even where strong populist and leftist movements did not arise, governing parties in a number of countries (Uruguay in particular) responded to the growth of urban working classes and labour unions by sponsoring progressive social legislation. In part, this was an appeal for blue-collar support as the electorate expanded, but it also represented an attempt to pre-empt more militant forms of populist or leftist labour mobilization (Segura-Ubiergo 2007:26-8). Some authoritarian regimes followed a similar pre-emptive logic in adopting social legislation, although more advanced welfare states generally developed where democratic competition was longstanding (Haggard and Kaufman 2008). These welfare states were predominantly contributory or Bismarkian (rather than universalistic or social democratic) in their form; that is, they concentrated their benefits on formal sector workers who contributed (usually along with their employers) to health, pension and other funds from which benefits were paid (Huber and Stephens 2012). Other benefits—such as minimum wage laws and restrictions on firing employees—were likewise enjoyed primarily by workers in the formal (predominantly urban) sector of the economy. Much of the peasantry and rural workforce, along with the urban informal sector and women outside the labour market, were thus left on the margins of national social welfare systems.

As such, redistribution during the ISI era was very limited, reflecting the uneven spread of democracy, the segmented character of labour markets, the imbalance between the political influence of organized and unorganized sectors of labour, and political reticence to challenge landowners' control of the rural labour force (Haggard and Kaufman 2008). Some redistribution occurred, as industrialists paid higher wages and social security contributions, while agro-exporters subsidized much of the urban industrial complex through the prices set by marketing boards for agricultural commodities. The amount of redistribution, however, was limited by very low levels of taxation (Segura-Ubiergo 2007: 85–6) and by the exclusion of much of the urban informal and rural sectors of the workforce from major social programmes.

These programmes—pension systems, in particular—thus bestowed benefits on blue and white collar workers in the formal sector, but they did little to redistribute income to the most needy segments of the population. Pension coverage varied significantly across the region: over than 60 per cent of the economically active population (EAP) was legally entitled to social security in 1980 in Argentina, Brazil, Chile, Costa Rica, and Uruguay, but this figure dropped to roughly half the EAP in Mexico, Panama, and Venezuela, and averaged only slightly more than 20 per cent of EAP elsewhere in the region. Even in countries with reasonably broad-based pension coverage, benefits accrued primarily to those who were relatively well off; in Brazil and Uruguay, for example, the wealthiest 40 per cent of the population received 70 and 77 per cent, respectively, of total pension payments, while the bottom 40 per cent received a mere 15 and 10 per cent, respectively (Huber and Stephens 2012: Chapter 3). Government spending on health and education also disproportionately benefitted those at the top of the income pyramid, although less dramatically so than social security programmes. Consequently, redistributive policies in the ISI era did not alter Latin America's position as the world's most unequal region. Regionwide, the Gini index of inequality averaged 0.49 at the beginning of the 1980s (see Cornia 2011), while 35 per cent of the population lived below the poverty line, including 15 per cent in extreme poverty (Echeverria 2000).

3 Structural adjustment and the politics of inequality

Redistributive policies in the populist-ISI era may have been limited in their reach, but this did not prevent them from being targeted for cuts when ISI collapsed in the debt crisis of the 1980s and market reforms spread across the region. To the contrary, the fact that expensive redistributive policies left so many people below the poverty line added grist to the mill of populism's critics. According to the critics, myriad forms of state regulation and intervention did little to help the poor; instead, they provided rent-seeking opportunities for politically-connected 'redistributive combines' (De Soto 1989: 190), thus undermining market efficiency and exacerbating socioeconomic inequalities (see Krueger 1974). In the influential argument of Dornbusch and Edwards (1991), populism hurt the very social groups that it pledged to defend, as it promoted mass consumption and redistribution through overvalued exchange rates and expansive fiscal, monetary, and wage policies that generated severe inflationary pressures and foreign exchange bottlenecks. Throughout the region, then—starting with the military dictatorships of the Southern Cone in the mid-1970s (O'Donnell 1973), then continuing under new democratic regimes after the debt crisis of the early 1980s—governments slashed tariffs, privatized state-owned industries and public utilities, lifted price controls and subsidies, and deregulated labour, capital, and foreign exchange markets (Foxley 1983; Edwards 1995; Weyland 2002). In some cases they also privatized social security and promoted the private provision of other social services.

The implications of market reforms for the politics of inequality were profound, as liberalization transformed Latin America's class structure, the organization of societal (especially labour) interests, and the content of social policies. First, the combination of economic crisis and market restructuring altered the regional class structure by shifting employment from formal sectors to the already large informal sector of the economy. In particular, formal employment declined as public enterprises were privatized and large firms weathered the effects of recession, foreign competition, and industrial downsizing. Regionwide, employment in the public sector and large private enterprises declined from 48.2 per cent of the workforce in 1990 to 42.3 per cent in 1997, while the informal sector grew from 51.8 to 57.7 per cent of the workforce (ILO 1998: 40; see also Portes and Hoffman 2003). Even more dramatically, the ILO estimated that 85 per cent of new job growth in the 1990s was concentrated in the informal sector, where employment was typically precarious and low-paid, given the prevalence of non-contract labour or short-term contracts (ILO 1997: 1). In short, market liberalization exacerbated historic patterns of labour market segmentation that impeded effective redistributive policies, and it produced a highly unstable and fluid workforce.

Second, these changes in the class structure created impediments to collective action on the part of workers, compounding the political challenges encountered by unions that, in many cases, had already been weakened by military repression in the 1970s. Informal sector workers are notoriously difficult to organize, given their unstable workplace relations and their ambiguous class positions, as their economic activities often combine petty entrepreneurship with precarious wage labour. Unions were further put on the defensive by the severe recessions and inflationary pressures that followed in the wake of the debt crisis, and by structural adjustment policies that called for wage restraint, the flexibilization of labour markets, and restrictions on collective bargaining (Cook 2007). Labour unions concentrated in the formal sector thus found it increasingly difficult to speak for an informalized and segmented workforce, or to use strikes and

other forms of collective action to defend their interests. The net result, as seen in Table 1, was a sharp decline in levels of trade union density across the region, especially in the countries that had developed powerful labour unions during the ISI era. Regionwide, the average ‘peak’ level of unionization reached 22.9 per cent of the total labour force in the 1970s or 1980s, prior to the onset of structural adjustment; in the post-adjustment era, union density plunged to less than half that amount, averaging a mere 10.7 per cent of the workforce in 2005.

