Poverty alleviation policies in Argentina in the post-2001 period: A case study

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<thead>
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<th>Full Form</th>
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<tbody>
<tr>
<td>AFJP</td>
<td>Administradoras de Fondos de Jubilaciones y Pensiones</td>
</tr>
<tr>
<td>AFP</td>
<td>Administradora de Fondos de Pensiones</td>
</tr>
<tr>
<td>AMPO</td>
<td>Aporte Medio Previsional Obligatorio</td>
</tr>
<tr>
<td>ANSES</td>
<td>Asociación Nacional de la Seguridad Social</td>
</tr>
<tr>
<td>CCM</td>
<td>Consejo Consultivo Municipal</td>
</tr>
<tr>
<td>CCP</td>
<td>Consejo Consultivo Provincial</td>
</tr>
<tr>
<td>CCT</td>
<td>Conditional Cash Transfer</td>
</tr>
<tr>
<td>CEPAL/ECLAC</td>
<td>Comisión Económica para América Latina/Economic Commission for Latin America</td>
</tr>
<tr>
<td>CGT</td>
<td>Confederación General del Trabajo</td>
</tr>
<tr>
<td>CIA</td>
<td>Central Intelligence Agency</td>
</tr>
<tr>
<td>CIEPP</td>
<td>Centro Interdisciplinario para el Estudio de Políticas Públicas</td>
</tr>
<tr>
<td>CTA</td>
<td>Central de Trabajadores de la Argentina</td>
</tr>
<tr>
<td>DB</td>
<td>Defined Benefit</td>
</tr>
<tr>
<td>DC</td>
<td>Defined Contribution</td>
</tr>
<tr>
<td>DC</td>
<td>Democracia Cristiana</td>
</tr>
<tr>
<td>EAP</td>
<td>Economically Active Population</td>
</tr>
<tr>
<td>EDT</td>
<td>External Total Debt</td>
</tr>
<tr>
<td>FRENAPO</td>
<td>Frente Nacional contra la Pobreza</td>
</tr>
<tr>
<td>FTAA</td>
<td>Free Trade Area of the Americas</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GECAL</td>
<td>Gerencia de Empleo y Capacitación Laboral</td>
</tr>
<tr>
<td>GOU</td>
<td>Grupo Oficiales Unidos</td>
</tr>
<tr>
<td>IAPI</td>
<td>Instituto Argentino para la Producción e Intercambio</td>
</tr>
<tr>
<td>IDB/BID</td>
<td>Inter-American Development Bank/Banco Interamericano de Desarrollo</td>
</tr>
<tr>
<td>IFF</td>
<td>Individual Fully Funded</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organisation</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>INDEC</td>
<td>Instituto Nacional de Estadística y Censos</td>
</tr>
<tr>
<td>ING</td>
<td>International Nederlanden Groep</td>
</tr>
<tr>
<td>ISI</td>
<td>Import-substitution Industrialisation</td>
</tr>
<tr>
<td>JO</td>
<td>Jubilación Ordinaria</td>
</tr>
<tr>
<td>MOPRE</td>
<td>Modulo Previsional</td>
</tr>
<tr>
<td>MTEySS</td>
<td>Ministerio del Trabajo Empleo y Seguridad Social</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government Organisation</td>
</tr>
<tr>
<td>PAP</td>
<td>Prestación Adicional por Permanencia</td>
</tr>
<tr>
<td>PAYG</td>
<td>Pay-as-you-go</td>
</tr>
<tr>
<td>PBU</td>
<td>Prestación Básica Universal</td>
</tr>
<tr>
<td>PC</td>
<td>Prestación Compensatoria</td>
</tr>
<tr>
<td>PEA</td>
<td>Prestación por Edad Avanzada</td>
</tr>
<tr>
<td>PIP</td>
<td>Plan de Inclusión Previsional</td>
</tr>
<tr>
<td>PJ</td>
<td>Partido Justicialista</td>
</tr>
<tr>
<td>PJJHD</td>
<td>Plan Jefes y Jefas de Hogar Desocupados</td>
</tr>
<tr>
<td>PS</td>
<td>Partido Socialista</td>
</tr>
<tr>
<td>SCyE</td>
<td>Seguro de Capacitación y Empleo</td>
</tr>
<tr>
<td>SIIJP</td>
<td>Sistema Integrado de Jubilaciones y Pensiones</td>
</tr>
<tr>
<td>SSN</td>
<td>Social Safety Net</td>
</tr>
<tr>
<td>UCR</td>
<td>Unión Cívica Radical</td>
</tr>
<tr>
<td>UCT</td>
<td>Unconditional Cash Transfer</td>
</tr>
<tr>
<td>UD</td>
<td>Unión Democrática</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>WB</td>
<td>World Bank</td>
</tr>
<tr>
<td>YPF</td>
<td>Yacimientos Petrolíferos Fiscales</td>
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ABSTRACT

The University of Manchester
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Thesis title: Poverty alleviation policies in Argentina in the post-2001 period: a case study
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This thesis presents an analysis of Argentine social-policy interventions targeting poverty alleviation in the post-2001 period, concentrating upon the critical processes and forces that have shaped them. The core argument, which is examined via a case study, is that the historical patterns within institutional and political decisions in Argentina (i.e. policy legacies) have had an impact upon more recent developments in social policy. A policy-centred approach is established through historical analysis, in which the characteristics of Argentine politics, as well as the configuration of actors and causes that have influenced social policy, are explored. In particular, social-protection and poverty-alleviation policies are analysed. Using this methodology, the thesis examines patterns within Argentine political economy and welfare, and articulates how various forces pushed the country towards a crisis point. Furthermore, the ways in which new policies have responded to the developing crisis are scrutinised. Here, institutional weakness (in which executives have had excessive latitude to shape policies) is identified as a key issue that has influenced the development of Argentina’s political economy and social protection system. Clientelism, populism and insurrection are also established as important processes surrounding the origins and nature of social policy, as well as the recognition of poverty as a political issue. On this subject, this thesis provides a new account of social-policy development in Argentina by contributing to our understanding of the processes that define, firstly, the structure of the political system and, secondly, power relations in the country. It also broadens knowledge of the background and historical events that have influenced changes to social policy, as well as assessing the impact that these factors have had on contemporary social policy interventions – particularly in terms of poverty alleviation. The thesis concludes that the 2001 crisis led to an economic and political backlash and thus constituted a critical juncture that allowed for the return of (leftist) clientelist practices, which became manifest during President Duhalde’s term in office. In particular, the implementation of the Plan Jefes y Jefas de Hogar Desocupados (a key poverty-alleviation programme that offered income support to those outside the formal labour market) by presidential decree altered the exclusionary pattern of the history of Argentine social protection. It also reinforced the President’s role as the main policy-maker and veto-player in the country. This policy, which was established specifically to address a state of emergency, remained in place after economic recovery started and, indeed, the expansion of social protection continued, with the Seguro de Capacitación y Empleo and the Plan de Inclusión Previsional being adopted soon after, also by presidential decree. Such moves indicate that, as this thesis contends, once incremental adjustments to policies are introduced, they affect future policy decisions; here, a different, inclusionary path was carved, which led to the continued expansion of social protection in Argentina.
DECLARATION AND COPYRIGHT STATEMENT

Declaration

I hereby swear that no portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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DEDICATION

To my son, Liam: having you in my womb was a blessing. Having you in my life has shown me what true love is. Every passing day, your presence reminds me of how lucky I am. I will always be by your side. ‘Doubt thou the stars are fire, doubt that the sun doth move, doubt truth to be a liar; but never doubt I love you’ (W.S).
ACKNOWLEDGMENTS

I thank my parents Héctor and Lourdes for everything I have received from them. Their efforts and sacrifices have made who I am; they taught me never to give up.

Gracias papá por siempre haberme dicho que yo podía ser el arquitecto de mi propio destino, por enseñarme que ante el miedo y la adversidad, el único camino es hacia adelante; gracias mamá por inculcarme que en la vida hay que tener sangre fría y lo demás que tu ya sabes. Thanks to my husband for all his love and support; he gave me the strength to finish, enduring difficulties along with me, and was patient enough to stand by my side. I thank my academic supervisors Professor Armando Barrientos and Dr. Stuart Shields for their constant guidance and support, and for always being accessible and helpful. It has been an incredible experience to be able to work with, and learn from, them. To my fellow research students and friends from the Politics department – in particular Thomas Gregory, Giulia Sirigu, Germán Camilio Prieto, Fabiola Mieres and Rebeca Ehata – thank you for sharing this journey. Your support, advice and friendship made the PhD an amazing experience. Thanks are also extended to my former professor, Dr. Jorge Ceja Martinez, for his friendship and support; almost 20 years ago, his lectures provided inspiration and showed me the path that I wanted to follow. Finally, thank you to the University of Guadalajara for giving me the opportunity to undertake this PhD.
THE AUTHOR

I took my bachelor’s degree in Political Studies and Government at the University of Guadalajara in Mexico, emerging with a honours degree for outstanding academic performance (Summa Cum Laude) and a specialisation in electoral systems and processes. During my last year, I started working as Political Analyst for the Secretaría de Desarrollo Social [Social Development Secretary].

It was during my BA that I developed a particular interest in the South American political economy. In the following years, I worked as a research intern at Mexico’s National Council of Science and Technology (CONACYT) and as lecturer at the Universidad Autónoma de Guadalajara. Later, I completed a Master’s degree in Social Science, with a major in Latin American and Iberian Studies, at the University of Guadalajara. During my Master’s, I completed a dissertation on the evolution of the electoral and political systems in Argentina and Uruguay, ‘La emergencia de la democracia representativa en América Latina: Desarrollo de los sistemas electorales. Análisis comparativo entre Argentina y Uruguay’ [‘The emergence of representative democracy in Latin America: Development of electoral systems – A comparative analysis between Argentina and Uruguay’], for which I was awarded a high grade (Summa Cum Laude). This dissertation was later turned into a book, Los Caminos de la Democracia en América Latina: Argentina y Uruguay [‘The paths of democracy in Latin America: Argentina and Uruguay’].

Over the following years, I worked as lecturer at the Universidad del Valle de México, the Universidad Tecnológica de México, the Universidad Autónoma de
Guadalajara and the Universidad de Guadalajara. Prior to joining the University of Manchester, I completed a Diplôme de langue et littérature françaises (awarded ‘Avec mention bien’ – Magna Cum Laude) at l’Université Paris-Sorbonne. During my PhD, I worked in Argentina as a Visiting Researcher at the Interdisciplinary Center for Public Policy Studies (CIEPP) and presented my research at international conferences in the UK, Ireland, Mexico and France.
INTRODUCTION

THE SCOPE OF THE STUDY

In 1998 in Argentina, after the Convertibility Plan crisis, recession started. This generated economic, social and political instability and, in the following years, the Argentine economy continued to demonstrate poor economic performance, characterised by a combination of excessive borrowing and an unsustainable fiscal situation (Neffa 2008). From early 2000, rising prices and increasing unemployment levels fuelled social protests. In December 2001, Argentina defaulted on its foreign debt, the economy collapsed and social turmoil reached its peak. This situation led to President Fernando de la Rúa’s resignation.

Following the 2001 crisis, Argentina advanced the introduction of social policy interventions (programmes and policies) aimed at reducing or alleviating poverty. The December crisis provoked a dramatic collapse, resulting in the deepest political and economic slump in generations; indeed, few countries have experienced such economically catastrophic events (Valdovinos 2005). Over the four-year period from 1999 to 2002, Gross Domestic Product (GDP) fell by over 20 per cent. Poverty and extreme poverty rates increased rapidly during the crisis. The impact of the events in 2001 led to poverty alleviation becoming a Government priority from that year onwards.

This thesis uses a policy-centred approach, aiming to identify and examine the critical processes and forces that have influenced and shaped contemporary Argentine social policy interventions with regard to poverty alleviation in the
post-2001 period (Pierson 1993; Mahoney 2000). I explore the decisions made by Argentinean presidents at critical junctures, in response to political and economic crises, and consider how Argentine poverty-alleviation political processes have been influenced by institutional and political arrangements defined by previous policy choices through a historical analysis. I analyse these developments in the context of Argentina’s changing political economy, using the three key poverty-alleviation programmes established after the crisis – the Plan Jefes y Jefas de Hogar Desocupados, the Seguro de Capacitación y Empleo and the Plan de Inclusión Previsional – to illustrate the changes. The main research question is:

‘What political forces and processes have influenced and shaped the adoption and implementation of social policy interventions targeted at poverty alleviation in Argentina in the post-2001 period?’

Here, I summarise some of the key figures that illustrate the impact of the crisis on social indicators. According to Neffa (2008), by October 2001, unemployment was affecting around 18.4 per cent of the EAP in the Gran Buenos Aires area. Over the four-year period from 1990 to 2002, Gross Domestic Product (GDP) fell by over 20 per cent and by October 2002, the urban poverty rate had reached 57.2 per cent. In other words, poverty and extreme poverty rates increased rapidly during the crisis (Neffa 2008). According to the ‘National Institute of Statistics and Census’ [Instituto Nacional de Estadísticas y Censos] (INDEC), half a million people became known as the ‘new poor’ within six months of the 2001 Argentinean systemic crisis occurring. In the capital alone, 720,000 were made homeless and in just three months, 60,000 were ousted from their jobs. The ‘System of Information, Monitoring and Evaluation of Social Programmes in
The Sistema de Información Monitoreo y Evaluación de Programas Sociales (SIEMPRO) programme states that 18,219,000 members of the population were ‘poor’ in 2001, which represented around 51.4 per cent of the country’s population (Cruces 2003; Fiszbein et al. 2003). Official poverty statistics indicated that 53 per cent of the population was poor in May 2002, which represented an increment of nearly 36 per cent, compared with the previous year. Additionally, the indigence rate rose from 11.6 per cent to 24.8 per cent during the same period (Fernández 2005). According to Lewis (2002), 1.4 million people’s pensions were affected. This increasing instability led to the decomposition of Fernando de la Rúa’s government in December 2001. This decomposition was accompanied by a political crisis in which, within the eleven days from the 20th to 31st December, the country had four presidents: Fernando de la Rúa, Ramón Puerta, Adolfo Rodríguez Saa and Eduardo Duhalde.

During the first six months of 2002, the national currency lost nearly 70 per cent of its value against the US dollar. GDP also fell by 11 per cent during 2002. The combination of an increase in unemployment (reaching 21.5 per cent in May 2002) and a reduction in real wages (due, largely, to soaring inflation) led to a dramatic increase in poverty. With this context, Argentina can be considered a unique case study for the analysis of social policy interventions with regard to poverty alleviation because of this sudden increase in poverty, which affected such a high proportion of the population. Under this sort of state of emergency, social policy is extremely relevant to the manner in which households respond to economic shocks, providing safety nets for the people. The particular role and
effectiveness of government responses to such crises is, therefore, an important political concern.

The sudden impoverishment that the country faced required specific state intervention to address economic recovery, employment creation and the decline in the population’s living standards in the short term. The Government reacted by scaling up social assistance via income support through the creation of the key programme Plan Jefes y Jefas de Hogar Desocupados, introduced in 2002. From that moment onwards, the Government has continued to advance income support programmes and policies to alleviate poverty. Even after economic recovery started to happen in 2003, social protection continued to expand, as seen with the Seguro de Capacitación y Empleo (social assistance policy) and the Plan de Inclusión Previsional (social insurance plan). For some, this represents a ‘return of the state’, meaning a return to the pre-1990s era as, during that decade, state intervention had been reduced and social protection scaled back in the context of a series of privatisation processes (Grueguel and Rigirozzi 2007). But what does this label actually mean? Indeed, if such an approach to poverty represents a ‘return’, one should ask how these social policy interventions are related to previous policy choices (i.e. policy legacies), as well as to broader processes of political and economic transformation.

In answering these and other questions, this thesis offers an analysis of the critical processes that influence and shape social policy interventions with regard to poverty alleviation in Argentina by focusing on a case study. It is my belief that an integral analysis of these processes requires a broad perspective that
encompasses the evolution of the country’s political economy. I argue that an understanding of the dynamics embedded in these processes is central to the understanding of the political forces and processes that have defined the origin and evolution of the country’s social protection system (see Skocpol 1992, 1994; Weir 1992; Pierson 1993; Thelen 2003; Mahoney 2000, 2003). This type of analysis can be used to identify and examine the issues that have a broader impact upon social protection.

The core argument of this thesis is that the patterns of the institutional and political arrangements made at previous stages in Argentine history (i.e. policy legacies) impacted upon new developments on social policy after the 2001 crisis acted as a point of political transition. With this in mind, the first aim of the study is to identify and examine the critical processes and forces that influence and shape contemporary social policy interventions that target poverty alleviation. Here, I assert that the unique decisions made at critical junctures by Argentinean presidents, in response to political and economic crises, were not only informed and constrained by previous policy choices and institutional arrangements, but also determined the pathways followed in future social policy interventions. In this respect, this thesis contributes to discussions on social policy interventions in Argentina by shedding light on the characteristics of Argentine politics, the configuration of actors and the causes that influence social policy – in particular, social protection and poverty-alleviation policies.

The second aim is to better understand how these critical processes are influenced by the institutional and political arrangements determined at previous stages in
Argentine history (i.e. policy legacies). On this subject, this thesis contributes to our understanding of the processes that have defined both the political system and power relations that have affected the generation, transfer and distribution of income in society through a historical analysis. In this regard, the thesis contributes to knowledge about the influence of the historical background on the direction of social policy, as well as on contemporary social policy interventions – especially in terms of poverty-alleviation strategies.