Consequently, Latin America’s economic transition was associated with a dramatic weakening of the organizations that provided the primary form of collective voice and political leverage for urban popular sectors during the ISI era. In much of the region, social fragmentation and political demobilization occurred in the countryside as well, at least during the initial stages of market liberalization. The decline of peasant movements based on traditional land claims—Brazil’s landless workers movement being a major exception (Wolford 2010)—had roots in the commodification of agrarian labour and social relations, the parcelization of collective landholdings, and the effective removal of land redistribution from the political agenda (Kurtz 2004). In both urban and rural areas, then, market reforms altered productive and social relations in ways that undermined the structural foundations for class-based collective action—and, in the process, transformed the nature of redistributive politics in Latin America.

Third, this weakening of class-based collective actors helped to shield neoliberal technocrats from societal pressures, facilitating experimentation with new types of social policies that were more compatible with free market principles. These social policies had four principal objectives: (i) to reduce the size of the public sector, while scaling back the state’s social responsibilities and interventionist practices; (ii) to shift responsibilities for service provision and social welfare to the private sector and the marketplace (iii) to reduce market inefficiencies associated with various social policies, especially price controls and subsidies designed to augment popular consumption; and (iv) to target social spending on the most needy groups in society. Although states varied in the depth and breadth of neoliberal reforms on the social policy front, the general thrust of these policies was to move towards what Esping-Anderson (1990) calls liberal or ‘residual’ welfare states—that is, welfare systems that rely heavily on the private sector and the marketplace to fulfil social needs, with state protection and support provided on a temporary and minimal basis for those who are unable to meet their needs in the marketplace.

The shift in social policies was perhaps best seen in widespread efforts to privatize public pension plans and social security. Following Chile’s landmark reforms to privatize social security in the early 1980s, ten additional countries fully or partially privatized their pension systems in the 1990s, hoping to reduce the fiscal burdens of public pension plans, increase domestic savings, and allow for the individualized capitalization of employee contributions (Madrid 2003; Weyland 2006). As stated by Madrid (2003: 13):

These reforms not only allowed (or in some cases obliged) workers to move from the public pension to new private pension systems, but also they typically slashed the benefits available in what remained of the public pension systems. Minimum retirement ages were increased, privileged pension schemes were eliminated, and state guarantees were scaled back.

Table 1
Changes in trade union density in Latin America
(trade union members as a percentage of the total labour force, rank-ordered by peak level)

Country	Peak ISI-era trade union density	Trade union density in 2005	Change in trade union density
Argentina	50.1	21.0	-29.1
Nicaragua	37.3	15.0	-22.3
Chile	35.0	10.0	-25.0
Mexico	32.1	15.0	-17.1
Venezuela	26.4	11.0	-15.4
Peru	25.0	5.0	-21.0
Bolivia	24.8	7.5	-17.3
Brazil	24.3	16.0	-8.3
Uruguay	20.9	15.0	-5.9
Dominican Republic	17.0	8.0	-9.0
Panama	17.0	10.0	-7.0
Costa Rica	15.4	12.0	-3.4
Ecuador	13.5	5.0	-8.5
Paraguay	9.9	10.0	.1
Colombia	9.2	4.0	-5.2
Honduras	8.5	7.3	-1.2
Average	22.9	10.7	-12.2

Sources: Based on Roberts (2002: 15), and *Country Reports on Human Rights Practices*, various.

Although less dramatic, health care reforms likewise sought to shift responsibilities from the state to private insurers, providers, and contractors, while decentralizing control over health policies from national to local governments. The period of austerity in the aftermath of the debt crisis was especially difficult for health and education programmes, as it led to sharp cuts in per capita spending in both areas of social policy (Franko 2003:360).

Reforms to deregulate markets also had major social policy implications. Albeit with mixed success, most governments sought to reduce labour market rigidities and create more flexible labour markets (Cook 2007), generally by easing restrictions on the dismissal and temporary contracting of workers. In some cases, flexibilization involved efforts to limit collective bargaining as well. Market reformers hoped that more flexible labour markets would lower wage costs for employers, and thus expand employment opportunities for workers. In consumer markets, deregulation entailed the lifting of price controls and subsidies on food, gasoline, electricity, and other basic goods and services. Price controls and subsidies had buttressed mass consumption, but they also distorted markets and expended scarce resources on middle- and upper-class groups who didn't need public assistance. Hence, market reformers preferred less costly and distortionary forms of public assistance that were specially targeted on low-income groups. Initially, this took the form of small poverty relief grants for community development or infrastructure projects, pioneered through programmes such as PRONASOL in Mexico and FONCODES in Peru (Graham 1994; Arce 2005). Over time, these were joined by conditional cash transfers—direct monthly payments to low-income families that were conditioned on their willingness to keep children in school and receive regular medical check-ups.

These efforts to achieve greater economic growth and efficiency, however, did not suffice to alleviate Latin America's chronic problems with underemployment, poverty, and inequality. Indeed, these problems tended to worsen during the period of economic crisis and reform in the 1980s and 1990s, especially given the rise in informality and the increasingly segmented character of labour markets. Over the course of the 1980s, the number of people in the region living below the poverty line increased by nearly 65 million, from 135.9 million people in 1980 to 200.2 million in 1990. Much of this increase was not attributable to population growth, as the percentage of the population living below the poverty line rose from 35 to 41 per cent during this period, before gradually dropping back to 36 per cent in 1997 (Echeverria 2000). Similarly, the regionwide average Gini index of inequality rose from 48.9 to 53.7 in the 1980s and 1990s (see Cornia 2011). Patterns of income concentration were so powerful during the 'lost decade' of the 1980s that the bottom nine income deciles—that is, the bottom 90 per cent of the population—all lost relative income shares, while the top decile increased its share by 10.6 per cent (Londoño and Székely 2000: 105–6; see also Altimir 2008).

These regressive distributive outcomes reflected several different trends in the region, including labour informalization, wage compression, and skill-biased patterns of technological change that awarded premiums to more highly educated workers in a context of market liberalization (see López-Calva and Lustig 2010). Real industrial wages declined in the region by an average of 12.3 per cent in the 1980s, and even a modest recovery in the 1990s left them below the level of 1980. For those near the bottom of the income scale, the deterioration was even worse: the average real minimum wage declined by 31.6 per cent in the 1980s, and remained 30 per cent below the 1980 level in 1997 (ILO 1998: 43). To compound matters, many workers, especially in the informal sector, did not even make the legal minimum wage; indeed, over one-third of micro-enterprise workers received less than the legal minimum wage (ILO 1997: 15). To fully understand the precarious nature of employment, it should be noted that informalization was not simply a curse on the poor; an OECD study in four Latin American countries found that more than half of middle sector workers also laboured in the informal economy (OECD 2010: 19), and most of them were excluded from social protection programmes.

Indeed, labour market segmentation and informalization combined with contributory social programmes to create a 'two-tiered' system of social protection that was driven by a 'vicious cycle'. As the OECD (2010: 19) stated, 'the majority of informal workers contribute irregularly, if at all, weakening those systems and providing insufficient support to those workers when they need it'. Consequently, social security systems did not provide old-age coverage for 81 per cent of micro-enterprise workers in Peru, 75 per cent in Colombia, 70 per cent in Brazil, and 64 per cent in Chile. The comparable figures for health care plans were 83 per cent in Colombia, 78 per cent in Peru, 70 per cent in Brazil, and 37 per cent in Chile (ILO 1997: 15). Not surprisingly, with incomes and social benefits so closely tied to individuals' precarious employment opportunities, unemployment consistently ranked first on the regionwide list of national concerns from 1995 to 2008 (Latinobarómetro 2010: 7). In the early years of the 2000s, Latinobarómetro consistently found that around 60 per cent of survey respondents reported having an adult member of their household who had been out of work in the previous 12 months. Clearly, low wages and the lack of secure employment were central elements of the 'social deficit' left by Latin America's new economic model.

4 Repoliticizing inequality: Latin America's 'Polanyian backlash'

In the classic work of Karl Polanyi (1944), the spread of markets and the resulting commodification of social relations are expected to trigger a counter movement for social protection against market insecurities. Such reactions are far from automatic, however, and they vary widely in their timing, form, and political content. Although game-theoretic accounts assume that democratic competition in contexts of high inequality will produce popular majorities in favour of redistributive policies (Meltzer and Richard 1981; Acemoglu and Robinson 2006), any number of factors can prevent such majorities from forming. Consequently, the failure of market liberalization to resolve social problems of poverty, inequality, and underemployment did not mean that these problems would inevitably be turned into focal points of political contention, at least in the short term (Blofield and Luna 2011).

Indeed, the social and political actors who had historically politicized inequalities in Latin America were not well-positioned to do so during the period of economic adjustment. The organizational strength and mobilizational capacity of labour unions were in decline, and unions' political ties to states and parties had clearly eroded (see Levitsky 2003). Likewise, the political Left—in both its partisan/democratic and insurrectionary forms—was put on the defensive by the crisis and collapse of socialism in the Soviet bloc and the end of the cold war. And in one of the central paradoxes of the market reform process, many of the historic labour-based populist parties of the ISI era actually took the lead in dismantling ISI and imposing structural adjustment policies after the debt crisis. The PRI in Mexico, the Peronists in Argentina, MNR in Bolivia, and AD in Venezuela had deep historical commitments to organized labour and redistributive politics, but in contexts of inflationary pressures and tightening global market constraints, all imposed far-reaching market reforms that clashed with their established platforms and alienated many of their traditional constituencies (Murillo 2001). Other centre-left parties with weaker labour bases, such as PLN in Costa Rica and ID in Ecuador, also introduced 'neoliberalism by surprise' (Stokes 2001) through 'bait-and-switch' tactics that turned their traditional platforms on their head.

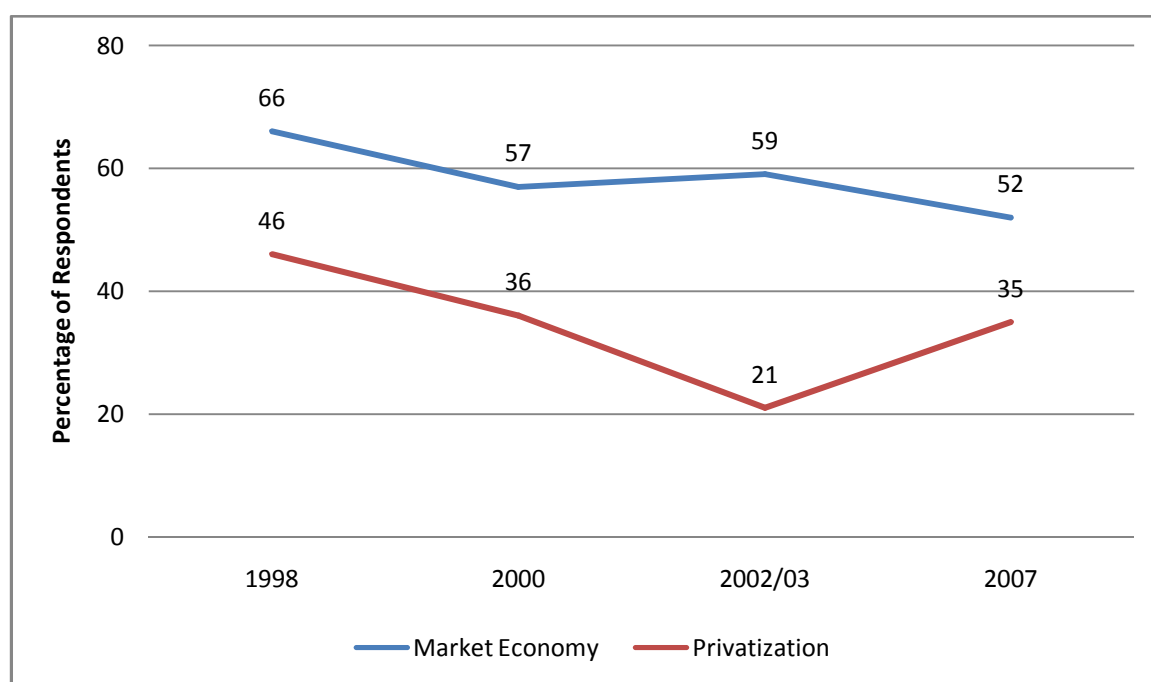
In short, following the hyperinflationary debacles spawned by the debt crisis and heterodox stabilization policies in the mid-1980s, even the historic architects of state-led development and redistributive policies were embracing market liberalization by the end of the decade. Austerity and market efficiency—not social equity—dominated the political agenda. But if the 'Washington Consensus' for market liberalization was hegemonic among technocrats and policymakers, its reception was more nuanced within society at large. Indeed, election returns and public opinion surveys both demonstrated considerable ambivalence toward the free market development model. Although prominent market reformers like Menem in Argentina, Fujimori in Peru, and Cardoso in Brazil achieved re-election after stabilizing economies wracked by hyperinflation, the prevalence of 'bait-and-switch' patterns of reform demonstrated that many political leaders did not believe they could win elections by running on a platform calling for structural adjustment policies—that is, by truthfully divulging what they planned to do in public office. Such obfuscation and post-election policy switches posed obvious problems for democratic accountability (Stokes 2001).