Following a policy-centred approach (Pierson 1993; Mahoney 2000), I analyse how the Argentine poverty-alleviation policy process was influenced by particular institutional and political arrangements defined by previous policy choices. On this subject, I argue that studies of Argentina’s social protection system have been centred on the analysis of basic services and the social insurance system, as there was no national poverty-alleviation strategy in existence prior to the 2001 crisis. This does not mean that poverty was non-existent in Argentina; rather, the provision of basic services and social insurance were the main forms of social protection in the country in the pre-2001 period (Lo Vuolo and Lawton 1995; Lewis and Lloyd-Sherlock 2009; Mesa-Lago 1978, 1997b).

According to Barrientos (2007), recent debate regarding social protection for poverty and vulnerability has been particularly focused on the kind of institutions and policies that could best address these issues. Here, greater emphasis should be placed on understanding the political factors that limit the expansion and survivability of anti-poverty programmes. Desai’s (2007) broader view highlights how institutional fragilities affect programmes’ sustainability. Thus, each poverty-
alleviation programme should be understood as the result of political calculations shaped by political processes that are usually linked to specific political time periods. In this sense, the analysis of any given anti-poverty programme requires a deep understanding of the political background and the actors that are involved, as well the particular timeframe (Grindle 2010). With this in mind, this thesis provides an analytical approach that could be applied to the analysis of other developing countries’ social policies. While the focus of this thesis is on Argentina, the results of the analysis are relevant to wider debates regarding the importance of previous policy choices in relation to political change and continuity.

**RESEARCH QUESTIONS**

Taking into consideration my interest in the adoption and implementation of poverty-alleviation policies in Argentina in the post-2001 period, my thesis seeks to examine the critical processes that influence and shape such policies, analysing their background and evolution. These aims are encompassed in my main research question, which asks:

**What political forces and processes have influenced and shaped the adoption and implementation of social policy interventions targeted at poverty alleviation in Argentina in the post-2001 period?**

In order to operationalise the main research question and provide a structure to this project, I have developed a set of subsidiary research questions. These are as follows:
1) What political forces and processes influenced and defined the origin and evolution of the social protection system in Argentina?

2) How are these forces and processes related to broader processes in the political economy?

3) Is it possible to identify policy legacies that make the evolution of social-protection policies path-dependent?

4) If so, how did the emergence of democracy/neoliberalism affect the historical pattern of social protection?

5) Is it possible to identify a shift in social policy interventions regarding poverty alleviation within the governance of Argentina?

6) If so, how is this shift connected to the historical development of the country’s political economy?

7) Are policy legacies related to contemporary social policy interventions that target poverty alleviation?

**RESEARCH DESIGN AND METHODOLOGY**

As stated in the introduction, in this case study, the emphasis is placed on the analysis of the adoption and implementation of the three key poverty-alleviation programmes established after the 2001 crisis specifically to address economic recovery, employment creation and the decline in living standards: the *Plan Jefes y Jefas de Hogar Desocupados*, the *Seguro de Capacitación y Empleo* and the *Plan de Inclusión Previsional*. These programmes are examined in relation to the origins and evolution of the country’s political economy and social protection system. A policy-centred approach is established through historical analysis, in which the characteristics of Argentine politics, as well as the configuration of actors and causes that have influenced social policy, are explored. In particular, social-protection and poverty-alleviation policies are analysed. Using this methodology, the thesis examines patterns within Argentine political economy and welfare, and articulates how various forces pushed the country towards a
crisis point. Furthermore, the ways in which new policies have responded to the developing crisis are scrutinised.

In the following paragraphs, I will introduce the leading policy-process theories employed in policy analysis, as well as defining the concepts that shape the policy analysis presented in this study. Furthermore, an account will be given of the methodology implemented and data utilised in this thesis.

CONCEPTUAL FRAMEWORK AND THEORETICAL MODEL

When theorizing about social policy, the first step should involve giving a clear definition of the basic concepts related to the field. Disciplines that have recently entered into the study of public policy and policy process include political science, sociology, economics and public administration (Sabatier 1991; Stachowiak 2013; Greener 2005). Within these disciplines, some basic concepts have emerged that are utilised in various approaches to the analysis of social policy. In the following paragraphs, I will explain the concepts of public policy, policy analysis, social protection, social policy and the policy process.

PUBLIC POLICY

While the study of politics has a long history, the systematic study of public policy, on the other hand, can be said to be a twentieth-century creation. According to McCool (1995), it can be dated to 1922, when political scientist Charles Merriam (1922) sought to connect political theory and practice in order to
understand the actual activities of governments. Since then, the systematic study of public policy has generated on-going academic debate.

In the search for a definition of public policy, a lack of consensus is evident. Considerable debate also remains over whether one coherent set of principles can be established to govern the study and understanding of public policy processes (Birkland 2005), especially as, in principle, public policy includes all political activity and institutions, but policy analysis and policy-making vary from sector to sector.

For the purposes of this discussion, I have chosen to define public policy as an idea that presupposes the existence of a sphere or domain of life that is not private or purely individual, but is held in common ownership. Through public policy, a government establishes a relationship with its environment, creates plans of action and builds values for society as a whole (Eyestone 1971; Easton 1953). ‘The public’ comprises that dimension of human activity that is regarded as requiring governmental or social regulation and intervention, or, at least, common action (Parsons 1995). Public policy, therefore, overlaps with several other areas, such as housing, health, social protection, education and economics.

In order to study public policy, I have identified a basic set of principles that are relevant to the thesis:

- **PROBLEMS**: issues to be addressed
- **ACTORS**: agents involved in the policy process
- **THE POLICY**: the result of these factors combined
Different governments and academics may have conflicting ideas about the issues that public policies should tackle in specific contexts and time periods. The definition of public policy is connected ultimately with the actors involved in the process and, therefore, is related closely to political affiliations and particular time periods, as well as geographic constraints. Consequently, it can be assumed that the adoption and implementation of public policy may differ from country to country.

It can be assumed, therefore, that public policy in Argentina is characterised by particular country-specific problems and actors. Notably, the economic, social and political environment is far more unstable in Argentina than in developed countries (Valdovinos 2005; Spiller and Tomassi 2007). Different countries experience specific challenges, such as poverty, malnutrition and illiteracy, for instance, that are propagated by the surrounding environment (Izquierdo et al. 2001). Here, both political management and the availability of resources in Argentina are embedded in an environment tainted by corruption, clientelistic practices, group interests and several other factors, which have an impact upon the nation’s problems (see Spiller and Tomassi 2007; Palanza 2002; Fox 1994; Shady 2000; Magaloni et al. 2006). When approaching such a reality, it is mandatory to conduct a broad policy analysis in order to understand the dynamics embedded within such issues.
POLICY ANALYSIS

As stated by Wilson (1887), the modern meaning of the English notion of ‘policy’ is a course of action or a planned set of political purposes. Policy analysis is concerned with understanding and explaining policy content and policy decisions. The primary task of policy analysis, therefore, is to understand how problems and processes may be contextualised (Parsons 1995). A focus on policy recognises the multidimensionality and multidisciplinary nature of problems, as different public policy concerns i.e. corruption, poverty or malnutrition require different approaches; thus, the study of public policies and policy analysis is multiframed.

Policy analysis includes the prescription of methodological frameworks and techniques for analysing processes of decision-making (Barret and Fudge 1981), as well as the identification of factors and constraints that determine policy adoption and policy-making processes. Although debates exist about the bases of policy analysis, it is acknowledged generally that comprehensive policy studies can generate, test and refine important hypotheses about the ways in which societies approach problem solving (Birkland 2005).

In this study, policy analysis is conceptualized and applied as a means to understand and explain the forces and processes that influence social policy interventions that target poverty alleviation. Here, policy analysis is related to the analysis of policy determination, including the relevant inputs and transformational processes within public policy construction. This process can be driven by environmental forces, internal objectives and perceptions of the external
environment (Gordon et al. 1997). The policy analysis presented in this study aims to establish the factors that have influenced the policies that form the case study through a historical analysis.

In order to understand the constraints upon the action of policy-makers, as imposed by their institutional environment, I regard social policies as the result of a bargaining process. I argue that this bargaining process is highly dependent on the political process that surrounds it. On this subject I argue that the patterns of the institutional and political arrangements made at previous stages in Argentine history (i.e. policy legacies) impacted upon new developments on social policy.

Social policies are usually part of a state’s social protection scheme or strategy and are a form of state interventionism. In this study, I use the phrase ‘social policy interventions’ to refer to Plan Jefes y Jefas de Hogar Desocupados, the Seguro de Capacitación y Empleo and the Plan de Inclusión Previsional. There are different ways in which the state can intervene as a provider of social protection, as discussed below.

SOCIAL PROTECTION

Social protection is defined in this thesis as a set of programmes that helps individuals and households to manage social risks, to cope with their impact and to overcome structural poverty. Risks and shocks can include job loss, health, childbirth, old age, droughts and floods (Rofman and Ringold 2008). The objectives of social protection include poverty relief, employment opportunities
and consumption smoothing. Social protection programmes range from contributory social insurance benefits (including pensions and other benefits linked to formal employment) to non-contributory social assistance and social safety-net benefits and services targeted at the poor. As stated by Barrientos (2007), social protection is an extension of anti-poverty policies. It is grounded in the view that vulnerability, understood as the limited capacity of some communities and households to protect themselves against contingencies threatening their living standards, is a primary factor in cases of poverty.

SOCIAL POLICY

The sets of risk-management programmes that constitute social protection are usually articulated through a country’s social policy. The concept of social policy is broad and its facets depend on a nation’s key concerns and objectives (childcare, inequality, welfare, for example). Social policies aim to promote and improve collective human wellbeing by focusing on welfare services and interventions within the communities and settings in which people live. Under social policy frameworks, nations try to change the social circumstances of specific social groups and communities by distributing and redistributing resources within areas such as housing, finance and education (Walsh et al. 2000). These actions can be considered secondary forms of intervention, which involve income distribution or redistribution within three areas: 1) public health, education and housing, which can be classified as basic services; 2) systems of work-related social security (including pensions, work accident insurance, and

\[1\] ‘Secondary forms of intervention’ redistribute resources allocated to welfare.
illness, unemployment and maternity benefits), which can be classified as social insurance; and 3) systems that complement or guarantee the income of groups at risk (direct assistance policies), which can be classified as social assistance (Ivovich and Suriano 2006). Here, it is common for income support policies to be put in place as part of social policy. Income support can be defined as a set of social protection programmes that use cash and in-kind transfers (contributory and non-contributory) to help households manage income-related risks and shocks (Rofman and Ringold 2008).

Such schemes come under two broad categories: transfer-based programmes and asset-based programmes. Within transfer-based programmes, there is a further a sub-division: cash and non-cash transfer programmes. Non-cash transfer programmes usually involve food-related programmes or price subsidies. Asset-based programmes aim to provide asset accumulation or improvement by providing aid in the form of, for example, microcredit programmes. This thesis focuses on the analysis of cash-transfer-based programmes that have been recently developed in Argentina as a form of social assistance or social insurance for the poor. Particularly I examine the critical processes and forces that influence and shape its adoption and implementation.

Cash programmes may be conditional (Conditional Cash Transfers, or CCT) or unconditional (Unconditional Cash Transfers, or UCT). The UCT is a specific type of social assistance that aims to offer protection to a percentage of the workforce through programmes that provide general welfare. Payments made through CCTs involve the establishment of a ‘contract’ that makes it less likely
that households will remove their children from school, a scheme that aims to improve human capital and employment, thus limiting the possibility of poverty being transferred from one generation to another (Desai 2007). Furthermore, social assistance is also provided through Public Works programmes, through which the state provides short-term employment, mainly to unskilled or manual workers. This programme is used as a safety net during harsh economic periods (Desai 2007). Table 1 summarises the main characteristics of cash-transfer-based programmes and the ways in which they are utilised for social assistance:

**TABLE 1 – CASH-TRANSFER-BASED PROGRAMMES (adapted from Desai 2007)**

<table>
<thead>
<tr>
<th>TYPE OF SOCIAL ASSISTANCE</th>
<th>UNCONDITIONAL CASH TRANSFER</th>
<th>CONDITIONAL CASH TRANSFER</th>
<th>PUBLIC WORKS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OBJECTIVE</strong></td>
<td>The provision of cash assistance to the poor or those at risk of falling into poverty in the absence of a transfer. It is meant to protect the incomes of vulnerable households.</td>
<td>The provision of cash assistance, which is meant to promote the accumulation of human capital.</td>
<td>To counter natural and economic shocks.</td>
</tr>
<tr>
<td><strong>TYPE OF INTERVENTION</strong></td>
<td>Social pensions, unemployment insurance and, depending on the welfare laws of each country, transfers related to death and disability, sickness or maternity.</td>
<td>In exchange for cash, households undertake measures to improve their children’s health and education by ensuring their attendance at school or making regular visits to health clinics/nutrition centres.</td>
<td>Counter-cyclical programme interventions in developed and developing countries.</td>
</tr>
</tbody>
</table>

As the data indicates, it is possible to understand a social protection system as being integrated with social policies that target particular issues. The main characteristics of such a system are outlined in Figure 1:
FIGURE 1 - SOCIAL POLICY - SOCIAL PROTECTION

SOCIAL POLICY

SOCIAL PROTECTION

set of programmes that help individuals and households manage social risks

CONTRIBUTORY
Linked to formal employment, e.g. pension systems

SOCIAL INSURANCE

NON-CONTRIBUTORY
Benefits and services targeted at the poor

BASIC SERVICES

SOCIAL ASSISTANCE

TRANSFER-BASED
CASH
CONDITIONAL

ASSET-BASED
NON-CASH
UNCONDITIONAL
POLICY PROCESS

There is an on-going debate concerning the extent to which the processes that influence and shape public policy are rational and linear or are more chaotic, being dominated by political, practical and socio-cultural forces (Sutton 1999). This question has influenced a diverse set of theories in the study of policy process, though the debate appears restricted to two forms of conceptualization. According to Gordon et al. (1993) the policy process may be explained in two ways:

1) It may be understood as a rational process, based on clear steps that lead from problem formulation and evaluation to the implementation stage.

I argue that this conceptualization of the policy process assumes that the process is highly consensual. Such a conceptualization tends to assume that a highly technical management or technocratic model is in place. Therefore, it is assumed that if a conflict appears at any of the stages of policy-process integration, it will be contained and will not interfere with the result; everything is assumed to be consensual and controlled.

One of the implicit assumptions in this technocratic conceptualization is that the policy process is rational and that it progresses from the formulation of the problem to its evaluation and, ultimately, to the implementation of the chosen strategy. A policy therefore becomes an expression of political rationality, upon which a claim for legitimacy is made (Parsons 1995). This rationality is understood as a set of collective reasons or arguments that encompass both the
claimed understanding of the problem to be tackled (illiteracy, health, etc.) and
the solution proposed. Thus, the political elites ruling a democratic system should
provide the rationale for their proposals and/or actions. However, I maintain that
this ‘rationality’ is influenced by negotiation processes, interest groups, political
compromises and other conflicting factors.

2) The policy process may be seen as a political activity surrounded by a
complex variety of interests.

In this conceptualization, it is recognised that the whole process may be
problematic and become prone to influence based on particular interests within
any policy-related activity.

As stated previously, the policy focus recognises the multidimensionality and
multidisciplinary nature of problems as different public policy concerns i.e.
corruption, poverty or malnutrition require different approaches (sociological,
economic, psychological, medical) and, consequently, the study of the policy
process and policy analysis is, essentially, multiframed. In this project, the policy
process is understood as multidimensional, complex and changing, or as a
bargaining process that is influenced by institutional and political arrangements
made at previous stages. This conceptualisation opens up the possibility for
raising the following questions: How can we explain this bargaining process? Is it
possible to identify the most influential elements within this bargaining process?
In the following section, I examine the leading theories related to the policy
process, with a view to discussing the ways in which different theoretical
approaches might be used in relation to the political context of social protection/poverty alleviation policies in Argentina in the post-2001 period.

**POLICY PROCESS AND POLICY ANALYSIS: LEADING THEORIES**

For years, five broad theoretical approaches have been used in policy studies and, specifically, in policy analysis that examines the processes that shape public policy: the linear, streams, advocacy-coalition, government elites and policy-centred approaches.

The linear approach is also referred to as the ‘mainstream’, ‘textbook’ or ‘rational’ model and features widely in the literature. According to this framework, the policy process can be understood as being well balanced, highly analytical and objective. It is a stagist approach, which views the policy process as a series of steps or sequences (Parsons 1995), leading from the identification of a problem or issue to the creation of a specific set of activities designed to solve it (Sutton 1999). The following order for these stages has been offered (Grindle and Thomas 1990):

1. Recognising and defining the nature of the issue to be dealt with
2. Identifying possible courses of action to deal with the issue
3. Weighing up the advantages and disadvantages of each of these alternatives
4. Choosing the option that offers the best solution
5. Implementing the policy
6. Possibly evaluating the outcome

This approach understands policy as a process that begins with agenda setting and concludes with policy evaluation and termination. I argue that this is one of the main weaknesses or limitations within the method; the framework assumes that all
aspects are analysed objectively before any decision is taken; therefore, if the resulting policy fails, the blame is directed towards external factors, such as political will, management or resources, rather than towards the ways in which the decisions were made (Juma and Clarke 1995). As public policy is a political activity surrounded by a complex variety of interests, the whole process can be problematic. However, despite politics being a highly influential element in any policy-related activity, it is absent within this framework. Furthermore, there is no recognition of the multidimensionality and multidisciplinary nature of problems such as changing socioeconomic conditions, which bring conflict into the political arena, and the issues of agency and timing are also excluded from this framework. Therefore, the possibility of implementing it is limited in countries where a historical background in which interest groups, internal and external political elites, and economic crises have each played a role in the origins and evolution of the political landscape and have political influence. In these countries, the policy process has never been characterised as ‘well balanced’ or ‘highly analytical’.

Nevertheless, this approach adds to the debate the idea that the policy process may be analysed in stages, although I argue that these stages are not sequential, as the model suggests. I share the concerns of several authors such as Nakamura (1987), Sutton (1999), Jenkins-Smith and Sabatier (1994), who criticise this approach, arguing that it creates an artificial view; the idea of dividing up the elements that influence and shape policies overstates rationality and provides a false picture. Public policy is not a conveyor belt, upon which agenda setting takes place at one end and implementation and evaluation occurs at the other (Parsons 1995). However, the strength of this model remains in the fact that it provides a structure
that, in combination with other frameworks, may be useful in analysing the complexities of the policy process. In addition, since this approach has generated much academic debate, some of its critics have formulated new frameworks, with the aim of overcoming the weaknesses of this approach.

Kingdon (1984) proposed the streams approach, which is in opposition to the linear, stagist approach. Kingdon argues that policy subsystems exist in the policy process and interact in various ways. This vision is shared by other critics of the linear model, such as Sabatier and Jenkins-Smith (1994). Kingdon (1984) and Sabatier (1988) argue that the policy process can be analysed more fruitfully in terms of networks, communities and subsystems, rather than in terms of objective and conflict-free stages. Kingdon suggests that the policy process is composed of multiple sets of activities that occur simultaneously, opening up the possibility of change. These sets of activities are defined as ‘streams’ (Teodorovic 2008), within which Kingdon identifies three types: problems, policies and politics. In his analysis, the problems set the agenda and the policies contribute to the search for alternatives. The search does not occur in a stagist manner, as in the linear approach; here, the three streams flow within the political system. Therefore, flow and timing are the basis of this framework: every idea has a window of opportunity, through which it can become part of a government’s agenda (Kingdon 1984).

The ‘problem’ stream is influenced by a set of indicators such as government data and reports, which are used to assess a given problem. The conceptual definition of a problem is broad; it can relate to issues such as health, education and
sanitation, among others. Major events such as disasters, as well as feedback received, can also help to set up or define a problem. The ‘policy’ stream is composed of specialists in specific areas – for example, health, education and economics. Here, policy entrepreneurs who are willing to invest in the policies that they favour are a key element. The third stream, the ‘political’ stream, is crucial to this theoretical approach, as it determines the status of the agenda and, consequently, could be used for the analysis of the policy process in developing countries, where the political mood changes rapidly. According to Kingdon, this stream should reflect the national mood, the existence of organised political forces and their interplay, the process of consensus building, and government activities.

The ways in which public opinion, political parties, pressure groups, government personnel and negotiation processes interact are extremely important in the delivery of a comprehensive analysis of the policy process. An important feature of this approach is Kingdon’s recognition and explanation of the streams acting not in separate channels, but coming together and interacting at critical moments. One of the assumptions made in the linear approach is that, ideally, a problem should be linked to a plausible solution; to Kingdon, however, a solution is plausible only if is politically feasible. Therefore, this approach recognises that research, interaction, coalitions and a bargaining process must occur in a simultaneous flow in order to enable the three streams to meet. The recognition of a problem, the formulation of policy proposals and the political events that flow as subsystems each have their own dynamic and pace, and political entrepreneurs are an important element, due to their capacity to build connections between the
streams. In other words, political entrepreneurs are able to influence the flow of the streams.

Kingdon’s approach integrates more variables than the linear model and recognises that the policy process is not necessarily rational. It may be represented as is shown in Figure 2:

FIGURE 2 - THE STREAMS MODEL
As shown above, the three streams are separate and independent; each one has its own dynamic, represented by the lines that link the problems, policies and politics to the factors that influence them. The blue line represents the flow that exists between them. As each stream has its own space, more relevant than the other, they interact in the overall process.

In my opinion, one of the strengths of this model is the fact that it states that real-life contextual factors and actors, such as political bargaining and interest groups, shape a public policy. Under this framework, the policy process results from the intersection of at least two streams, but there is no chronological sequence; on the contrary, coincidence and time matter. Consequently, I argue that its major strength comes from the framing of public policy as a fluid process that involves the participation of actors, who influence action. Similarly, another strength is the recognition of the importance of political entrepreneurs. However, there is a weakness in terms of its inability to explain how particular interests linked to certain actors enable the streams to coincide within a specific timeframe. Furthermore, it is not clear how the framework could be used to understand sequences of longer lengths, in terms of how they might shape public policy over time.

The advocacy-coalition framework is another approach that, similarly to the streams model, is not grounded in instrumental rationality. Whilst Kingdon (1984) argues that the streams involved in the policy process converge every now and then, Sabatier (1988) contends that separating the agenda-setting phase from the policy process is unrealistic. In his theoretical approach, ideas and information are
major forces of change (Sabatier 1988). This could be considered the missing element in Kingdon’s work that explains how interests linked to certain actors make the streams coincide within a particular timeframe.

Sabatier’s approach focuses on five key ideas:

1. The idea that the policy process as a whole may be understood in the context of policy networks and communities (Heclo, 1974; Kingdon, 1984; Cook and Skogan 1991).

2. The idea that policy analysis has a long-term enlightenment function, which gradually alters the arguments surrounding policy problems (Wess 1977; Nelkin 1979; Mazur 1981).

3. The idea that beliefs, values and ideas are important and neglected dimensions within policy analysis (Pressman and Wildavsky 1973; Wildavsky 1987; Majone 1980).

4. The idea that socio-economic factors have a major influence on the making of a policy and upon its outcomes (Heclo 1974; Hofferbert 1974).

5. The idea that elite belief systems have a structure of hierarchy (March and Simon 1958; Putman 1976).

This may be illustrated as follows:

**FIGURE 3 - ADVOCACY COALITION FRAMEWORK** (adapted from Sabatier 1988, 1991)
Looking at the five key ideas and the content of this approach, it is possible to argue that for Sabatier (1988), the analysis of public policy is structured in terms of policy subsystems. In this context, a policy subsystem consists of actors from ‘public and private organisations who are actively concerned with a policy problem’ (Sabatier 1988). All those who are involved in the generation, dissemination and evaluation of policy ideas are part of a policy subsystem, with actors being distinguished from each other through their beliefs and resources. Moreover, within this framework, it is believed that the policy process is dominated by the opinions of the elites.

In these policy subsystems, interest groups, academics, think tanks, researchers and politicians (among others) have roles in different aspects of the policy process. This idea can be considered an advance in the analysis of public policy, since those beyond formal decision-makers are included (Sabatier 1988-1991). As in Kingdon’s model, Sabatier’s framework stresses the relevance of actors to the policy process, though he does not identify them as political entrepreneurs. For Sabatier (1988), the actors within a policy subsystem conform to a particular belief system, such as a set of values, assumptions and perceptions, which result in an advocacy coalition. In this model, such coalitions are based on their members’ similar policy beliefs.

One of the strengths of this model is the fact that it recognises the importance of policy beliefs and that the various coalitions compete within a policy subsystem to influence and change policy formation. According to Sabatier, this is possible in an environment that is influenced by stable or dynamic factors that are external to
a policy subsystem. Sabatier argues that a stable factor constitutes a set of constraints, within which actors attempt to realise their policy goals. For example, the constitutional structure is a stable factor, while the economy is a dynamic factor, as it is not based on static conditions and can change rapidly.

Another strength of this model is that it suggests that the study of the policy process should encompass actors at various levels of government, as different people and organisations can play important roles in the generation, dissemination and/or evaluation of policies. In this sense, the examination of policy change on a national level can be seriously misleading in most instances because policy innovations may occur first at a sub-national level, before expanding to become nationwide programmes. Indeed, even after national intervention, sub-national initiatives normally continue to develop (Sabatier 1988).

It is recognised that a multiplicity of advocacy coalitions will compete to influence the decision-making process. Individuals become involved in politics (at least in part) to translate their beliefs into public policy, and the ability to map beliefs and policies on to a theoretical approach provides a framework for assessing the influence of various actors on public policy over time by tracing their influence in the decision-making process. The individual can be considered an additional tool in this model, allowing more complete and satisfactory explanations of some aspects of policy creation and implementation processes to be achieved, compared with the linear model, for example. Parsons (1995: 199) makes the following comments regarding Sabatier’s approach:
as a model, [it] provides a powerful framework for organizing and mapping the wide range of ideas which have emerged in the study of public policy and policy analysis. It successfully provides an integrated approach to the policy process in terms of network, placing policy analysis and beliefs in a central position.

Thus, it can be said that this theoretical approach provides an explanation of the policy process in which beliefs, information and actors are all included. Nevertheless, the model does not explain why or how these actors decide to form coalitions to achieve their goals, nor does it explain how such coalitions might achieve stability and be maintained over time, or how the issue of power asymmetries might be addressed. In this model, belief systems are assumed to be stable, but it is not clear whether these systems would translate into stable advocacy coalitions. Indeed, these elements seem to be ignored by Sabatier.

The government elites approach has its roots in the work of several authors, from classical theorists such as Pareto (1981), Mosca (1986) and Michels (1959), to elite theorists like Mills (1956), Hunter (1953), Domhoff (1968), Burnham (1960), Putman (1976) and Dye (2001). These authors have analysed the concentration of political power in the hands of a minority of the population, arguing that the existence of a political elite is a necessary and inevitable feature of all societies (Ham and Hill 1984).

The elites theory has been widely used in American literature to explain the policy process as rational, objective and analytical. It aims to define the power relationships in modern society by examining the role of elite groups and figures. Grindle and Thomas (1991) propose the use of the theory to explain the process of policy formulation in developing countries, given that this approach aims to
understand power and competition relationships between individuals, groups and/or classes in a society, as well as international extensions of class-based or interest-based societies (via trade or industrial policy). Grindle and Thomas explain how decision-makers function in these countries, emphasising that a state’s elites are the ultimate determinant in the policy process in developing countries. I assert, therefore, that this theory is part of a tradition in which pluralist-elitist approaches, which focus typically on power distribution among groups and elites and the concomitant effects on public policy, emerge.

Grindle and Thomas (1991: 33) state that:

our propositions suggest that policy elites often initiate reforms by placing issues on the agenda of government decision making. In doing so they shape the debate over such issues and use technical or professional expertise to influence discussion inside and outside government. Moreover, policy elites may shape reform strategies by influencing the timing and content of proposals so they are made more politically acceptable. The propositions suggest that policy elites can provide initiative, orientation, leadership, ideology, expertise, and political sensitivity to major issues of reform.

In their work, policy elites are defined as those in official government positions, with responsibilities that include participation in the making and implementing of authoritative decisions for society. Here, the policy process begins with two factors:

1) the background characteristics of policy elites

2) the constraints and opportunities created by the broader contexts within which they seek to accomplish their goals

This approach explains the policy process by focusing on what policy elites bring with them, such as goals, experience and ideologies, as well as political and institutional commitments and loyalties. It also underlines the importance of the
environment that shapes the policy process and the elites’ motivations. A lack of political will, together with a shortage of resources, should be taken into account in the search for answers about the failure of a given policy (Juma and Clarke 1995). As such, political management is extremely relevant in the design and implementation of policies.

Decision-makers in developing countries face a set of informational, demographic and economic circumstances that increase their prominence in the policy process, while also limiting their ability to make well-informed decisions (Grindle and Thomas 1990). Inadequate data, or the absence of concrete evidence, also mean that challenges to governmental decisions are easier and are more likely to be more politically oriented as findings cannot be tested very accurately in such a scenario (Grindle and Thomas 1990). It is widely recognised that public policies are surrounded by politics, and this implies that the process is interactive, not linear. These ideas can be represented as shown in Figure 4:

**FIGURE 4 – GOVERNMENT ELITES (adapted from Grindle and Thomas 1991)**
One strength of this approach is that, unlike the linear method, policy reform is viewed here as a process, within which interested parties can exert pressure for change at many points. Understanding the location, strength and stakes involved in these attempts to promote, alter or reverse policy-reform initiatives is central to understanding the outcomes of such initiatives (Grindle and Thomas 1991). Management of contingency plans, conflict resolution and adaptation become vital. The roles of power, interest groups and implementation processes are also relevant in the success or failure of a policy. However, the model demonstrates a weakness in its overemphasis of the role of the elites, as social organisations and NGOs can also influence public policy. Furthermore, it does not explain how different elites can interact with one another and it appears to assume that policy processes take place only at a national level in developing countries, thus overlooking local dynamics. It is also unclear how this approach can be used to analyse longer processes of policy formulation; hence, it falls short in terms of explaining policy innovations and the issues of stability and change, which are so relevant in developing countries.

The policy-centred approach is a theoretical framework rooted in the neo-institutionalist school – and in Historical Institutionalism scholarship in particular. Early work in this area was focused primarily on the study of American exceptionalism. Since then, it has been developed as a valuable framework for the analysis of social policy more generally. This approach is associated with the work of Skocpol (1994) and her collaborators Weir (1992), Pierson (1993), Thelen (2003) and Mahoney (2000, 2003). These scholars contend that the study of public policy, the policy process and policy analysis should involve the
analysis of political actors and the institutional arrangements within which they perform, as well as the existence of social groups that can interfere in the processes of policy creation and change. Skocpol (1994: 278-279) argues:

in order to adequately address the processes of policy creation and change it is necessary to go beyond society-centred approaches by looking at the ways in which political actors shape policies to further their own interests and by considering the institutional arrangements in which diverse social groups exist.

Skocpol’s (1994: 269) work on US social policies concerns ‘bring[ing] the state back in’ and understanding how policies are shaped by politics. This theoretical approach contains elements that enable issues related to power, such as power asymmetries, social conflicts and institutional strengths/weaknesses, to be analysed (Hall and Taylor 1996). In the neo-institutionalist school of thought, an institution can be understood not only as a formal bureaucratic structure but also as an ideology or custom (Pierson 2003). For Helmke and Levitsky (2004: 727), institutions are ‘rules and procedures (both formal and informal) that structure social interaction by constraining and enabling actors’ behaviour [....] informal institutions are socially shared rules, usually unwritten, that are created, communicated and enforced outside of officially sanctioned channels’. The present study is influenced by this definition.

Mahoney and Thelen (2010: 4) explain that within the policy-centred approach, ‘nearly all definitions of institutions assume that they are relatively enduring features of political and social life (rules, norms and procedures) that structure behaviour and cannot be changed easily or instantaneously’. On the same subject, Pierson (2003: 2) argues that public policies can and should be analysed as
institutions because ‘for the individuals and social organizations that make up civil society, public policies are clearly very central rules governing their interactions. These rules specify rewards and punishments associated with particular behaviors’. Taking these ideas into account, I contend that the policy-centred approach goes beyond the analysis of formal political institutions such as presidents and political parties, allowing both configurations of actors and the causes that influence policy (including informal institutions like clientelism and patronage, which may function as unwritten rules) to be examined.

The aforementioned characteristics of the policy-centred approach are particularly relevant to this thesis because scholars of Latin American politics and social policy have argued that informal institutions and routinised patterns of interaction affect both political behaviour and the functioning of formal institutions in the region. In this vein, Waylen (2014: 212) asserts that ‘(s)tudying informal institutions helps scholars understand the gap between formal institutional change and outcomes’. Furthermore, Levitsky and Murillo (2013: 93) explain:

> Institutions in the developing world vary widely, both in terms of their enforcement and in terms of their durability. This variation has important implications for how institutions work, how (and why) they are created, and how they change. Although formal institutions are not uniformly weak in developing countries (nor uniformly strong in developed ones), the vast differences in the enforcement and stability of rules in Latin America suggests that institutional strength should be treated as a variable, rather than a taken-for-granted assumption.

According to the scholars discussed above, even though institutional weakness is not confined to Latin America, it is more common there than in advanced industrialised countries. As Huber et al. (2006: 945) indicate, ‘(t)he region does
have a weaker record of democracy, less consolidated parties, and weaker organizations of the underprivileged.

Following Levitsky and Murillo (2013: 94), institutional weakness can be defined as a context in which there is little enforcement of the rules or where a broad *de facto* discretion exists with respect to their application. Regarding this concept of *de facto* discretion, Tsebelis (1995) stresses the relevance of veto players in social-policy change. Here, a ‘veto player’ is understood as ‘an individual or collective author whose agreement is required for a policy decision’ (Tsebelis 1995: 293). Tsebelis identifies two types of veto players: institutional (president and congress) and partisan (political parties). This thesis is influenced by the ideas of Levitsky and Murillo (2013) and Tsebelis (1995).

Existing literature on Latin American Presidentialism has claimed that in the region, presidents benefit from strong governmental authority through constitutional and partisan power, a characteristic that allows them to influence policy. On this subject, Mainwaring and Shugart (1997: 40) explain:

> there are two principal ways that presidents can have [...] influence [on policy]. One is to have constitutional powers inherent in the office of the presidency that allow incumbents to have their preferences taken into consideration in the passage of legislation. Another is to have control over their own party and for that party to be in control of a majority of seats. Presumably, these two factors—which might be termed their constitutional and partisan powers over legislation — interact to determine the degree of influence presidents have over policy.