As Baker (2010) shows, this political ambivalence was manifested in public opinion surveys as well. Latin American citizens did not necessarily consider the new economic

model to be an undifferentiated whole; instead, they disaggregated the package of free market reforms into its separate components, some of which were more popular than others. Free trade, for example, was generally supported for giving consumers access to a broader range of low priced, high quality imported goods. Regionwide, an average of over 70 per cent of Latin Americans expressed support for free trade and the Free Trade Agreement of the Americas in the late 1990s (Baker 2003:425). Privatization policies, on the other hand, were considerably less popular, largely because they generated fears of higher prices for basic utilities like water, electricity, and telecommunications (even if they enhanced the quality or access to such services). Indeed, the percentage of survey respondents who said privatizations had benefited the country declined after the late 1990s, reaching a low of 21 per cent in 2003 before partially recovering as economic conditions improved (see Figure 1).¹ Even though most citizens believed private enterprise was necessary for development, 71 per cent expressed dissatisfaction with the privatization of basic utilities (Latinobarómetro 2003: 57).

Figure 1 also shows that the percentage of survey respondents who believe a market economy is best for their country dropped from two-thirds to a little over half between 1998 and 2007.² This is hardly a ringing endorsement, given the absence of any identifiable alternatives to a market economy in the post-cold war era. Discontent was more evident in the fact that satisfaction with the *performance* of the market economy

Figure 1
Support for Privatizations and a Market Economy, 1998-2007
(regional average)



Source: Compiled by author, based on Latinobarómetro (2007: 25-6).

¹ Figure 1 shows the combined average of survey respondents who either agree or strongly agree with the statement 'Privatizations of state enterprises have been beneficial for the country'.

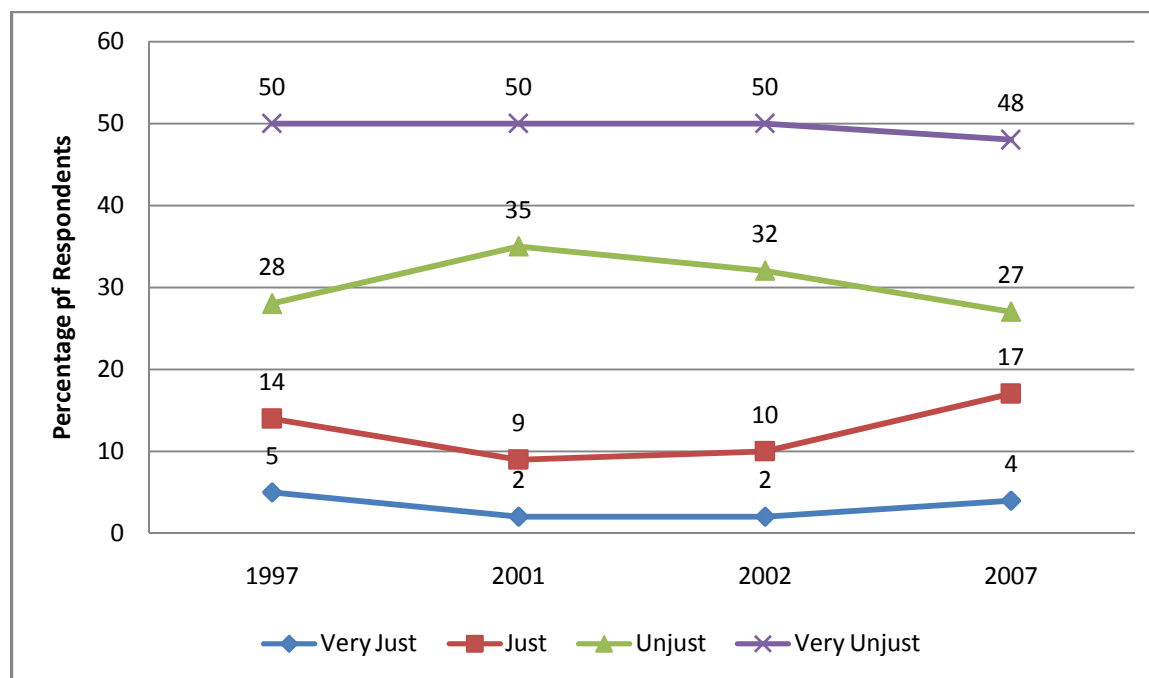
² The graph shows the combined average of survey respondents who either agree or strongly agree with the statement 'A market economy is best for the country'.

reached as low as 16 per cent in 2003—during the final stages of the regional economic downturn that followed the Asian financial crisis—before tracking upward as a new commodity boom began in the middle of the decade (Latinobarómetro 2005: 63).

Clearly, the economic downturn at the end of the century helped pave the way for the series of leftist electoral victories that began in late 1998. Retrospective economic voting alone could produce an electoral swing to the left when conservatives are in power during a period of economic hardship, even in the absence of an ideological realignment to the left. Indeed, as Arnold and Samuels (2011: 33-35) demonstrate, there was no ideological realignment to the left in Latin America after 1998, at least in terms of individuals' ideological self-placements, which remained slightly to the right of centre in the aggregate. In short, Latin America did not turn left politically because more people came to identify as leftist; it turned left because many citizens who did not *identify* themselves as leftist nevertheless began to *vote* for leftist candidates and parties. And while this may have been attributable in part to retrospective, performance-based economic voting rather than prospective ideological voting, survey data suggest a more complex set of causal relationships—namely, that ideological self-placements significantly understate the prevalence of left-leaning attitudes and policy preferences in the electorate. These attitudes and policy preferences make the potential electoral base for leftist candidates and parties substantially larger than the core base of ideologically-committed leftist voters.

For example, a large majority of Latin American citizens—ranging from 75 to 85 per cent of survey respondents—say that the existing distribution of income in their country is unjust, with half of respondents saying it is ‘very unjust’ (see Figure 2).³ This

Figure 2
Public opinion towards income distribution in Latin America, 1997-2007
(regional average)