Recent scholarship on social policy and welfare reform in areas such as social security stresses that policy change is influenced by executives’ control over
legislature (Brooks 2002; Castiglioni 2001; Madrid 1999; Madrid 2002; Palanza 2002). Such work is relevant to this study; as Waylen (2014: 216) argues, ‘Historical Institutionalism emphasises that institutions and their rules, norms and practices shape power relations with distributional consequences, disproportionately distributing resources to actors with power – it is these power distributional implications of institutions that motivate change’.

Another important aspect of the policy-centred approach is the idea that historical timing, or the ‘ordering’ of policy-relevant events, must be taken into consideration when analysing the multidimensional, complex and dynamic processes and forces that influence public policy (Howlett and Rayner 2006; Pierson 2000; Abbott 1990). This idea challenges previous stochastic frameworks, where contextual embeddedness is considered irrelevant. This element is either non-existent in the aforementioned approaches or is represented only weakly. Nevertheless, I argue that this opens up the possibility of analysing the processes that influence and shape public policy over a longer time frame, particularly in cases where changing political and socioeconomic conditions are relevant to the understanding of policy innovations. In this regard, Skocpol and Amenta (1986: 152) posit that ‘detailed historical studies of one or few cases allow investigators to look for configurations of causes to explain social policies’. This approach takes into account the fact that the processes that shape and influence public policy are multidimensional, complex and dynamic. Its nature varies from country to country, according to the political, historical and socioeconomic context; as Waylen (201: 216) continues, ‘(t)he form that change takes depends in part on the political context (and on the veto possibilities offered to defenders of status quo)
and on the amount of discretion in existing rules. Understanding change in this way can accommodate contestation, power and agency’. Therefore, an analysis of such processes requires a broad perspective to be taken, which can only be accomplished through a detailed case study.

Following the arguments advanced by Skocpol, Pierson (1993: 596) proposes that ‘the detailed investigation of carefully chosen case studies is a powerful tool for uncovering the sources of political change.’ Pierson’s work expands the policy-centred approach as he stresses that past policy choices are an important source of constraint for decision-makers. He combines an analysis of public policy with the study of policy legacies, looking at power asymmetries, institutional strengths and weaknesses, and social conflict. According to him, public policies have a feedback effect on future policy interventions and should be understood as sources of change and continuity (1993, 2000a, 2000b). This idea of ‘policy feedback’ suggests that, once established, both institutions and major policies are hard to dismantle as they tend to have self-reinforcing dynamics that prevent major transformations from occurring via institutional agreements. This could be termed the ‘legacy effect’. Policy legacies are shaped by a country’s political economy and administration, as well as by historical events. In Pierson’s account, politicians capitalise on contingent events, also called critical junctures (Collier and Collier 1993), which allows them to favour a chosen path with regard to policies via political arrangements or by enacting laws. Once that path is established, policies tend to be self-reinforcing, thus influencing future paths. Here, certain processes are path dependent, as Pierson explains:
major public policies also constitute important rules of the game, influencing the allocation of economic and political resources, modifying the costs and benefits associated with alternative political strategies, and consequently altering ensuing political development (Pierson 1993: 596).

In this regard, the self-reinforcing dynamic is fed by the returns obtained via certain policies. Such ‘positive feedback’ allows for certain patterns to be reproduced stably over time. Some processes are path-dependent because the decisions that are made depend on past trajectories and choices. By recognising the processes and forces that generate this dynamic, both the sources of policy continuity and stability and patterns of policy creation could be identified. This element is absent in the other theoretical approaches discussed above. Adding to this perspective, Mahoney (2000) asserts that public policy paths are not only reinforced, but also reversed through feedback processes that he defines as reactive sequences that can transform (and perhaps) overturn previous choices. In this way, the sources or processes that influence policy change can be identified. In this theoretical approach, timing and sequencing are crucial in the exploration of critical junctures, policy legacies and feedback processes. As Pierson (2000b: 265) states:

this work is historical because it recognizes that political development must be understood as a process that unfolds over time...knowledge of the dynamics of increasing returns processes can greatly sharpen our understanding of why particular junctures (and which aspects of them) are critical and why timing often counts for so much in politics...the specific characteristics of positive feedback provide a key to making sense of the complex mix of stability and burst of change that characterize so many political processes.

Scholars studying social policy in Latin America have used Pierson’s theory of policy legacies to explain social-policy developments, considering policy
feedback to be central to an understanding of outcomes. For example, Ewig and Kay (2011), Ewig (2013), Huber et al. (2006) and Pribble (2013) consider how politics, political learning legacies and lock-in effects play out in social-policy change in the region, examining the relationship between Latin American countries and global capital markets. These studies assert that after the 1980s crisis, previous policies and politics influenced processes related to social-policy reform in Chile, Argentina, Bolivia, Ecuador, Peru, El Salvador and Uruguay.

The major strength, then, of this approach is that it allows us to identify the dynamics that influence policy creation, stability and change, as well as the processes and forces (such as political actors, interest groups and sudden market fluctuations) that influence policy innovation and the impact that previous policy choices have. Taking into account the ideas of Pierson (1993), Collier and Collier (1993) and Mahoney (2000), the junctures at which we can identify the forces and actors that influence public policy within this approach can be summarised as shown in Figure 5:

FIGURE 5 - POLICY-CENTRED APPROACH (adapted from Pierson 1993, Mahoney 2000 and Collier and Collier 1993)
To summarise, the linear model interprets policy process as an operation that begins with agenda setting and concludes with policy evaluation and termination. It assumes that everything is analysed objectively before any decision is taken. I argue that the policy process is a political activity, surrounded by complex interests. The whole process is more likely to be problematic when politics become a highly influential element. The linear model does not recognise the conflicts inherent in the multidimensional and multidisciplinary nature of problems faced by governments. This approach highlights the idea that the policy process may be analysed in terms of stages, although I contend that these are not as sequential as the model presents them to be.

The streams model can be considered useful as it draws attention to the real-life contextual factors and actors, such as political bargaining and interest groups, that shape a public policy. Here, the policy process is seen as a fluid procedure, in which actors influence action. This model is weak, however, in terms of its inability to explain how certain interests connect actors together and coincide within particular time frames.

The advocacy-coalition model satisfies this need for specificity as it assumes that individuals become involved in politics, at least in part, to translate their beliefs into public policy. This ability to map beliefs and policies on to the same framework provides a theoretical tool for assessing the influence of various actors on public policy. Here, beliefs, information and actors are all included in the policy process. Nevertheless, the model neither explains how and why actors decide to form coalitions to achieve their goals, nor how these coalitions can
achieve stability and be maintained over time. With this approach, belief systems are assumed to be stable, but it is not clear whether these systems would translate into stable coalitions. These elements, as well as the need to consider a longer time frame, seem to be ignored by Sabatier.

The government elites theory emphasises what policy elites bring to the policy process – for example, goals, experience, ideologies, political/institutional commitments and certain loyalties. As well as underlining the importance of the environment that shapes the policy process and the elites’ motivations, this model considers political will and resources as relevant to the process.

The policy-centred approach allows for a more complex matrix of analysis, in which political actors, social groups, institutional arrangements, timing and sequencing influence and shape policies over time. This framework understands the dynamics that surround feedback and self-reinforcement processes as sources of policy creation, stability and change.

In terms of the characteristics of the aforementioned approaches, this study is influenced strongly by the policy-centred approach – particularly by Pierson’s and Mahoney work, as I argue that the unique decisions made at critical junctures by Argentinean presidents, in response to political and economic crises, have determined the pathways followed in future social policy interventions. The use of this theoretical approach will allow me to identify the critical processes underlying these critical junctures, as well as the feedback processes that shaped the political system and the power relations that fixed the generation, transfer and
distribution of income. Moreover, this theory also allows the ways in which social policy interventions are influenced by the policy legacies embedded in a country’s political economy and its social protection system to be examined.

**METHODOLOGY**

Following the studies discussed in this thesis, the methodological approach that will be used to examine the policy process for social protection and poverty-alleviation policies in Argentina is, primarily, qualitative. A qualitative approach is deemed to be more effective than a quantitative approach for gauging human behaviour, including the meanings and purposes of people’s activities (Guba and Lincoln 1994; Devine 2002; Ritchie and Spencer 2002). Qualitative data can provide rich insights into human behaviour. According to Ritchie and Spencer (2002), qualitative research is useful for understanding complex behaviours, needs, systems and cultures. On this subject, Walker (1985: 19) states, ‘What qualitative research can offer…is a theory of social action grounded on the experiences – the world view – of those likely to be affected by policy decision or thought to be part of the problem’. I argue that this methodological approach is useful, therefore, for examining issues related to public policy and policy processes, such as the impact and influence of actors, institutions and events. According to Devine (2002: 199), qualitative methods ‘are good at capturing [the] meaning, process and context’ needed to understand complex policymaking dynamics.
With regard to informing and guiding qualitative inquiry, four paradigms\(^2\) seem to be in competition: 1) positivism, 2) postpositivism, 3) critical theory and related ideological positions, and 4) constructivism (Guba and Lincoln 1994). Explaining each of them in depth is beyond the scope of this study; nonetheless, I offer an account of their main characteristics below.

In positivism, an ‘apprehendable reality is assumed to exist’ (Alvesson and Deetz 1996). According to Hesse (1980), knowledge of the way things are is summarised in a context- and time-free way. In this respect, positivism is deemed to be reductionist and deterministic. In the postpositivism paradigm, reality is assumed to be apprehendable due to ‘faulty human intellectual mechanisms and the intractable nature of phenomena’ (Cook and Campbell 1979). In this regard, reality must be subjected to critical examination. In critical theory, reality exists and is apprehendable. Over time, it is shaped by diverse actors and factors (e.g. social, political, economic and cultural). Finally, in constructivism, reality depends on individuals’ or groups’ ‘constructions’ for its form and content; that is, on continuous interaction. These ‘constructions’ and the reality or realities associated with them can be altered through the same interaction that constructed them (Reese 1980). According to Guba and Lincoln (1994), Hesse (1980) and Carr and Kemmis (2003), positivism and postpositivism aim to question what

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\(^2\) A paradigm may be viewed as a set of basic beliefs (or metaphysics) that deals with ultimates or first principles. It represents a worldview that defines, for its holder, the nature of the “world,” the individual’s place in it, and the range of possible relationships to that world and its parts, as, for example, cosmologies and theologies do. The basic beliefs that define inquiry paradigms can be summarized by the responses given by proponents of any given paradigm to three fundamental questions, which are interconnected in such a way that the answer given to any question, taken in any order, constrains how the others may be answered….What is the form and nature of reality and, therefore, what is there that can be known about it?....What is the nature of the relationship between the knower or would-be knower and what can be known?...How can the inquirer (would-be-knower) go about finding out whatever he or she believes can be known?’ (Guba and Lincoln 1994: 107, 108).
explains reality, critical theory concentrates on critiques and transformations of reality and its structures, and constructivism involves the understanding and/or reconstruction of the constructions that people formulate.

The methods of inquiry and data collection chosen for qualitative research should depend on the subject of study and the paradigm that is best suited to the analysis of that subject (Walker 1985). Again, an extensive explanation of each method is beyond the scope of this thesis, but a few of the more common methods are: 1) participant observation, where the researcher becomes a participant in the context being observed; 2) direct observation, which is different from participant observation in the sense that the researcher aims to be detached from the reality being observed; 3) semi-structured interviewing, which relies on direct interaction between the researcher and the respondent, which is guided by a few initial questions; 4) the case study, which involves an intensive analysis of a particular individual, group, context or phenomenon; and 5) narrative analysis, which centres on the examination of stories or accounts, emphasising sequences and consequences (Patton 2005, Riessman 2008).

Due to the nature of the research, as outlined above, the use of participant- and direct-observation methods is inadequate. Furthermore, the use of the unstructured interview as a standalone method would lead to shortcomings in terms of data collection, as I aim to examine the critical processes that influence and shape poverty-alleviation policies, as well as the origins and evolution of the country’s political economy and social protection system through a historical analysis. Here, the analysis of historical and policy documents is mandatory. For these reasons, a
A case study is used within this thesis, which serves as the basis of a narrative analysis of social-policy interventions targeting poverty alleviation in Argentina. This methodology suits the project best as it allows an in-depth examination of the processes and forces that influence and shape such interventions to be provided.

Case studies are informed by constructivist approaches (Yin 2003; Noor 2008). This method facilitates the exploration of a phenomenon within its context (Baxter and Jack 2008; Hancock and Algozzine 2006) According to Yin (2003), an explanatory case study is useful when the focus of the study is on answering ‘why’ and ‘how’ questions, as well as on analysing the contextual conditions that are relevant to the subject being studied. On this subject, Pierson (1993: 596) proposes that ‘the detailed investigation of carefully chosen case studies is a powerful tool for uncovering the sources of political change’.

Given that my argument concerns the adoption of poverty-alleviation policies and its influence by previous policy choices, the case study used in this study is complemented by the use of narrative analysis, also known as process tracing (Collier 2011; Mahoney 2012; Tansey 2007; Riessman 2008). According to Kohler:

Narrative analysis…refers to a family of approaches to diverse kinds of texts, which have in common a storied form. As nations and governments construct preferred narratives about history, so do social movements, organisations, scientists, other professionals, ethnic/racial groups, and individuals. What makes such diverse texts ‘narrative’ is sequence and consequence (2005: 1).

According to Collier (2011), narrative analysis is often used by scholars who carry out within-case analysis based on qualitative data. Here, the use of narrative
analysis allows for the description of trajectories of change and causation over time, with close attention being given to sequencing (Bennett, 2008, 2010; Rueshmeyer and Stephens 1997; George, 1979; George and Bennett, 2005).

To summarise, in this study, I use a qualitative explanatory case-study approach (Yin, 2003; Noor, 2008) to provide an in-depth examination of the processes and forces that influence and shape social policy interventions that target poverty alleviation in Argentina. This approach is complemented by the use of narrative analysis, also known as process tracing (Collier 2011; Mahoney 2012; Tansey 2007), which enables trajectories of change and causation to be described. Such a methodology will allow me to shed light on the historical sequence of events within which the country’s political economy and social protection system originated and developed, identifying processes of policy feedback (policy legacies) and reactive sequences (feedback processes). The use of this methodological approach will help me to identify: 1) the constellation of actors and factors that have shaped social policy interventions, 2) the evolution of poverty as an issue on the Government’s agenda, and 3) the existence of policy legacies and their relevance to contemporary policies. This detailed examination utilises the previously discussed policy-centred approach as a theoretical framework to analyse the data.

**DATA SOURCES**

Given that the core argument of this study is that historical patterns within institutional and political decisions in Argentina (i.e. policy legacies) have had an
impact upon more recent developments in social policy, both historical processes and contemporary social-policy interventions form the key data for analysis. The historical narrative presented here is constituted of an analysis of primary sources (historical documents gained from archival research; policy documents acquired through fieldwork) and secondary sources (academic literature). The analysis of academic literature and policy documents provides an insight into the historical development of the country’s political economy and social protection system, allowing me to trace the development of poverty as an issue on the Government’s agenda, as well as how this issue is related to broader processes in the political economy and in the region. This information also sheds light on the processes and forces that have influenced and shaped more contemporary social policy interventions. In order to gather relevant documentation for this analysis, I conducted fieldwork in Buenos Aires, Argentina, in October 2010.

During my research trip, I was able to interview key informants; however, I give the following disclaimer: these interviews were not conducted for use as a main source of data through which to test my findings, since I argue that the dynamics that influence and shape social policy interventions are embedded in the historical past. Rather, the interviews were a means to provide a background and enrich the narrative analysis presented in this study by obtaining an insight into the views of ‘insiders’ with regard to the processes examined within the wider project. The participants were selected based on their expertise, after being identified through document reviews. Each had experience in the analysis of social policy interventions (programmes and policies) in Argentina as members of either: 1) the
academy, 2) the Government or 3) an international organisation. In the following table, I provide further information on the participants’ work settings and roles.

**TABLE 2 - CHARACTERISTICS OF INTERVIEWEES**

<table>
<thead>
<tr>
<th>INTERVIEWEE</th>
<th>PROFESSION</th>
<th>WORK SETTING</th>
<th>WORK ROLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laura Goldberg</td>
<td>Economy Ph.D.</td>
<td>Ministry of Social Development</td>
<td>Advisor and former national coordinator of <em>Programa de Atención a Niños y Adolescentes en Riesgo</em> (PROAME). Author of many studies on social policy, welfare and economic regimes in Argentina.</td>
</tr>
<tr>
<td>Ruben Lo Vuolo</td>
<td>Economy Ph.D.</td>
<td>Interdisciplinary Center for the Study of Public Policy</td>
<td>Research Director. Author of many studies on poverty, poverty alleviation, welfare, political economy and income distribution in Argentina.</td>
</tr>
<tr>
<td>Tomás Rafo</td>
<td>Economist</td>
<td>Institute for Studies and Training (IDEF), the Confederation of Workers of Argentina (CTA).</td>
<td>Economist. Author of many studies on poverty, social security and Unconditional Cash Transfers in Argentina.</td>
</tr>
<tr>
<td>Rafael Rofman</td>
<td>Demography Ph.D.</td>
<td>World Bank</td>
<td>Senior economist for Social Protection in the Latin America and the Caribbean region. Author of many studies on adult mortality, social security and pension reform.</td>
</tr>
</tbody>
</table>

The participants were informed of the project via email and invited to take part. I conducted semi-structured interviews (Newton 2010) with each of the individuals. When, performing the interviews, I followed a guide that I developed to ask about
their views on the processes and forces that have influenced and shaped the social policy interventions examined in the case study. Ethical approval was obtained from the Ethics Committee at the University of Manchester for these interviews. Each interview lasted between 45 minutes and 1 hour 30 minutes. The participants were informed that interviews would be recorded and their names cited.

**THESIS STRUCTURE**

In Chapter 1, I outline the economic and political transformation that occurred regionally in Latin America throughout the 1980s and 1990s. During these decades, in the aftermath of the debt crisis, most Latin American countries introduced profound changes in the economic and political realms, particularly in terms of processes of economic liberalisation and political reform. In this chapter, I present a broad regional view of these processes in order to contextualise the Argentinean experience, exploring the sequence of events that placed the issue of poverty on the regional political agenda. The chapter is divided into three sections. In Section 1.1, I examine the unfolding of the 1980s debt crisis in order to illustrate the circumstances that preceded economic and political reform in the region. In doing so, I present an overview of the characteristics shared regionally in terms of economic performance. Section 1.2 concerns the main characteristics of the Latin American economic and political changes of the 1980s and 1990s. I offer a summary of the region’s response to economic crisis and political transition, identifying the specific trends followed in terms of economic liberalisation, stabilisation, privatisation and political change. I relate these processes to the introduction of the welfare-state reform process and the evolution of poverty as a political issue. Section 1.3 provides an overview of the
development of welfare-state systems in Latin America. I identify the general
trends that preceded the debt crisis, as well as those observed during and after
reform processes. I trace the historical evolution of social protection, arguing that
the processes undertaken followed an exclusionary pattern in which the most
needy were neglected, and examine how this characteristic remained prevalent
after the reform process was completed. This analysis allows me to identify the
welfare state systems’ policy legacies that are related to the introduction of new
forms of social protection aimed at tackling poverty. Chapter 1 contributes to our
understanding of the regional processes that influenced contemporary social
policy interventions with regards to poverty, both regionally and in Argentina
specifically.

In Chapter 2, I present an historic overview of the Argentine political economy.
The core aim is to contribute to our understanding of the forces and processes that
influenced and defined the origin and evolution of the economic, political and
social protection system. The discussion involves an analysis of the development
of the country’s political economy from 1816 to 1980 – from the beginning of
Argentine independence to the unfolding of the democratisation/neoliberalisation
process in the country. I identify the key issues that shaped the development of the
country’s political economy, as well as the processes surrounding the origins of
social policy and the recognition of poverty as a political issue. In Section 2.1, I
examine the evolution of the Argentine political economy from 1816 to the
implementation and conclusion of the agro-export model in 1930. Here, I analyse
the inception and evolution of an oligarchic elite and the path that this established
for the political economy. Section 2.2 investigates the rise and fall of the
Peronismo political and economic management model, alongside the introduction of the import-substitution industrialisation (ISI) model and welfare politics. This section also examines the changing status of Perón as a political leader and the salient features of his role with regards to social policy. In Section 2.3, I analyse the last stage of the ISI model, the developmentalist state, the continuing consolidation of authoritarianism and the advent of democracy, analysing the evolution of institutional weakness, economic crisis and political uncertainty. This chapter contributes to our understanding of the processes that determined the shape of the political system and the power relations that set the generation, transfer and distribution of income. Moreover, the inception of social protection policies and the evolution of a political and economic path marked by social conflict, institutional weakness, crisis and populist reform are explored, which, I argue, are crucial to an interpretation of the relationships that shape contemporary social policy responses with regards to poverty.

In Chapter 3, I examine how social protection evolved from the 1980s to the 2000s. I analyse the consequences of the 1980s debt crisis, the impact of the arrival of democratic/neoliberal governments, and the 2001 crisis and its impact on the social protection system. Furthermore, as this research focuses on the analysis of poverty-alleviation policies, this chapter pays particular attention to the evolution of policies aimed directly at addressing poverty within Argentina’s social protection system. By examining this issue, the influence of the policy legacies identified in the previous chapter upon contemporary social policy interventions is considered. Finally, this chapter also serves as an introduction to

3 Named after Perón, this is an ideology based on the principles of social democracy and nationalism.
the discussion of the social policy interventions that are central to the case study: the Plan Jefes y Jefas de Hogar Desocupados, the Seguro de Capacitación y Empleo and the Plan de Inclusión Previsional.

The chapter is divided as follows: Section 3.1 concerns the social policy interventions that existed under democratic/neoliberal governments from the 1980s to the 1990s. Within this section, I further the analysis given in the previous chapters of the impact of the economic context upon poverty and unemployment, and the evolution of social protection. In Section 3.2, I discuss the political, economic and social context during the 1990s and the 2000s, examining the origins of the 2001 crisis, as well as its political and social impact and how the Government reacted to the crisis by expanding social protection (particularly social assistance) via the implementation of cash-transfer programmes. This chapter offers an in-depth look at the evolution of social protection in the country. I identify both the policy legacies and feedback processes that influenced certain policy choices, thus providing information about how and why certain social policies materialised and influenced the development of subsequent policies. I also scrutinise the historical sequence of events that led to the expansion of social protection through cash transfers that aimed to alleviate poverty, and the forces and processes that influenced such a process.

In Chapter 4, I analyse the policy process that led to the Plan Jefes y Jefas de Hogar Desocupados. I identify the political forces, processes and the configuration of actors that influenced its adoption and implementation. Furthermore, I examine how previous critical junctures and policy legacies were
related to this process. Sections 4.1.1 and 4.1.2 focus on the policy process, looking at its development and the configuration of actors involved in the policy’s adoption. An analysis of how the Government reached its decision and an explanation of the implications of the programme’s implementation are also given. Particular emphasis is placed on how the implementation of this policy constituted a challenge in terms of institutional design and a change of direction in the historical pattern of social protection in the country. Section 4.1.3 consists of an examination of the political and administrative implications of cash-transfer programmes.

In Chapter 5, I analyse the Seguro de Capacitación y Empleo – an income support programme that was adopted after the 2001 crisis as an employment insurance and training programme that aimed to offer an exit path from the Plan Jefes y Jefas de Hogar Desocupados. Here, identify the processes and forces that led to its adoption and implementation. Section 5.1 concerns employment and social protection in Argentina. Here, I analyse the ways in which employment gained a space within the social protection agenda after a series of economic problems, as well as how this issue affected the labour market and led eventually to the adoption of employment generation programmes. Section 5.2 examines market employment problems and the policies pursued post-devaluation. I analyse the official diagnosis in the employment market regarding the crisis and how the Government placed employment at the centre of the political agenda, designing new public policies to tackle rising unemployment and consolidate economic recovery after 2001. Section 5.3 offers an analysis of the policy process for the Seguro de Capacitacion y Empleo. I explain how it was created as a means to end
the Plan Jefes y Jefas de Hogar Desocupados by placing an emphasis on the concept of employability. Here, I analyse the policy’s legal framework, objectives, strengths and challenges.

In Chapter 6, the analysis is centred on reforms in the Argentinean pension system, looking at how policies were applied and at the evolution of the Argentinean pension system. I focus on the adoption and implementation of the Plan de Inclusión Previsional – a strategy for expanding pension coverage among the elderly in order to deal with rising poverty among those with a low probability of getting into the labour market. Section 6.1 explores designs and objectives of pension schemes, looking at how the issue of coverage for the elderly and at risk population can be tackled. Section 6.2 concerns the evolution of the pension system and the political factors that influenced the reform process. Within this section, I explore the gradual evolution of the Argentinean pension system, discussing its design and main features, as well as the way in which politicians sought to reform it gradually. Section 6.2.2 examines the 1994 reform process and its main features. I analyse the implementation of the Sistema Integrado de Jubilaciones y Pensiones, through which Argentina became the first developing country to establish a mixed pension system. Furthermore, I examine the policy’s main features and the political factors that influenced its adoption. Section 6.2.3 concentrates on the post-2001-crisis reform process. Here, I investigate the political factors that influenced the Argentine Government to reform the pension system further after the 2001 crisis – a period during which the problem of coverage deepened. Furthermore, I examine the adoption of the Plan de Inclusión Previsional.
Overall, Chapters 4 to 6 contribute to our understanding of the ways in which the features of Argentine politics affect the adoption and implementation of social policy interventions, as well as the forces and circumstances that influence such processes. The thesis also sheds light on the role of previous policy choices as sources of change and constraint.
CHAPTER 1: POLITICAL AND ECONOMIC REFORM IN LATIN AMERICA

INTRODUCTION

In this chapter, I outline the economic and political transformation that occurred regionally in Latin America throughout the 1980s and 1990s. During these decades, most countries introduced profound changes to the economic and political realms, particularly in terms of the processes of economic liberalisation and political reform that occurred in the aftermath of the debt crisis. I aim to present a broad regional view of these processes, thus providing a context for my analysis of the transformations in welfare systems in the region during recent decades. Here, the adoption of new forms of social protection in Argentina is seen as part of a wider process of change.

As the model of import-substitution industrialisation (ISI) came to a halt and the debt crisis unfolded, a general pattern of economic liberalisation occurred in the region. This process influenced a shift in social spending, and the role of the state as provider of social protection changed. The extent to which such changes were adopted differed both temporally and contextually across the region. Structural and institutional variables, such as each country’s political economy and administration, and historical sequences (policy legacies) played a key role. The particularities of the paths that each country followed in respect to these processes demand extensive individual studies that cannot be presented here, however, given that this chapter intends to give an overview, rather than a detailed exploration of specific cases.
Given that this study focuses on social protection policies implemented for the purpose of poverty alleviation, a regional contextual analysis is relevant as it allows the processes and forces that influenced a shift in social protection and the evolution of poverty as a political issue to be elucidated. With this in mind, I argue that both the economic crisis in the 1980s and the legacies of the historical evolution of welfare systems provided incentives for reforming social protection regionally – particularly in the case of social security. The move towards democracy also had an influence, in some cases, on the degree to which social security was privatised, as well as on the politicisation of poverty and unemployment in later years.

Although it is not the purpose of this study or this chapter to analyse the 1990s social welfare reform process specifically, it is a relevant topic of discussion, nevertheless. In the aftermath of welfare reform, unemployment and poverty emerged as important political issues, and new forms of assistance began to be implemented, such as Conditional Cash Transfers (CCTs). A precedent was set, therefore, for future social policy interventions aimed at poverty alleviation.

This chapter explores the sequence of events that placed the issue of poverty on the political agenda in the region. In the two chapters that follow, I will examine the specific path followed by Argentina, looking at political economy and the development of a social protection system from a historical perspective. In Chapter 3, I also analyse both the evolution of the country’s social protection system and welfare state reform under successive democratic/neoliberal governments.
This chapter is divided into three sections. In the first section, I explore the unfolding of the 1980s debt crisis in order to illustrate the circumstances that preceded economic and political reform in the region. In doing so, I present an overview of the characteristics shared regionally in terms of economic performance. Section 1.2 concerns the main characteristics of Latin American economic and political change in the 1980s and 1990s. Here, I present a summary of the regional response to the economic crisis and political transition by identifying the specific trends that were followed with regard to economic liberalisation, stabilisation, privatisation and political change. This analysis will allow me to relate these processes to welfare state reform and the evolution of poverty as a political issue.

In Section 1.3, I discuss the development of welfare-state systems in Latin America, identifying the general trends that preceded the debt crisis, as well as those that emerged during reform processes and after. By doing so, I trace the historical evolution of social protection, in which processes followed an exclusionary pattern that neglected the most needy; a characteristic that remained present after the reform process was complete. This analysis will enable me to identify the relationship between the policy legacies of welfare-state systems and the introduction of new forms of assistance to tackle poverty. In this way, this chapter is essential in terms of achieving a full understanding of the regional processes that influenced contemporary social policy interventions with regards to poverty, both across the Latin American region and in Argentina more specifically.
1.1 THE UNFOLDING OF THE 1980s DEBT CRISIS

In the following paragraphs, I explore the unfolding of the 1980s debt crisis in order to illustrate the characteristics, depth and reach of this event. In doing so, I aim to relate the crisis to the introduction of the economic liberalisation process in Latin America and in Argentina specifically.

Between the 1930s and 1970s, economic nationalism, under the aegis of the import-substitution industrialisation (ISI) model, which was characterised by protectionism and populist politics, led to growth across most of the region. However, it also encouraged irresponsible spending (White 2013). In the following years this trend would cause the ISI to crumble. Between the 1970s and early 1980s, most Latin American countries were able to borrow and increase their debt through bilateral and multilateral agreements that compromised their economies. On the lending side, there was high liquidity at the time and a need to look for new clients; on the borrowing side, money was supposed to be integrated into several governmental programmes in order to ameliorate internal problems such as the fall in agricultural productivity and the imbalance in industrialisation projects due to the price of imports (Balasubramanyam and Lall 1991). In addition, Latin America entered a period of exchange-rate overvaluation, which discouraged export expansions and put domestic industries at risk because of import competition. When the income from tax collection and exports was not sufficient to cover internal demand and the service of the debt (that is, payments on foreign debt), the lenders feared an illiquidity crisis. Under these circumstances, the countries affected needed large trade surpluses in order to be able to pay the interest on their debts. However, these surpluses never arrived, so
the solution was to ask for new loans in order to make at least some of these payments. As Ocampo (2013: 2) states:

In the 1980s continuous service of the (reschedule) debt, under strong international pressures, associated to the management of the domestic banking crisis which the U.S. simultaneously faced, led to contradictory macroeconomic policies and to more than a decade-long fall in per capita GDP.

According to Balasubramanyam and Lall (1991), the reason why lenders allowed such a critical situation to occur was that they had an over-optimistic vision of the possible export earnings from these countries (in cases like Mexico, this optimistic vision was supported by oil exports), which was coupled with high levels of liquidity and low real interest rates (Devlin 1989, Ffrench-Davis et al. 1998). On the other hand, as Ocampo (2013) states, the counterparts of the boom in lending were the growing trade and fiscal deficits that the region built up. Fiscal, external and savings gaps remained latent in most countries and there was no external financing available, which generated macroeconomic tensions.

The turning point came in 1979, when the Federal Reserve Board of the United States decided to raise interest rates steeply in order to stamp out the inflationary spiral that the U.S. was experiencing at the time. This had a direct impact on the debt service, since much of Latin America’s external debt\(^4\) had been contracted using floating interest rates. This situation was compounded by a sharp drop in the real commodity prices of resources such as oil (Ocampo 2013: 8-12).

\(^4\) A country’s total external debt (EDT) includes the stock of debt owed to non-resident governments, businesses and institutions that is repayable via foreign currency, goods or services. EDT includes both short-term debt with a maturity of one year or less, long-term debt with a maturity of more than one year and the use of IMF credit, which involves repurchase obligations that include public and publicly guaranteed debt, as well as private debt (World Bank 1993).
In August 1982, the Mexican Government was the first to default on its sovereign debt, triggering a severe debt crisis that had lasting effects and consequences. The 1980s would be remembered as ‘the lost decade’; during those years, the region’s per-capita GDP fell from 112 per cent to 98 per cent of the world average, and from 34 per cent to 26 per cent of the average in developed countries (Bértola and Ocampo 2012). Overall, the debt crisis made the inefficiency of the ISI model evident and soon, countries had to abandon it, ending protectionism and selling off state-owned businesses. In the following years, this would have a direct impact on social spending.5 The external implications of this crisis included the failure of over-exposed banks around the world. Consequently, the US and European governments, fearing a potential market failure, provided emergency funds to countries like Mexico and proposed a rescheduled payment plan (Balasubramanyam and Lall 1991). By the mid-1980s, agreements with the International Monetary Fund and the World Bank were reached. The ‘Baker Plan’, an initiative put forth by US Treasury Secretary, James Baker, proposed the provision of US $25 billion of new money from the World Bank.

Following the Baker Plan, the debtors received capital to support them in the payment of their debts, with a view to activating growth. In receiving the money, each government was required to carry out structural adjustment reforms to their domestic economies, liberalise their trade sectors and maintain competitive exchange rates. In other words, the plan was created in the belief that a temporary increase in the debt level would not be a problem because each country would be able to stimulate growth and exports. The ‘Brady Plan’, another initiative created

5 This issue is analysed further in the following sections.
by US Treasury Secretary Nicolas F. Brady in the late 1980s, proposed voluntary
debt reduction by creditors, involving discounts being given to debtors that wrote off a part of their debts.\(^6\)

In spite of these plans, inflation rates increased rapidly across the region. Between 1980 and 1990, Argentina, Bolivia, Brazil, Nicaragua, Peru, Mexico, Uruguay and Venezuela all registered triple-digit inflation at some point. Across Latin America, the poverty rate climbed from 40.5 per cent to 48.3 per cent of the population, and changes to income distribution exacerbated the sharp inequality that was already a long-standing feature of the region (Ocampo 2013). Throughout these years, an extensive economic and political reform process took place that sought to tackle issues such as inflation. The region turned towards economic liberalisation and, in some cases, democracy.

In the following section, I examine the key elements of the economic and political changes that occurred regionally, thus providing details about the context in which some authoritarian regimes lost support as the ISI crumbled and the subsequent structural reform process gave way to welfare reform.