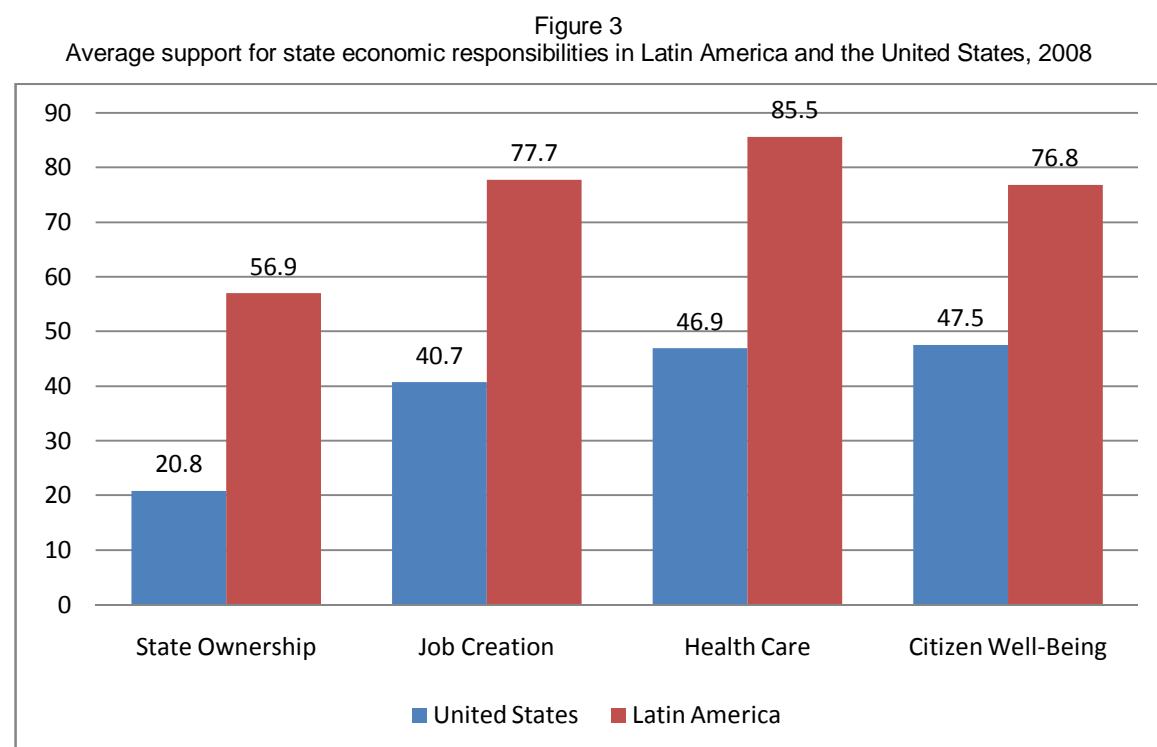
Source: Compiled by author, based on Latinobarómetro(2007: 36).

³ The question asked ‘Do you believe the distribution of income in your country is just?’.

suggests, as Meltzer and Richards' model would expect, that popular majorities could potentially be mobilized in support of redistributive policies.

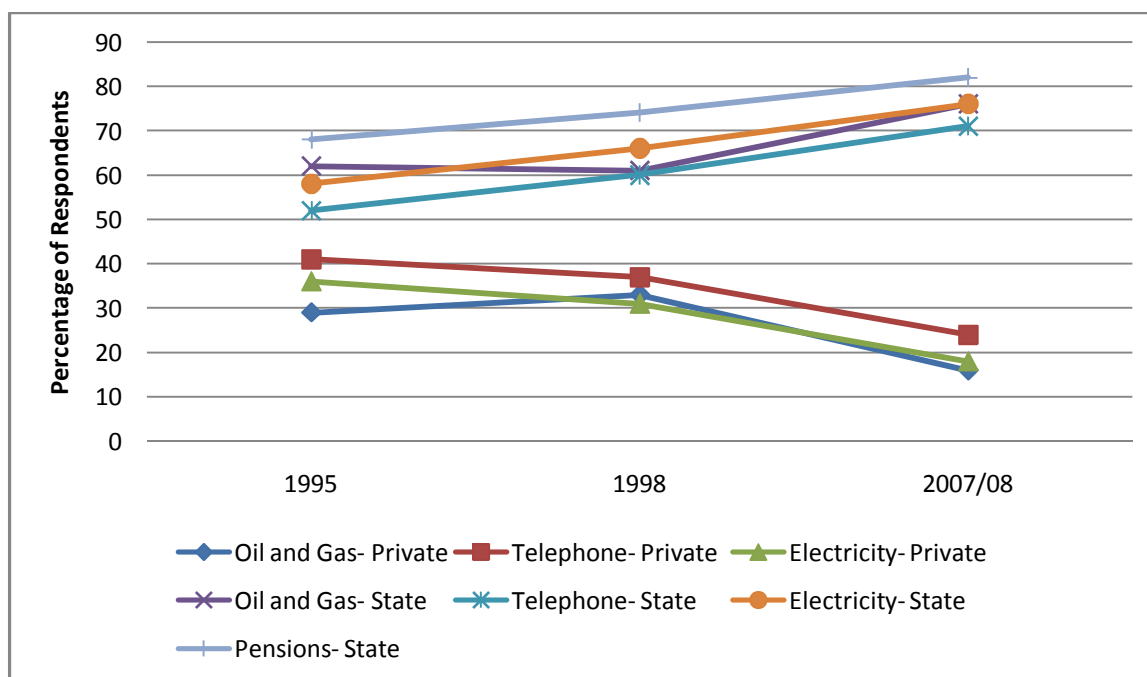
Furthermore, public opinion surveys suggest that most citizens do in fact look to the state—more than to the market—to provide social welfare and serve as an engine of economic development. Indeed, surveys reveal stark differences between citizens in the US and Latin America on basic questions related to the role of the state in the economy, and they clearly demonstrate that decades of experimentation with free market reforms did not transform Latin Americans into committed neoliberals. To the contrary, they remained—or, perhaps, had become—highly statist in their basic economic orientations. As seen in Figure 3, a series of surveys conducted in 2008 by the Latin American Public Opinion Project at Vanderbilt University asked citizens throughout the Americas whether they thought the government or the private sector should own the most important enterprises and bear primary responsibility for creating jobs, providing health care services, and ensuring social wellbeing. In every area, sizable majorities in Latin America—in contrast to the United States—assigned primary responsibility to the state. The Washington consensus, it appears, did not extend to broader mass publics in the Latin American region, at least in the post-adjustment era.

Public opinion surveys also indicate that policy preferences became more statist after the mid-1990s as the electorate swung to the left, even if voters were not more inclined to identify themselves as leftist. As seen in Figure 4, support steadily grew between