1.2 ECONOMIC AND POLITICAL CHANGES IN LATIN AMERICA

As Ocampo (2013) states, the debt crisis of the 1980s was the most traumatic economic event in the history of Latin America. As a consequence, different countries in the region faced a dual transition: from closed or semi-open

\(^6\) Both programmes were predecessors of the Washington Consensus.
economies to large open-market economies; from authoritarian or dictatorial rule to a more democratic form of politics.

Given the different historical contexts and institutional characteristics of each country, this wave of changes has been understood as heterogeneous in nature, with different timings and mechanisms being relevant. Moreover, there were different outcomes in areas such as political change. For example, Ecuador experienced a democratic transition in 1979, while Chile underwent a similar process in 1989. Nevertheless, there were common elements across the different nations, such as the introduction of electoral processes, economic liberalisation and structural reforms (Lijphart and Waisman 1996). In the following sub-sections, I analyse their particularities and identify general patterns.

1.2.1 POLITY CHANGE

If the political elites had previously benefited from the good performance of their economies, the arrival of the crisis changed that situation. They became disempowered and the subsequent absence of legitimacy was exacerbated by the lack of the international support that they had previously enjoyed (Wiarda 2000). As Hennessey (2012: 22) states:

Many authoritarian regimes failed to deal effectively with their deteriorating economies. High inflation and popular dissatisfaction conspired to erode the support of the juntas and military presidents. One by one they fell and gave way to newly elected presidents. A transition to electoral democracy and a fully competitive party system took place.

Thus, the Latin American political situation changed alongside the economic situation. Processes of political transition transformed the region’s political
structure as it turned towards democracy. Starting with Ecuador in 1979, a wave of democratisation continued until the early 1990s. The variations in the timings and (as I will explain further) mechanisms of political transition were related to each country’s political economy, administration and history. Here, the issue of policy legacies is relevant. Partisan agreements, as well as institutional strengths and weaknesses, among other particularities played key roles in defining the political transition of each country.

In the following sub-section, I give an overview of the commonalities shared by countries across the region of Latin America with regards to their political transitions, as well as the key factors influencing these transitions. This generalisation does not aim to summarise the literature regarding democratic transitions; such an analysis requires a profound study of the characteristics of each society and each state, including scrutiny of socioeconomic structures, the performance of political elites and the institutional context within which each one operates (Haggard and Kaufman 1995) – variations that I cannot discuss here due to the constraints of the thesis. Rather, I will provide an overview of the region’s political context in order to frame the Argentine experience.

**1.2.2 GENERAL PATTERNS IN POLITY CHANGE**

As I explain in more detail in Chapter 2, democracy did not gain a foothold in Latin America as a region, or in Argentina in particular, prior to the 1970s. Marcos Roitman (2005) explains that since the 1930s, the establishment of

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7 In this study, I follow Levitsky and Murillo’s (2013: 94) definition of institutional weakness as a context in which there is little enforcement of the rules or a broad de facto discretion exists with respect to their application. The opposite would be understood as institutional strength.
dictatorships spread across the region, giving way to regimes characterized by oligarchic domination that were based on plutocracy, paternalism and political patronage (Roitman 2005).

In 1954, thirteen Latin American states out of twenty were ruled by the military. By 1975, more than half the continent’s total population lived in states whose administration was ruled or dominated by the military. In South America, six nations, representing four-fifths of the territory, were ruled by presidents who had achieved power through their peers and coups d’état (Rouquie 1988). Although these authoritarian elites had been able to maintain political power over a number of decades, the presence of external debt and high levels of inequality meant that this was no longer possible. Internal and external support vanished, and several countries entered into a period of political transition towards democracy. Among them was Argentina, which experienced such a transition in 1983.

The concept of political ‘transition’ can be described as an interval between one political regime and another (O’Donnell and Schmitter 1986: 6). As such, the democratic transitions in Latin America were the intervals between the presence of an authoritarian polity and a democratic one (Stradiotto and Gou 2010). According to Linz (1990), the essential element of such a democratic transition is that political authority is derived from an electoral process, in which a political democracy is installed via the free decision of the country’s citizens (see also Przeworski 1986; Welsh 1994).
Although most countries in Latin America moved from a military regime to a ‘democratic’ one, there were also some state-corporatist regimes, such as Mexico, and social democracies, such as Venezuela. Despite these differences, the transition periods in these Latin American countries shared common aspects, particularly in terms of the characteristics of pre-existing economies (closed and statised) and the political and cultural environments in which these polities operated:

First, the ancient regime combined, in most cases, statized and closed economies…and authoritarian polities, with varying degrees of political participation.

Second, the transition is hampered in most of these countries by cultural factors and in all of them by economic ones. Many of the democratizing societies have weak democratic traditions, and thus the legitimacy of the new political institution is fragile…

Third, in all cases the transition involves what in classical Marxist terminology would be called similar tasks: in the polity the design or reestablishment of governmental institutions and electoral systems conducive to the legitimation of the new and fragile democracies: in the economy the establishment or expansion of the institutional infrastructure of a market economy, a change that involves privatisation, deregulation, and the opening up of the economy (Lijphart and Waisman 1996: 2)

Therefore, we can argue that economic performance was a key determinant across the board in the introduction of democratisation processes, as Lijphart and Waisman (1996) identify above. Similarly, institutional weakness was also a common determinant, as was the introduction of open-market economies (this issue is analysed to a greater extent in sub-section 1.2.3).

In the region, these democratic transitions can be divided into four main categories: 1) pacts, 2) breakdowns among elites, 3) reforms orchestrated by the
ruling elite and 4) pressure exerted via popular and social mobilisation (Yeverino 2005). As formal and explicit pacts were widely used, I will clarify the concept. According to O’Donnell and Schmitter (1986: 11), pacts are ‘normatively inspired commitments’ used to create rules when establishing a democratic regime. There are traditionally three types of pacts: 1) those between the military and the civil elites, 2) those between entrepreneurs and labour organisations and 3) those between political parties. Such pacts can be defined as explicit, but not always explicated or justified, agreements between sets of actors. They seek to define (or, better still, to redefine) the rules governing the exercising of power via mutual guarantees that protect the interests of those entering into them (O’Donnell and Schmitter 1986).

Formal and explicit pacts operate as transitional devices where one or more of the following conditions apply:

[when] [c]ivil society (especially its popular sector) is weakly organized and politically inactive, or conversely when the levels of social organization and political activation are quite high and there exists a reasonably strong and representative party system, especially in relation to the popular sector. The first condition is conducive to narrow and exclusive elitist agreements, undisturbed by ‘demagogic’ eruptions. The second in principle allows more comprehensive compromises to be worked out and implemented by institutionalized political actors...The other condition conducive to pact making during the transition seems to be the existence of a rather strong party system, and/or the survival of strong partisan identities and organizational networks during the authoritarian ‘interlude’. This must include a party of parties which effectively represent the popular sector and which can, as a result, exert significant control over this sector. In such conditions, pact-making remains an elitist affair by its very nature, but in contrast with the preceding scenario, agreements that include strong, popularly based political parties cannot fail to take into account some of the more actively voiced popular demands and, even more so, the need to obtain the acquiescence
to the pact of the main organizations of the popular sector, especially unions (O’Donnell and Schmitter 1986:12).

Within the above, it should be highlighted that the broad use of pacts as transitional devices seems to be related to low levels of social organisation and participation. This suggestion can be accepted as most authoritarian regimes in the region used violence to demobilise popular movements. In a sense, this violent repression produced overtime a politically inactive society, which is relevant in terms of understanding why poverty and unemployment were not represented by the political agenda for a long time. For years, transitional governments focused on economic liberalisation, with some exceptions, such as Chile, where the process of economic liberalisation took place under Pinochet’s authoritarian government.

Ultimately, even though pacts were broadly used in the Latin American case, they were not the only transitional devices implemented. Political change was, in some cases, brought about through a combination of two or more of the four approaches described above. For example, a transition initiated by social and popular mobilisation could lead to a pact or the breakdown of ruling elites, as occurred in Mexico. In the following table, I present the relationship between the four different approaches and the ways in which democratic transitions transpired in the region:
TABLE 3 - CATEGORIES OF DEMOCRATIC TRANSITION IN LATIN AMERICA

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>CATEGORY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia, Venezuela, Uruguay, Chile</td>
<td>Pact</td>
</tr>
<tr>
<td>Argentina</td>
<td>Breakdown</td>
</tr>
<tr>
<td>Paraguay</td>
<td>Breakdown + Political Reform</td>
</tr>
<tr>
<td>Costa Rica, Ecuador</td>
<td>Breakdown + Pact</td>
</tr>
<tr>
<td>Mexico</td>
<td>Political Reform + Mobilisation</td>
</tr>
<tr>
<td>Peru</td>
<td>Mobilisation + Pact</td>
</tr>
<tr>
<td>Brazil</td>
<td>Political Reform + Mobilisation + Breakdown</td>
</tr>
<tr>
<td>Bolivia</td>
<td>Mobilisation + Breakdown + Pact</td>
</tr>
</tbody>
</table>

From this table, we can observe that, in most of these countries, political transition occurred via a combination of mechanisms. The variations can be seen as resulting from the transition process being installed in each country within different administrative and institutional frames, an idea that highlights the relevance of each country’s policy legacies to the path or direction of the transition. Argentina appears to present a unique case as it is the only country in which the political transition materialised via the breakdown of political elites. As previously stated, the purpose of the present chapter and section is neither to explain the particular characteristics of every single transition, nor to discuss the
consolidation of each democracy; instead, this explanation provides a contextual background for the discussion to come in the following chapters.

What I aim to highlight in this section is that, regardless of the timing and the way in which the political transitions occurred, much of the South American continent experienced political transition processes in contexts that were influenced broadly by shifts in the economic management of the states concerned. The scenarios can be divided into different ‘categories’ according to variations in the configuration of internal political forces. In this sense, these processes of political transition illustrate the fact that policy legacies influenced political change, given that countries with similar characteristics (in terms of political economy) responded in different ways. The same is true, I argue, for economic liberalisation processes and social policy interventions.

Moreover, this democratisation trend became relevant to the privatisation process of welfare institutions (particularly regarding social security). As Mesa-Lago (1997) explains, a relationship appeared to exist between each political regime in Latin America and the degree of privatisation. The more democratic the political regime, the less likely it was that a fully privatised social security system would be introduced, and vice versa (Mesa-Lago 1997). Therefore, we should also be able to identify variations in the outcomes of this process. This issue is analysed to a greater extent in the following section.

Later, democratisation helped to politicise the problems of poverty and unemployment in the aftermath of privatisation processes, as social mobilisation
unfolded. Popular pressure on governments increased, public protests and riots in cities such as Buenos Aires spread, and, ultimately, the state had to respond both in Argentina and other countries in the region. On this subject, it should be noted that, for most of the 1980s and 1990s, the issues of poverty and unemployment were not central to the political agenda, which was dominated by market liberalisation. This issue is analysed further in the following sub-section and in Chapter 3.

1.2.3 ECONOMIC LIBERALISATION

In the aftermath of the debt crisis, Latin American countries faced similar economic issues, such as hyperinflation, budget deficits and an oversized state structure, which had to be slimmed down as soon as possible. A series of structural reforms was therefore required, which included privatisation, putting a definite end to the ISI model. The reforms, which aimed to bring about stability, were formulated under the ‘Washington consensus’ (although some of the ideas had previously been advanced by the Baker and Bradley Plans). The term ‘Washington Consensus’ was coined by John Williamson who, in reviewing the Latin American experience of policy reform in the 1980s, explained that:

For these purposes, ‘Washington’ meant primarily the IMF, the World Bank and the US Executive branch, although the term was intended to cover also at least the Inter-American Development Bank, (IDB), those members of Congress who take an interest in Latin America, and the think tanks concerned with economic policy. It seemed to me that one could identify 9 or 10 policy areas in which ‘Washington’ could muster something like a consensus on what countries ought to be doing, and so I labelled this program the ‘Washington consensus’ or the ‘Washington agenda’. A summary description of the content of this Washington agenda is macroeconomic prudence, outward orientation, and domestic liberalisation (Ben 2001: 132).
In accordance with this ‘Washington agenda’, economic liberalisation emerged rapidly in the early 1980s and came to dominate the policy stances of the World Bank and the International Monetary Fund (IMF). The policies proposed under this agenda assumed that the opening of the economies to global markets and their liberalisation would bring along a wave of foreign direct investment, thus generating growth in a stable context. Countries had to abide by these policies in order to access loans. Nafziger (1990) explains that countries with chronic ‘balance of payments’ deficits eventually needed to borrow abroad, often from the IMF: the lender of last resort. In practice, a member borrowing from the IMF, in excess of the reserve trance, agrees to certain performance criteria, with an emphasis being placed on a long-run international balance and price stability. IMF standby arrangements assure members of the ability to borrow foreign money during a specified period up to a certain amount, if they abide by the arrangement’s terms.

IMF conditionalities, a *quid pro quo* for borrowing, include the adoption of adjustment policies by the borrower in order to attain a viable payments situation, which is a necessity for preserving the revolving nature of IMF resources. These policies may require a government to reduce budget deficits by increasing tax revenues and cutting back social spending, limiting credit creation, achieving market-clearing prices, liberalising trade, devaluing currency, eliminating price controls, and/or restraining public-sector employment and wage rates. The Fund monitors domestic credit, the exchange rate, debt targets and other policy instruments closely for effectiveness. In this way, the IMF and World Bank were

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8 This phrase refers to an international balance on the goods and services over the business cycle, with no undue inflation, unemployment, tariffs and exchange controls.
able to exert a direct influence on the economic liberalisation processes, both setting the agenda and providing funding. Even where the quantitative significance of IMF loans for external deficits is small, the seal of approval of the IMF is required before the World Bank, regional development banks, bilateral and multilateral lenders and commercial banks will provide funds (Nafziger 1990). Countries abide, therefore, by the ‘Washington Consensus’ agenda in order to access loans from the IMF, which, in turn, provides access to loans from other international lending agencies.

In the following sub-section, I outline the main characteristics of economic liberalisation under the ‘Washington Consensus’ agenda, particularly in terms of stabilisation packages and structural reforms. On this subject, special attention is given to privatisation processes, as they had a direct influence on changes to the state’s role as provider of social protection.

1.2.4 GENERAL PATTERNS OF ECONOMIC LIBERALISATION: STABILISATION AND PRIVATISATION

Members of the political elites were eventually convinced that, in order to reduce the paternalist, interventionist role of the state, liberalisation was necessary and was the best option for dealing with problems such as inflation and ‘balance of payments’ deficits. Here, the ‘Washington Consensus’ was translated into a series of stabilisation programmes. It was expected that these stabilisation programmes would be successful enough to restore the internal and external imbalance\(^9\) in the region. Although the programmes in each country involved context-specific

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packages of measures, they all shared similar bases. According to Lavigne (1995),
such stabilisation packages usually consisted of the following:

(a) Price liberalisation through the reduction of subsidies and the
deregulation of price fixing, along with the liberalisation of
domestic trade;

(b) Balancing the government budget through increases in taxes
(in particular, the introduction or raising of taxes on excess
nominal wages, so as to fight inflation at the same time) and
cuts in government spending (beyond reducing price
subsidies);

(c) A restrictive monetary policy, involving an increase in the
Central Bank interest rate, so as to restore a positive real
interest rate. A direct regulation of bank lending was also to
be applied in most cases;

(d) An income policy aimed at stopping the inflation spiral;

(e) Foreign trade liberalisation through the lifting of export and
import licences and the granting of permission to all
enterprises to engage in foreign trade. Tariffs, which were
meaningless in the previous system of administered trade,
became active instruments of trade policy and were lowered
so as to express commitment to trade liberalisation. Current-
account internal convertibility of the domestic currency
(meaning that domestic enterprises and, up to certain limits,
households were allowed to buy and sell foreign currency
freely) and devaluation of the domestic currency, bringing it
down to the (black) market rate, were permitted, with
differences existing among the countries, in terms of
determination of the rate of exchange.

Lavigne (1995) also states that on the issue of the foreign trade liberalisation, at
least two steps had to be taken almost simultaneously: 1) the lifting of domestic
market barriers and 2) strong devaluation of the domestic currency. The expected
outcome of these sets of policies was the achievement of macroeconomic success
as quickly as possible on issues like inflation, balances of payments and budget
deficits, thereby leading to stabilisation. The implementation of microeconomic
policies then required long-term readjustments in order for long-term growth to be achieved: in other words, a structural adjustment.

In addition to these stabilisation measures, structural changes were launched in order to create a private market, including:

   a) Launching privatisation and dismantling former state monopolies;

   b) Setting up a market environment through reform in the banking, financial and tax sectors;

   c) Developing a social safety net; i.e. replacing the former all-embracing protection system that catered for needs ‘from cradle to grave’ in order to cushion the impact of the austerity measures and structural transformations;

   d) Initiating an industrial policy so as to identify the winners and the losers in the industrial activities to be restructured; defining the activities in need of support and devising appropriate policies such as subsidies, protective tariffs, etc.; and taking care of the environment to stop the damage that was caused during the former regime (Lavigne 1995)

In terms of the aforementioned measures of structural reform, privatisation and reform were almost immediately launched or announced in the banking and financial sectors, which became a trend in the region in the mid-1980s, which continued throughout the 1990s (although in some countries, e.g. Chile, privatisation was introduced as early as 1980). Banking and financial reforms were necessary, according to the experts, so that banking systems would be capable of becoming monetarily and fiscally stable, and modern, well-functioning tax systems could be achieved. Furthermore, it was argued that these new states should be concerned with a small number of tasks only (according to the
‘Washington Consensus’ agenda), such as those related to the health and education systems, and thus the privatisation process was promoted as a means to sell-off state-owned businesses or incorporate them into the private market. Social security became, therefore, one of the services that the state would no longer provide in some countries (this issue is analysed in the following section):

In comparison with the previous state model, this is a state that is more limited in size and objectives; more representative and legitimate; less centralized; more managerial and less bureaucratic; a promoter rather than protector of the private sector and employment; a guarantor of access to the basic services of education, health, and social security, although not necessarily the producer of these services in their entirety (Lora 2007:5).

In the first stages of the economic liberalisation process, then, the development of social safety nets (SSNs) and an industrial policy was regarded as less urgent. In terms of the general characteristics of privatisation, schemes that involved large-scale operations tended to take the form of sales to foreign investors, sales to domestic capital, giveaway schemes or spontaneous privatisation (Lora 2007). Each followed a specific institutional framework (Lavigne 1995, Lora 2007). Governments supervised these processes through councils or agencies. In some cases, a government was responsible for the management and implementation of the process, and in others, agencies played this role. In all circumstances, the assets of the companies had to be valued. Sometimes, after valuation, enterprises had to be liquidated,\(^\text{10}\) restructured or recapitalised. There was also the possibility, and even a desire, in many cases, to attract foreign capital via privatisation schemes in the region.

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\(^{10}\) The enterprise would be closed and their assets sold at scrap value (Lavigne 1995).
It should be emphasised that the process of privatisation occurred in each country, regardless of their level of development or the type of political regime (as I explained in the previous section, several countries were ruled by authoritarian regimes at this stage, e.g. Chile), but with variations that were linked to each country’s political economy. For example, in Argentina, Menem’s government dismantled the state’s economic development apparatus, while in Brazil, in contrast, the state remained active in economic development. In Mexico, orthodox economic policy mirrored that of the United States (King and Montero 2010). The process of economic liberalisation therefore also illustrates the relevance of policy legacies and the ways in which these transformations can be understood as path-dependent.

In the following section, I analyse how the process of economic liberalisation (in particular, privatisation) was a determinant in the introduction of posterior reforms, such as welfare-state reform. As we will see, in most countries, welfare-state institutions (especially regarding pensions and healthcare) were reconfigured via a full or partial privatisation process.

Regarding the expected outcomes of the economic liberalisation process, inflation remained high. Both reformers and foreign advisers cited the excessive money supply, the influence of black market prices that existed prior to transitions, the ways in which prices were fixed according to foreign currencies, and changes in supply and demand as reasons. On the fiscal side, the story was not very different: budget deficits persisted and the fiscal imbalance tended to increase for several reasons, including tax evasion. In this context, policy-makers faced opposition
and demands for public expenditure, especially in the social field, as we will see in the following section. The most common solution was to borrow money from the Central Banks, which only increased the money supply but did not tackle the issues of inefficient tax collection and budget deficits. Policy-makers and international advisors explained away the situation as unavoidable due to both internal adjustment and ‘external shocks’ de l’epoque, such as the Gulf War, with its impact on the oil industry, and the disappearance of the USSR. In the following years, this scenario would turn into a deep recession that, in turn, fostered public discontent. This issue is analysed further in the section below.

1.3 THE WELFARE STATE IN LATIN AMERICA: CRISIS AND REFORM

Historically speaking, across Latin American countries generally, state intervention regarding welfare has focused on education, health care, pensions and transfers (Filgueira 2009), with influential groups of workers being the main beneficiaries. These social welfare systems shared restrictive systemic features, such as a dependence on contributions from formal sector workers, the exclusion of low-income groups and the poor, and a lack of unemployment insurance or assistance\(^\text{11}\) (Mesa-Lago 1997). The maintenance of such systems was possible under the auspices of the ISI model; nevertheless, as the debt crisis unfolded, the limitations of welfare institutions became evident.

In the following paragraphs, I aim to relate processes of political change and economic liberalisation (as previously explained) to the process of welfare reform. I will argue that, both prior to and after the debt crisis, there was a general pattern

\(^{11}\) In the case of Argentina, such characteristics are analysed further in Chapters 2 and 3.
to social protection. By doing so, I aim to identify the key issues that shaped social protection and illustrate how these issues have influenced contemporary social policy interventions. Once again, variations in timings and outcomes in different countries will be revealed; hence, it could be argued that this process was also influenced by policy legacies. I will depict the historical sequence of events that led to the introduction of new forms of assistance, as well as the processes that influenced such a shift.

1.3.1 THE GENERAL PATTERN OF WELFARE STATES PRIOR TO THE DEBT CRISIS

With regard to the inception and evolution of welfare systems in the Latin American region, Lewis and Abel (2002 and 1993) Filgueira and Filgueira (2002) and Mesa-Lago (1978, 1994 and 2000) have offered extensive comparative analyses. According to them, Latin American welfare systems evolved based on Bismarkian forms of social protection – i.e. contributive, rather than universalist, principles. According to Mesa-Lago (1978), Uruguay, Chile, Brazil, Argentina and Cuba were pioneers in the region, establishing certain forms of social protection between 1883 and 1941. In these countries, social protection revolved around formal sector workers (military and civil servants, white-collar workers and, later, blue-collar workers), who contributed mainly to health and pensions (Mesa-Lago et al. 2000, Molyneaux 2007, Huber and Stephens 2012). In this sense, social security was related to formal jobs, thus excluding informal workers.

From the moment of their inception, the most needy segments of the population – for example, the rural workforce and those in the informal market – were broadly
excluded from national social welfare systems. In the following years, this exclusionary character was reinforced. From the 1930s onwards, under the aegis of populism, nationalist, state-centred development arose, the ISI model spread across Latin America and working classes emerged as the main beneficiaries of redistributive politics (Collier and Collier 1993, Connif 1999). Between the 1930s and the 1970s, social security relied heavily on the creation of formal jobs under the ISI model. During that period, labour unions engaged in politics, and politicians made use of them by installing corporatist (mostly authoritarian) norms across the region, in a context in which, in most of the countries, democratic institutions were unstable and weak. In this regard, Hennessey (2012: 26) argues that ‘the legacy of the domestic political economy created groups in the formal labour market that benefited from trade protectionism and, disproportionately, from social safety nets’. Therefore, we can argue that, under protectionism, the maintenance of such stratified welfare systems was politically feasible. Nevertheless, by the mid-1970s, this situation had changed; as Latin American countries failed to pay their debts, the ISI model started to show its fragility, and so did social security systems.

As Mesa-Lago (1989, 1994) and Huber and Stephens (2000) discuss extensively, in Latin America, the fragility of welfare states was manifested mainly in the maturing of pension systems, the evasion of contributions, the existence of privileged programmes for certain categories of employees and high administrative costs. These problems were aggravated as the economic crisis unfolded.
1.3.2 GENERAL PATTERNS OF WELFARE REFORM

As Mesa-Lago (1989 and 1994) states (and as I have outlined), in the 1980s, most of Latin America suffered a fiscal crisis as a result of the heavy debt burden and the halting of external credit. A deep recession was induced by the implementation of structural adjustment policies. Both phenomena had social costs, with various degrees of severity. Nevertheless, for most of the decade, the discussion of structural reform with regards to welfare was relegated to the periphery of the political agenda. On this subject, Filgueira (2005: 39) states:

Combined with the crisis of the ISI model came the debt crises of the eighties and authoritarian regimes. The major impact of this configuration of forces was a radical neglect of social policy. The neo-liberal agenda of the eighties is not particularly centred on social policies. While there was, from the multilateral agencies, a recognition of the need for what were called ‘emergency funds’, meant to deal with the harshest social costs of adjustment, not much was done regarding the old structures of the developmental social state.

As I explained previously, welfare institutions had been embedded under the protectionist logic of the ISI model. As this came to an end, the existing social welfare system (and social security in particular) was incapable of coping with the social costs that arose for structural and conjunctural reasons (Mesa-Lago 1997). In this sense, the economic crisis provoked a social security crisis.

Together, the crisis and market restructuring via economic liberalisation altered the labour market. Formal employment declined as state-owned businesses were either closed, sold or became unable to compete in an open-market environment. This added to the number of people working in the informal sector of the economy (ILO 1997, 1998). In turn, contributions to pension systems declined.
Welfare institutions (in particular, social security) were marked as expensive and inefficient and, finally, structural reform was introduced. In relation to this situation, Roberts (2012: 2) states:

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.

Consequently, it could be said that it was only when the economic system broke down across the region and economic and political transition occurred that the social dimension of the state emerged. This situation was translated into a series of welfare reform processes that altered the role of the state as a provider of social protection (although, in some cases, welfare reform was conducted prior to political transition under authoritarian rule, e.g. in Chile). During the 1980s and 1990s, the social stance of the state, as much as its economic role, would be subject to reappraisal (Pierson 1995; Taylor-Gooby and Svallfors 1999; Lewis and Lloyd-Sherlock 2009). Barrientos (1998) explains that in this circumstance, scaling back state social insurance costs\(^{12}\) (pension reform) became a policy priority.

As occurred in the processes of economic liberalisation and political change, welfare reform took place at different times and in divergent political settings, thus leading to differing outcomes. In this regard, I argue that social welfare

\(^{12}\) As I explain in Chapter 2, in Argentina, historically, social insurance had been central to social policy interventions, being a cornerstone of the social security system. As was the case across most of the region, this system revolved around populist regimes (Peronismo), formal employment and trade unions (implying a lack of protection for low-income groups), the informal market and unemployment insurance.
reform in Latin America was influenced by broader processes in the international political economy and, furthermore, that the processes that shape social policy interventions are influenced by national structural variables and historical sequences (policy legacies). Nonetheless, we can identify certain similarities within these reform processes, as examined in the following paragraphs.

According to Filgueira (2005: 43), ‘if the 1980s were characterized by low spending, an absence of structural social state reform and emergency funds strategies, the 1990s would imply a definite structural shift with an articulated liberal agenda’. In this context, neoliberal technocrats experimented with new types of social policies. As Roberts (2012: 5) states, these new 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.

The implementation of these objectives translated into different reforms across the region. Nevertheless, this shift in social policy implied a widespread move towards the privatisation of welfare states – particularly in relation to pensions and social security (see Madrid 2003; Weyland 2006). As Huber and Stephens (2000: 3) explain, ‘there was a general consensus, then, that the old systems were bankrupt or in danger of becoming so, that they were inequitable and that they were inefficient’.
In this regard, Chile became a pioneer in 1981, introducing structural reforms to pensions and health care. Later on, in 1994, the World Bank report *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth* advocated a set of reforms compatible with those introduced in Chile:

- A small, public, basic pension system, financed from general revenue and providing a basic means-tested welfare benefit and a basic pension benefit for those contributing to the mandatory funded system;
- A large, mandatory, privately administered and fully funded pension system, based upon individual accounts and financed through contributions from individuals and perhaps employers;
- Voluntary, supplementary and fully funded private pension savings schemes for individuals.

The Chilean initiative and the World Bank report influenced policy-makers throughout the region. Public systems were totally or partially privatised. Here, I argue that economic liberalisation had a direct impact on social protection. Mesa-Lago (2007: 186) contends that ‘Structural reformers across Latin America claimed that private systems would improve efficiency and reduce administrative costs by breaking the monopoly of public systems, introducing competition, and granting freedom to the insured to select and change administrators based on information on their commissions and rates of return, etc.’. However, we can identify exceptions where public systems remained unreformed, as in the case of Cuba, which retained a public unreformed system.

The particular path that each country followed in this process depended on the characteristics of national politics, as well as administrative and institutional
frameworks and arrangements. In this sense, we can identify variations in terms of outcomes. The overall structural reform of welfare systems resulted in three general models of social security, through which countries totally or partially privatised public systems:

(a) Substitutive: where the social security system was fully funded and individual (b) Mixed: where the social security system combined a public scheme, based on pay-as-you-go, and one that was supplementary fully funded (c) Parallel: where the public system continued, albeit reformed, and (d) Public basically unreformed systems (Mesa-Lago 2007: 182).

Given that national politics play a key role in understanding variations in the outcomes of the privatisation of social security, I argue that policy legacies influenced and perhaps limited the paths that could be followed. As previously mentioned, Mesa-Lago (1997) states that in Latin America, there was a positive relationship between the degree of economic liberalisation and the level of privatisation in social security reform. Low degrees of economic liberalisation were associated with more public, less reformed social security systems and vice versa. In this sense, political liberalisation appears to be inversely related to social security privatisation: the more democratic the political regime was, the less possibility there was of a fully privatised social security system being introduced. In an effort to explain the ways in which the processes of economic liberalisation and political change (as previously elaborated) are related to social security reform, I offer certain examples that follow the abovementioned typology:

a) Substitutive private system: Chile (democracy restored in 1989, pension reform approved in 1980 under authoritarian rule), where the social security system was fully funded and individual.

approved in 1995), Costa Rica (one of the most democratic countries in the region. Pension reform introduced in the late 1980s and early 1990s).

c) Parallel: Colombia and Peru.

d) Publicly unreformed systems: Cuba (authoritarian).

Therefore, we can say that Chile and Cuba constitute extreme examples within the typology. In the former, it was the introduction of the structural reform process that led ultimately to a fully privatised pension system being introduced by Pinochet’s authoritarian government. In Cuba, on the other hand, the social security system remained totally public, also under authoritarian rule. The main difference between the two nations (apart from their governments’ ideological affiliations, where Cuba was ruled by a left-wing dictatorship and Chile by a right-wing dictatorship) was the economic nature of their regimes: both were non-democratic at that time, but one introduced economic liberalisation, while the other remained a closed economy. On the other hand, in Argentina, Uruguay and Costa Rica, economic liberalisation was introduced to a lesser degree than in Chile, while political liberalisation was introduced prior to welfare reform. This combination resulted in mixed systems existing in these countries.

Such variations in the outcomes of reform processes within welfare systems illustrate how past policy choices and institutional arrangements have played a key role in shaping the development of each country’s social policy interventions (just as in the economic and political liberalisation processes). In the context of this study, it is relevant to highlight that in every country mentioned above, the reform process (which, in the main, involved pensions) did not address the Bismarkian nature and exclusionary features of their welfare systems, which can
be considered a legacy of the historical evolution of social protection systems in itself. Consequently, regardless of the private or public character of the reforms, exclusion of informal workers, low-income groups and the poor, as well as a lack of unemployment insurance or assistance, remained prevalent.

The welfare reform process did not tackle the issue of the profound transformation of the labour market. Apparently, such issues were not pushed forward within the reform agenda during that period. In Argentina, for example, this did not happen until the backlash following the 2001 crisis. It was clear, therefore, that market liberalisation did not solve the problems of underemployment and poverty.

Instead of achieving stabilisation, several countries were facing a deep recession. In this context, public discontent spread across countries like Mexico, Venezuela and Argentina. As social protection systems failed to respond to the realities of rising unemployment and poverty (in Latin America, the number of people living below the poverty line increased from 135.9 million in 1980 to 200.2 million in 1990 – see Cornia 2014: 54), other forms of social protection, in the form of public assistance that targeted low-income groups, were installed. Programmes like PRONASOL in Mexico provided poverty relief via small grants for community development, leading to the use of Conditional Cash Transfers (CCTs), which were introduced as part of the Oportunidades programme (Cecchini and Madariaga 2011). Following Mexico’s initiative, countries like Brazil and Argentina did the same. On this subject, Molyneaux (2007: 8) states:

Poverty was beginning to be seen not as a transitional phenomenon as initially supposed by the World Bank and others, but was acknowledged to be a structural effect of the New
Economic Model, requiring closer attention to social assistance, primarily in the form of anti-poverty measures and state programmes.

To summarise, in this section, I have related the processes of economic and political liberalisation to the introduction of social welfare reform, social safety nets (SSNs) and Conditional Cash Transfers (CCTs). On one hand, economic liberalisation did not solve the issues of rising unemployment and poverty, while welfare systems were unable to cope with the situation and, despite reforms, maintained their exclusionary character. On the other hand, democratisation played a role in defining the degree to which public systems were privatised and, furthermore, opened the possibility of social mobilisation. In this respect, democratisation helped politicise the issues of poverty and unemployment. When popular discontent was expressed via protests and riots, various governments discussed incorporating public assistance for poverty relief into their agendas. This issue is central to the ongoing analysis within this study and will be analysed in more detail in the following chapters.

CONCLUSIONS

As stated in the introduction, the purpose of this chapter was to outline the major features of the economic and political transformation that occurred across Latin America throughout the 1980s and 1990s, with a particular focus on the debt crisis, economic liberalisation, privatisation and political change. This discussion is relevant to the wider thesis as these processes preceded and, ultimately, led to the reform of welfare states and the introduction of new forms of public assistance for poverty alleviation.
In this chapter, I have explored the region’s transformation, identifying the processes and historical sequences of events that influenced subsequent contemporary social policy interventions. I argue that the timings and degrees of economic liberalisation, political change and welfare reform, as well as the ways in which they were introduced in each country, were influenced and shaped both by broader processes in the international political economy and policy legacies related to each country’s administration. Although it was not possible to analyse every case in detail, I have been able to identify the common aspects within these processes. By depicting their general patterns, I have illustrated how the debt crisis, economic liberalisation, privatisation, political change and welfare reform influenced changes to social spending and the role of the state as a provider of social protection. Such contextual analysis will allow me to provide a more detailed account of the circumstances surrounding and leading to the reform of Argentina’s social protection system.