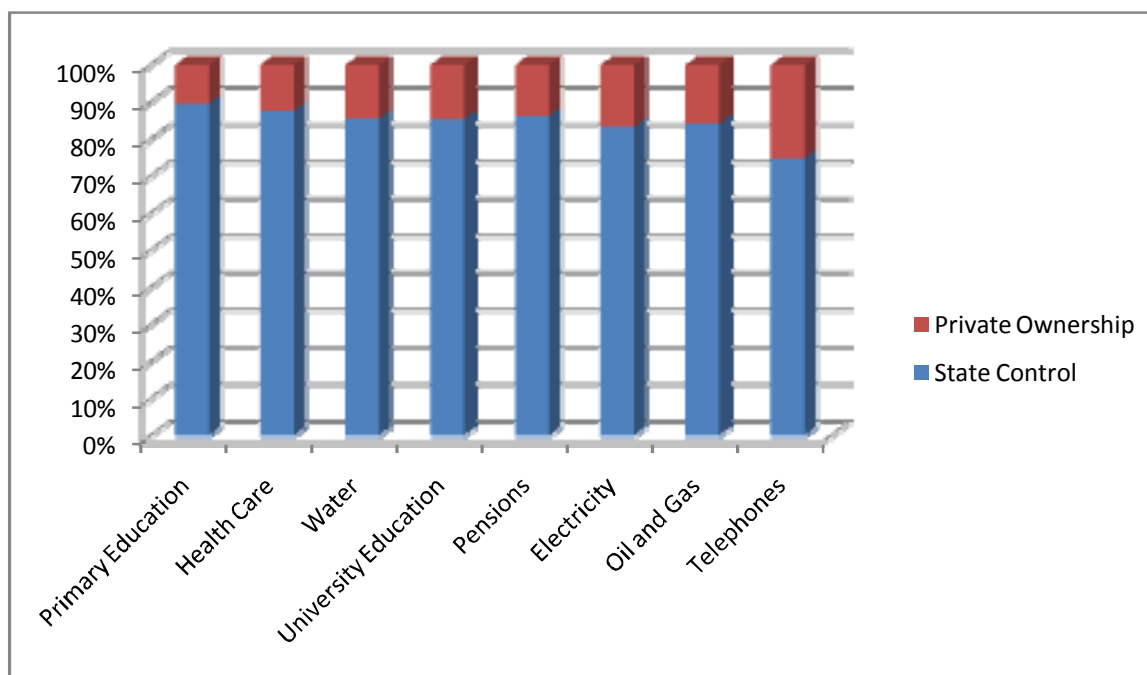
Source: Calculated from Latin American Public Opinion Project, AmericasBarometer Insights, Nos. 1, 8, 16, and 50.

Figure 4
Support for State and Private Control of Economic Activities, 1995-2008
(regional average)



Source: Compiled by author, based on Latinobarómetro (2007: 32-3 and 2008: 38).

Figure 5
Preferences for state and private control over social and economic activities, 2008 (regional averages)



Source: Compiled by author, based on Latinobarómetro (2008: 38).

1995 and 2008 for state control over pensions, oil and gas industries, and public utilities like telephones and electricity, while support for private ownership declined. By 2008, 80 per cent or more of survey respondents supported state control in these and other key areas of social and economic activities, excepting telephones, producing preference ratios for state over private control that generally exceeded 4:1 (see Figure 5).⁴ Preferences for state control were especially pronounced in the major social welfare spheres—namely, both primary and university education, health care, and pension systems.

Given this reservoir of support for vigorous state roles in economic and social welfare activities, it is hardly surprising that the region's political dynamics shifted in the post-adjustment era as democratic regimes became increasingly consolidated and the scourge of hyperinflation was extinguished. Indeed, the Washington consensus was clearly placed on the political defensive by the late 1990s, when the spread of the Asian financial crisis demonstrated the vulnerability of the region's liberalized economies to global financial shocks and their recessionary sequels.

The economic downturn at the end of the century was paralleled by two major political shifts that clearly demarcated the post-adjustment era from the period of market liberalization, and ultimately stamped the character of Latin America's 'Polanyian backlash'. The first was the revival of popular mobilization and social protest in a number of countries, often with new collective actors—unemployed workers, indigenous groups, territorially-based community organizations, etc.—displacing trade unions at the forefront of popular mobilization (Yashar 2005; Silva 2009). Although austerity plans and structural adjustment policies had often been met by localized food riots and social protests (Walton and Seddon 1994), more powerful and widespread forms of social protest erupted in several countries in the post-adjustment era.

Whatever their timing, the most explosive patterns of social protest emerged in countries that had experienced bait-and-switch patterns of market reform and were thus left with no major institutionalized party of the Left to channel discontent with the process of liberalization—namely, Venezuela (the urban mass riots known as the *caracazo* that erupted after the adoption of market reforms in 1989), Ecuador (the indigenous movement and other popular mobilizations that contributed to the overthrow of three consecutive elected presidents between 1997 and 2005), Argentina (the *piquetero* movement of unemployed workers that triggered broader mass protests and forced the resignation of the government in 2001), and Bolivia (a convergence of indigenous, community, and class-based popular protests against water privatization and gas exports that culminated in the overthrow of two presidents in 2003 and 2005).

Mass social protest may have been a visible manifestation of Polanyi's double movement, especially when it brought down governments, but it was not the most prevalent one. In most of the region, demands for social inclusion were channelled into electoral politics, producing the second major political shift of the post-adjustment era: the strengthening of leftist political alternatives, including the unprecedented election of 15 different left-leaning presidents in 11 countries between 1998 and 2011 (see Levitsky and Roberts 2011). Although the 'left turn' began at the municipal level, with leftist

⁴ The questions asked respondents to identify which economic activities 'should be primarily in the hands of the state, and which should be primarily in the hands of the private sector'.

victories in major urban metropolitan centres in the 1980s and 1990s (Chávez and Goldfrank 2004), it did not get underway at national levels until the victory of Hugo Chávez in Venezuela in 1998. But if the ‘left turn’ was rooted in similar demands for social inclusion, it took a number of distinct political forms, some more institutionalized than others. One pattern existed in several aforementioned cases of bait-and-switch market liberalization—Venezuela, Ecuador, and Bolivia—where mass protests culminated in party system breakdowns. In these countries, societal resistance to market liberalization outflanked party systems on the left; that is, it was channelled outside of and in opposition to established party organizations, leading to the rise of new populist or movement lefts that captured state power and quickly set out to rewrite national constitutions and refound democratic regimes. As discussed below, the post-adjustment ‘left turn’ in these countries was associated with significant departures from market orthodoxy in both macroeconomic and social policies, in part because of the political weakness of centrist and conservative opposition parties (Weyland, Madrid, and Hunter 2010).

A very different type of ‘left turn’ occurred in countries where a conservative military regime (Chile) or political parties (Uruguay, Brazil, and El Salvador) led the process of market reform and a major party of the left remained in opposition. These countries avoided the eruption of mass protest movements in the immediate post-adjustment period, in part because claims for social inclusion could be channelled into institutionalized partisan outlets on the left. Consequently, established leftist parties—the Socialists in Chile, the PT in Brazil, the *Frente Amplio* in Uruguay, and the FMLN in El Salvador—gradually strengthened and eventually took power in all four countries. They governed, however, in contexts of increasingly consolidated democratic regimes with established centrist or conservative opposition parties that placed significant institutional checks on the ability of the left to break with market orthodoxy (Flores-Macías 2012). The implications of these different types of ‘left turns’ for redistributive policies in the post-adjustment period are analysed below.

5 Redistributive policies and declining inequalities in the post-adjustment era

As several studies have shown (López-Calva and Lustig 2010; ECLAC 2010: 173; Matorano and Cornia 2010), Gini coefficients of income inequality declined in most Latin American countries between 2002 and 2010, a period marked by recovery from the post-1998 regional recession and the beginning of a prolonged commodity export boom. Although inequalities deepened in a number of countries during periods of conservative rule (particularly Costa Rica, Honduras, and Nicaragua), and sharply declined under leftist government in several other countries (especially Argentina, Brazil, Ecuador, and Venezuela), the broader regional pattern demonstrated that equity gains were hardly exclusive to governments of the left (see Table 2). Indeed, countries that experienced net declines in inequality were governed by diverse administrations of the left, centre, and right, including non-leftist governments in Colombia, Mexico, Peru, Paraguay, El Salvador, Guatemala, and Panama. Clearly, then, there was no strict correspondence between declining inequality and either the ideological profile of national governments or any specific set of redistributive policy initiatives. This finding lends support to the argument of López-Calva and Lustig (2010: 11-16) that declining inequality is attributable in part to the levelling-off of the skill premium associated with

education, and to other market forces that have augmented the income shares of middle class groups and the poor.

Table 2
Inequality trends by the ideological profile of governing parties, 2000-2010
(depending on the latest available data)

Country	Ideological profile of governing party (years with available Gini scores)	Change in Gini index under governing parties	Change in Gini index between 2002 & latest available year (in parentheses)
Argentina	Centrist (2000-03) Centre-left (2003-10)	+2.40 -8.58	- 9.05 (2010)
Bolivia	Centre-right (2000-06) Left (2006-08)	-1.90 -.53	- 4.21 (2008)
Brazil	Centrist (2000-03) Centre-left (2003-09)	-.40 -3.86	- 4.56 (2009)
Chile	Centre-left (2000-09)	-3.26	- 2.62 (2009)
Colombia	Right (2000-2010)	-1.78	- 3.27(2010)
Costa Rica	Centre-right (2000-06) Centrist (2006-09)	+2.90 +1.51	+ 0.37 (2009)
Dominican Republic	Centre-left (2000-04) Centrist (2004-10)	0.00 -4.71	- 2.83 (2009)
Ecuador	Centrist (2000-07) Left (2007-10)	-2.10 -5.01	- 5.62 (2010)
El Salvador	Right (2000-09) Left (2009-)	-3.83 —	- 4.16 (2009)
Guatemala	Right (2000-08) Centrist (2008-)	-3.86 —	- 3.86 (2008)
Honduras	Right (2000-06) Centrist (2006-09)	+2.20 -1.70	- 1.38 (2009)
Mexico	Centre-right (2000-10)	-6.49	- 3.72 (2010)
Nicaragua	Right (2000-07) Left (2007-08)	+2.10 - 0.03	+ 2.05 (2008)
Panama	Centre-right (2000-10)	- 4.55	-4.50 (2010)
Paraguay	Right (2000-08) Centre-left (2008-10)	-4.30 +.1	-4.21 (2010)
Peru	Centrist (2000-10)	-5.86	-7.50 (2010)
Uruguay	Centre-Right (2000-05) Centre-Left (2005-10)	+.60 +.70	-1.34 (2010)
Venezuela	Left (2000- 2008)	-3.78	-7.05 (2008)
Average			- 3.75

Note: Governing parties are coded by the author.

Source: For changes in the Gini index, see www.sedlac.econo.unlp.edu.ar/esp/estadisticas.php and Martorano and Cornia (2011).

Market forces alone, however, clearly do not account for the broad-based decline in income inequality registered across the region. A diverse array of redistributive policies have been adopted in many countries, by governments of varied ideological dispositions, suggesting that the institutionalization of democratic competition in a post-adjustment era of relative economic stability has induced governments to respond to demands for social inclusion. In short, the existence of widespread social exclusion under universal rights of democratic citizenship is an unstable equilibrium; the suppression of redistributive politics during the period of economic adjustment in the 1980s and 90s was not destined to last, and a new politics of inequality has risen to the forefront of the policy agenda.

Even in countries where leftist alternatives have not captured executive office, they have been strengthened as political contenders, creating additional pressure on conservative governments to pay greater attention to the social deficits of the market model. Although conservative governments, in contrast to those on the left, have generally not supported sharp increases in minimum wages (see Cornia 2011), they have adopted other measures to address social needs. In Mexico, for example, a moderate decline in inequality has been associated with changes in the composition and skill upgrading of the workforce, but it is also attributable to concrete policy changes—under conservative administrations of both the PRI and the PAN—that were designed to reallocate resources and enhance the market opportunities of low-income sectors. Government spending on public education was redirected from the secondary and tertiary levels to the primary level, enhancing the skill set of low-income workers, while spending on health and nutrition programmes also became more progressive. Crucially, the government also launched a conditional cash transfer programme in 1997 that provides direct income supplements for needy families, along with an array of education, health, and nutrition benefits (Esquivel, Lustig, and Scott 2010).

Conservative administrations also reformed Colombia's health care system in the 1990s by combining partial privatization with publicly-subsidized health insurance for the poor. This effort 'to strike a balance between economic efficiency and social equity' (Weyland 2006: 184) became influential elsewhere in the region, as it offered an alternative to Chile's more market-driven health care model inherited from the Pinochet regime.

National governments of both the centre and left have played a significant role in the reduction of inequalities in Brazil, historically among Latin America's most stratified societies. Conditional cash transfers to poor families were an innovation of state-level (mostly leftist PT) governments, but they were transformed into national-level programmes under the centrist administration of Fernando Henrique Cardoso, then consolidated into the *Bolsa Família* and significantly expanded after Lula captured the presidency for the PT in 2002. The rapid expansion of *Bolsa Família* was instrumental to Lula's re-election in 2006, when he dramatically increased his share of the vote in poverty-stricken northern and northeastern states where the PT was traditionally weak (Hunter and Power 2007). By 2006, over 11 million households with some 46 million people—approximately one-quarter of the Brazilian population—were receiving monthly grants of US\$7-45, depending on the number of school age children (Lindert et al. 2007: 17). As stated by Hunter (2011: 316), 'upwards of two-thirds of recipients are extremely poor', most of them living on less than a dollar a day, which meant that basic grants 'could more than double the household income of a family living in extreme poverty'. Although *Bolsa Família* made a significant contribution to the reduction of

both poverty and inequality in Brazil, its net costs were relatively modest. The programme accounted for less than 0.4 percent of GDP and a mere 3 percent of public transfers—a fraction of the cost of Brazil’s regressive social security system, which cost over 10 percent of GDP and accounted for 95 percent of public transfers (Lindert et al. 2007; Barros et al. 2010:147). Other social policies also played a significant role in reducing inequality in Brazil—in particular, policies begun under Cardoso to expand access to education, and a steady rise in the real minimum wage that occurred under Lula (which, given indexing, also led to increases in social security and other payments) (see Barros et al. 2010).

To be sure, initiatives like *Bolsa Familia*, expanded education, and higher minimum wages are a far cry from the more radical kinds of redistributive measures the PT had long advocated when it was in opposition. Indeed, they largely built on and expanded the social programmes that Lula inherited from Cardoso. Deeper structural reforms, such as the PT’s commitment to land redistribution, were largely shelved after Lula took office, as the government did not want to disrupt a booming agri-business sector or provoke business groups by challenging property relations. Likewise, the Lula government remained relatively orthodox in its fiscal, monetary and trade policies, abandoning the PT’s early socialist rhetoric for a cautious strategy of redressing inequalities through social policies that strengthened the safety net around a market economy.

The policy implications of Brazil’s left turn, then, were similar to those in Chile and Uruguay, where institutionalized parties of the left also came into power in the post-adjustment era after conservative-led patterns of market reform. In both countries, leftist governments combined macroeconomic orthodoxy with social policies that were designed to redistribute income and expand social citizenship rights. In Chile, the Socialist-led government of Ricardo Lagos (2000-06) implemented an ambitious public health care programme that provided universal coverage for a broad range of medical problems. Lagos also launched a conditional cash transfer programme aimed at the 225,000 poorest Chileans, as well as jobs training and unemployment insurance programmes. His successor, Michelle Bachelet (2006-10), expanded the public health programme to cover additional medical conditions, and promoted kindergarten, pre-school, and day care programmes in low-income communities. Both socialist presidents continued the policy of their centre-left coalition government to raise the minimum wage on an annual basis.

More dramatically, Bachelet began a partial reversal of Chile’s highly-touted but deeply segmented privatized pension system. With its emphasis on individual capitalization, Chile’s pension system failed to provide adequate coverage for many low-income, informal, and female workers, especially those who had been out of the workforce for extended periods of time due to unemployment or family responsibilities. Forty percent of workers failed to contribute regularly to the private pension funds, and given unequal individual contributions, benefit levels varied widely (Pribble and Huber 2011: 121). Bachelet thus created a basic universal pension that was available to all Chileans in the bottom 60 percent of the income scale. In part due to well-entrenched conservative opposition in the congress, however, Lagos and Bachelet made only modest headway in raising Chile’s very low levels of taxation, reforming a Pinochet-era labour code that limited unionization and collective bargaining rights, or reducing egregious inequalities in the funding and quality of private and public schools. The latter set of inequalities sparked a vibrant student movement that emerged under Bachelet and then spearheaded mass protests against the administration of her conservative successor, Sebastian Piñera

(to date, the first conservative to replace a leftist president during Latin America's contemporary 'left turn'). Given these strengthening societal pressures, and growing signs of disillusionment with the political establishment, Piñera has shown little inclination to reverse the social reforms of his leftist predecessors.

Similarly, the leftist government of the *Frente Amplio* (Broad Front, or FA) in Uruguay led by Tabaré Vázquez (2004-09) and the left-leaning Peronist governments of Nestor Kirchner and Cristina Fernández de Kirchner in Argentina (2003-) combined targeted poverty-relief programmes with other social policies grounded in more universalistic principles. Both governments increased minimum wages and family allowances, expanded public health and pension programmes, and encouraged forms of collective bargaining that helped to re-invigorate labour movements (Pribble and Huber 2011; Lanzaro 2011; Etchemendy and Garay 2011). Argentina also adopted ambitious public works and micro-enterprise support programmes in an effort to lower unemployment.

These experiences demonstrate that there is significant social policy latitude to address problems of poverty and inequality even with the macroeconomic constraints of relatively orthodox fiscal, monetary, and trade policies. In Venezuela, Ecuador, and Bolivia, however—where new populist or leftist movements came into power in contexts of party system breakdowns—redistributive policies were embedded in more decisive breaks with macroeconomic orthodoxy. Venezuela, where the Chávez government openly advocates 'socialism for the 21st century', has clearly moved the furthest towards restoring a statist model of development and large-scale redistributive policies, including changes in property relations. The Chávez government has tightened state control over the national oil industry, nationalized a number of other industries, redistributed land, encouraged the formation of production and service cooperatives, imposed price and exchange controls, and redirected massive oil rents towards a broad range of social programmes, or 'missions'. The most important of these missions have placed health clinics in poor communities, expanded access to education, and created new local markets with heavily subsidized food products. The government has also spawned a plethora of grassroots communal organizations to plan land and water use and oversee local infrastructure projects (Hawkins 2010).

In short, Latin America's 'left turn' clearly has not spawned a singular 'model' of social and economic development that could be counterposed to that of neoliberalism. Instead, it offers a diverse array of policy tools for tackling social problems of poverty and unemployment, and these can be bundled together into a number of different packages. Some of these policy packages are compatible with neoliberal macroeconomic orthodoxy, whereas others clearly break with it. And whereas some rely heavily on the means-tested targeting of benefits on families living below the poverty line, others combine targeting in some policy spheres with more universalistic benefits packages in others.

Latin America's emerging social policy regimes, therefore, go well beyond the residual welfare states of pure neoliberal models, even if they fall short of social democratic welfare states with their universal recognition of expansive social citizenship rights. Progress towards universalism would clearly require significant increases in taxation, which remains strikingly low in the region in a global comparative perspective, even controlling for GDP per capita. Although the average regional level of taxation increased from 12.8 percent of GDP in 1990 to 18.4 percent in 2008 (ECLAC 2010: 228), more substantial increases would be sure to trigger political and business sector

opposition, as the Chilean case amply demonstrates. The political battlegrounds of the future, and the tenuous political consensus supporting limited poverty-relief and redistributive measures, are likely to hinge on issues of taxation and levels of public transfers, especially if global financial turmoil cuts into the revenues made available by the post-2003 commodity export boom. The recent Latin American experience demonstrates that equity gains can be made in a context of sustained macroeconomic expansion; whether such gains can be sustained in a period of austerity is yet to be determined.

6 Conclusion

Declining levels of inequality registered in most Latin American countries during the first decade of the twenty-first century coincided with a basic shift in the political and economic landscape—a shift from the politics of market-based structural adjustment to a new, post-adjustment era in which democratic competition has repoliticized social inequalities and placed redistributive policies at the forefront of the political agenda. Although new leftist governments have increased the salience of redistributive politics and adopted innovative social welfare reforms, the renewed attention placed on social problems is hardly the exclusive preserve of the left. With heightened electoral competition from the left and widespread public sentiments for an active state role in the provision of social welfare, conservative governments have also taken significant steps to address the needs of low-income groups. Consequently, the institutionalization of electoral competition in contexts of egregious social and economic inequalities appears to be producing new forms of democratic accountability, as parties and governments of diverse ideological profiles struggle to respond to popular demands for equity and social inclusion. The historic tensions between universal rights of democratic citizenship and *de facto* social exclusion continue to exist, but they have clearly given rise to new political expressions and policy outputs in Latin America's post-adjustment era.

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