When the 1980s crisis hit Latin America, there were several consequences. Among them were the fiscal crisis (which involved an external debt problem and a problematic tax collecting system), a crisis within the administrative apparatus and a crisis of political legitimacy (Lora 2007). The problems shared by the countries in the region, in terms of political economy, were (among others): a lack of legitimacy, hyperinflation, budget deficits and oversized state structures that needed to be reduced promptly, indicating the need for a series of structural reforms. The debt crisis, broadly regarded as a ‘state legitimacy crisis’, took several forms of expression in Latin America, such as the dismantling of import-substitution industrialisation and the loss of already-limited public support for
authoritarian regimes. As Bresser (1998) explains, when the reconstruction of the Latin American states began after the 1980s crisis, a double process was needed that was both economic and political.

Under the influence of the U.S. Government and International Financial Institutions (such as the IMF and the World Bank), interventionism was abandoned largely in the aftermath of the debt crisis. Economic liberalisation would become a regional trend; consequently, protectionist barriers were lifted, government budgets reduced, social spending was cut and state-owned businesses were sold. This would have a direct impact on social protection, particularly in terms of social security.

The dismantling or scaling back of the state was brought about via different stabilisation measures and structural packages. The most prominent, privatisation, became a trend across the region. This process was rolled out in most Latin American countries, regardless of their levels of development or the types of political regime, although variations existed, which were linked to their political economies. For this reason, differences in the degrees to which both economic liberalisation and privatisation were incorporated can be seen. These differences, I argue, illustrate the relevance of policy legacies to subsequent policy processes.

In the midst of political change, most authoritarian regimes failed to address their deteriorating economies. Confronted by a lack of legitimacy and support, they crumbled. Different processes of political transition occurred, leading to a general change from authoritarian to democratically elected polities. This wave of
democratisation also responded to national politics and institutional frames/arrangements, giving rise to variations in terms of timings and outcomes. Nevertheless, we can identify common aspects in the economic liberalisation process: 1) the relevance of economic performance and institutional weakness in the maintenance and posterior dismantling of such regimes, 2) the use of pacts as transitional devices and 3) the existence of low levels of social mobilisation and participation. The latter issue is relevant in terms of understanding why poverty and unemployment remained unrepresented within political agendas for a long period of time. The wave of democratisation would help politicise these issues later on, as popular pressure in the form of protests and riots increased.

When combined, the degree of economic liberalisation and democratisation had an impact in the reform of welfare states in Latin America. In this regard, I have identified common aspects across the region, such as the development of welfare systems under the auspices of the ISI model. Based on Bismarkian features, social protection was provided to influential groups of workers who contributed to social security. Such systems led to the exclusion of the most needy and those in the informal market. These restrictive features are central to an understanding of the systems’ failure. When the debt crisis unfolded, governments were forced to cut social spending and formal employment declined; therefore, contributions also fell and the number of people in the informal market increased. In this context, welfare systems were regarded as inefficient and expensive and, consequently, structural reforms were implemented. Within this process, scaling back social insurance costs was a priority. Once again, variations were evident in terms of
timings and outcomes, which were affected by national politics and institutional frames/arrangements, as well as economic and political liberalisation processes.

Across the region, reformers opted to move towards privatisation. Chile was the pioneer and, later on, most countries totally or partially privatised their public systems. In countries with low degrees of economic liberalisation but higher degrees of democratisation, I found there to be less-reformed social security systems, and vice versa. In Chile in particular, where there was authoritarian rule and a high degree of economic liberalisation, the public system was fully privatised. In other countries, mixed, parallel or unreformed systems can be observed. In this sense, I argue that economic and political liberalisation are related to the process and outcomes of welfare reform.

Moreover, it is relevant to this project that such reform did not tackle the issue of the exclusionary character of such systems, which was a major legacy of their historical evolution. Informal workers, low-income groups and the poor remained vulnerable. As is expected in countries facing deep recession, poverty and unemployment increased. Therefore, public discontent manifested itself through riots, forcing governments to react and include the issue in their political agendas. In this sense, I argue that democratisation helped to politicise poverty. Other forms of social protection, based on public assistance via income support, which targeted low-income groups, were implemented, firstly in Mexico and then in countries like Brazil and Argentina. Here, we can relate both economic and political liberalisation to the introduction of social safety nets (SSNs) and conditional cash transfers (CCTs).
To conclude, this chapter offers a broad historical context for the topic of this thesis, in which sequences of events and processes that influenced the introduction of new forms of social policy intervention in the Latin American region, which were based on social protection via cash transfers that aimed to alleviate poverty by offering income support, can be identified. This context provides a framework in which to locate the Argentine experience. In the following chapter, I will identify the forces and processes that led to the origin and evolution of Argentina’s political economy and social protection system.
CHAPTER 2. THE ARGENTINE POLITICAL ECONOMY: FROM ESTABLISHMENT TO NEOLIBERALISM

INTRODUCTION

In this chapter, I present an historic overview of the Argentine political economy. The essential aim is to contribute to our understanding of the forces and processes that influenced and defined the origins and evolution of the economic and political system, and the social protection system in particular. This analysis will allow the significance of new forms of social protection and the control that political elites (particularly the presidential figure) have over social policy to be made clear. The historical context provides the much-needed basis for the subsequent development of the thesis, describing and examining the sequence of events in which policy legacies materialised in the political, economic and social evolution of Argentina. In this way, I shall be able to identify critical junctures and illustrate the relevance of past policy choices in understanding contemporary social policy interventions, in accordance with my research questions ‘What political forces and processes influenced and defined the origin and evolution of the social protection system in Argentina?’, ‘How are these forces and processes related to broader processes in the political economy?’ and ‘Is it possible to identify policy legacies that make the evolution of social-protection policies path-dependent?’.

This chapter provides an understanding of the processes that determined the political system and the power relations that affected the generation, transfer and distribution of income. I aim to identify the key issues that shaped the development of the country’s political economy, as well as the processes
surrounding the origins and nature of social policy and the recognition of poverty as a political issue. This is central to the ongoing analysis given in this study, as I argue that contemporary social policy interventions targeting poverty alleviation were developed in the face of rising rates of poverty and unemployment, and must be interpreted alongside policy legacies from earlier periods. I assert that the unique decisions made at critical junctures by Argentine presidents, in response to political and economic crises, were informed and constrained by previous policy choices and institutional arrangements that determined the pathways that were followed in future social policy interventions. The discussion concentrates on the development of the country’s political economy from 1816 to 1980; the period from Argentine independence to the unfolding of the democratisation/neoliberalisation process.

The chapter is divided as follows: in Section 2.1, I examine the evolution of the Argentine political economy from the nation’s independence in 1816 to the implementation and ending of the agro-export model in 1930. In this section, I analyse the inception and evolution of an oligarchic elite and the path that they established for the political economy. In Section 2.2, I tackle the rise and fall of Peronismo, as well as the introduction of the import-substitution industrialisation (ISI) model and welfare politics. Here, I analyse the evolution of this political and economic management model, as well as the variations in the status of Perón as political leader and the salient features of his role with regards to social policy. Section 2.3 analyses the last stage of the ISI model, the developmentalist state, the continuing consolidation of authoritarianism and the

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13 Named after Perón, this is an ideology based on a combination of the principles of social democracy and nationalism.
advent of democracy. The section concentrates on the evolution of institutional weakness, economic crisis and political uncertainty. The periods and issues analysed in this chapter are important with regard to the larger debate at stake in this project, as within the stages that are discussed, the inception of social protection policies and the evolution of a political and economic path marked by social conflict, institutional weakness, crisis and populist reform can be identified. These are areas that, I argue, are crucial for understanding the relationships that shape contemporary social policy responses related to poverty.

2.1 THE ESTABLISHMENT OF THE NATION STATE AND THE AGRO-EXPORT MODEL

In this section, I analyse the political forces and processes that developed during the establishment of the Argentine nation state: the military, social conflict, institutional weakness, crisis and populism. This historical overview provides the basis for understanding the development of the political and economic system in the country. This information provides an insight into the unique history and evolution of development in Argentina, as well as how this influenced the parameters that were set for the country’s social policy interventions in the years to come.

The creation of the Argentine nation state dates back to the nineteenth century, a period when most Latin American countries were gaining their independence. In 1816, at the Congress of Tucuman, the establishment of the United Provinces of
South America\textsuperscript{14} (that would become the United Provinces of Río de la Plata) was proclaimed (Alcro 1971). It was agreed by the members of the Congress that the administration of the republic would be based on a central government.\textsuperscript{15} It is not the aim of this chapter to analyse the development of the independence war; nevertheless, it is necessary to stress the ways in which this event marked the origins of the country so that the origins of the oligarchy that ruled at this stage, as well as how this established a path for the political and economic management of the country, can be elucidated.

The war of independence with Spain put a strain on the economy and soon, Argentina started borrowing money, becoming trapped in a cycle of indebtedness. As Brailovsky (1996: 24) explains in \textit{Historia de las crisis argentinas: un sacrificio inútil} ['History of the Argentinean Crises: A Useless Sacrifice']:

> In order to have a war with Spain, a war with the Caudillos and, later, with Brazil and Paraguay, as well as the war between Buenos Aires and the Confederation; to raise Rosas, to hold and then overthrow him; to suppress Felipe Varela and Lopez Jordan to cut off the head of Chacho Peñaloza;\textsuperscript{16} to occupy the lands held by Indians; they needed money – and at that time, gold was the best type [own translation].

In this regard, Argentina was not a unique case; as the Latin American countries became independent, Great Britain’s banks and Government began to put pressure on the nations to receive loans, thus exerting a strong influence over their development (Marichal 1986). As Schnerb states, the history of these countries

\textsuperscript{14} The country has held five official names since its independence: United Provinces of South America, United Provinces of Río de la Plata, Argentinean Confederation, Argentinean Nation and Argentinean Republic. The name ‘Argentina’ comes from the Latin \textit{argentum}, which means silver (Alcro 1971).

\textsuperscript{15} A system of state organisation where all the decisions are taken (as the name states) at the centre.

\textsuperscript{16} Argentinean militaries and Caudillos.
was shaped by their commitments to the European finances (1958). The notion of such external influence will be significant to the arguments presented later on in this chapter and in the following chapter, helping to explain the cyclical nature of Argentina’s economic growth and crises, as well as its external dependence.

Just two years after independence was gained in Argentina in 1818, during the government of Juan Martín de Pueyrredón (1816-1819), a loan proposal was received. It was a British proposal to fund the campaign to liberate Peru. Soon, a number of economists started to spread their ideas regarding the benefits of public credit. In 1822, a Buenos Aires newspaper announced:

The public credit has none of the pernicious disadvantages that have been attributed to it, nor deserves the criticisms that have been made. Born under the auspices of liberty, fertilized by their cheerful influence, it lavishes its abundant treasures, flourishes and prospers under its tutelary power (Manuel José Garcia, cited in Oria 1946: 12).

The author of that article was Manuel Jose Garcia, a man linked to British interests. He was Finance Minister in the Buenos Aires Government in 1821, under the leadership of Martín Rodríguez. In 1822, at the insistence of the representatives of Baring Brothers and Company, Bernardino Rivadavia (Minister of Government in Buenos Aires) exerted his influence, and the Board of Provincial Representatives agreed to accept the British proposal on 19th August 1822. Brailovsky (1996: 26) states: ‘[t]o them (Manuel Jose Garcia and Bernardo

17 Jose Garcia was a liberal economist and lawyer, and founder of the Bank of the Province of Buenos Aires. Later, in 1824, he became Minister of the Interior in the government of Juan Gualberto Gregorio de las Heras (a military man and businessman whom participated in the resistance against the British Invasions).

18 A British company based in London, founded in 1762 under the name ‘John and Francis Baring Company’ and then renamed in 1806. Later, it would become Barings Bank, which collapsed in 1995 and was purchased by the Internationale Nederlanden Groep (ING), a Dutch bank.
Rivadavia) we owe the Baring loan with which our foreign debt was born’. The key objectives of Rivadavia’s political and economic plan included sustaining a water supply for the capital, undertaking port works and establishing new towns within the interior-border and coastal cities between Buenos Aires and El Carmen.

The loan was for one million pounds sterling, equivalent to five million Hispanic American silver pesos. Argentina received a different amount because the Baring brothers had to get investors in London to agree to the loan. The investors demanded an upfront payment for amortisation and interests (Galasso 2008). The Argentine Government made a deal with the Barings for 70 per cent of the loan, meaning that although the debt was 1 million pounds sterling, the country would receive 700,000 pounds. From the 700,000 pounds, only 570,000 was covered, since 130,000 pounds was taken as an upfront payment for commissions, depreciation and interest over the following two years (Fitte 1962).

Rivadavia’s plan was launched with the creation of the Department of Hydraulic Engineering and the hiring of Santiago Bevans as chief engineer. Another part of the money was used for the promotion of British imports. Soon after, in 1825, the United Kingdom recognised Argentina’s independence. In 1857, the country asked for another loan to pay for the first one – a pattern that continued. The initial 1822 debt was paid off by 1904, during the presidency of Julio Argentino Roca (Rosa 1969). By then, Argentina had already paid the Barings 4,746,953 pounds (23,734,766 pesos) against the original loan of 1,000,000 pounds (5,000,000 pesos) (Galasso 2008: 32).
Julio Argentino Roca was one of the political-military leaders that rose after independence and were known as *Caudillos*. The *Caudillos* exerted their political influence over the following years, developing a liberal oligarchic elite that fostered an ‘almighty’ central authority. I argue that they established a type of political management that nurtured social conflict, crisis and institutional weakness, as this oligarchic elite and, in particular, the presidential figure, became the main policy-makers in the country via authoritarian means. In 1853, the Constitutional Congress established the Argentine Confederation by constitutional convention. Within the Confederation, each province was, to some degree, independent, although Buenos Aires was the most important player because of its port and army – two elements that gave it more military and economic power than the rest of the provinces. This ‘superiority’ (which would continue to develop) is one of the reasons why Buenos Aires seceded from the Confederation and established the independent state of Buenos Aires. However, the Confederation still depended on the port for its foreign trade. This situation gave way to a civil war in 1859 between the Confederation and Buenos Aires (this war was also paid for with a loan). On October 23rd, the *bonaerense* army was defeated and Buenos Aires re-entered the Confederation. Three years later, in 1862, Bartolomé Mitre19 was proclaimed the first President of Argentina as a unified country, and Buenos Aires was recognised as the nation’s capital.

This historical recap offers a sense of the foundation of the Argentine state but it also depicts the inception of a liberal elite that took advantage of the Buenos Aires port as a point of trade and (as I will explain in the coming paragraphs) led to the

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19 A liberal military figure.
emergence of the agro-export model, which was the cornerstone of the country’s economic growth until the 1930s.

2.1.2 THE AGRO-EXPORT MODEL

Due to the influence of foreign capital and the existence of a military elite linked with European countries, Argentina was immersed within the context of the international division of labour, as Ferns (1965: 27) explains:

With foreign investment in their backs, Argentina was forced to either export or go bankrupt, and this meant the concentration of consumer products for export, with all the social and political consequences. It is possible to see in the collection of this debt a substantial issue that influenced the character and goals of society. The commitment to pay the 1822 loan determined the introduction in large-scale of the accumulation process in Argentina.

Across the Latin American region, global trade forced the new leaders of the countries to become agents of the economy, as suppliers to the foreign market:

The development of international relations ... would result in the configuration of three groups of primary products exporting countries: a) exporters of temperate agricultural products, b) tropical agricultural products exporters and c) mineral-exporting countries ... in each, foreign trade would help to shape a particular economic structure, whose characteristics must be taken into account in the study of subsequent developments (Furtado 1969: 50).

In terms of Furtado’s categories, Argentina falls within the first one; from 1880, the country implemented an agro-export model, based around the port of Buenos Aires, and started to participate in the world economy as a primary exporting economy. At this early stage, the city consolidated its dominance over the rest of the country, both in terms of economics and politics. This, I argue, was one of the
conditions that enabled the development of a central authority because provincial politics and trade were not as relevant. The main export products were wheat, corn, flax, leather, meat and wool. Between 1890 and 1914, Argentina exported ten million tons of cereal. Eventually, meat sales became the main source of income (Rock 1987).

From this stage onwards, the Argentine economy was closely related to a central authority based on an oligarchic political system, which, in turn, benefited from the economic model. This oligarchy defined the role of the country as a complement to the European – and in particular, the British – economy. A strong dependency on foreign markets gave them a predominant role in the definition of the state’s productive organisation. State intervention was key in the management of such a model, as this liberal political oligarchy not only allowed, but also promoted the involvement of such foreign capital (Llado 1993). The proceeds of production were used in part for the repayment of the debt interest, with the remainder being used to promote development.

One of the first social consequences of the agro-export model was immigration. As the model was expansive, the development of new industries was required in regions such as The Pampas in order to facilitate the building of new towns, extensions to the rail network and so on. Being a big country in terms of territory (from north to south, Argentina has an approximate length of 3,300 km, with a maximum width of about 1,430 km), the workforce was not large enough. It was then that European migrants were called upon, as Gruegel and Riggirozzi (2012: 252) explain:
So successful was the Argentine export economy in this period that Argentina was amongst the highest per capita income countries by 1913. The success of agro-exports allowed Argentina to pull away from the rest of the region, attracted European immigration on a massive scale, and cemented the social and political resources, as well as the economic capital of the landed upper classes.

According to the data available, between 1871 and 1915, Argentina received nearly five million European immigrants. The main ethnic groups that arrived were the Italians, Spanish, French, Syrian, Lebanese, British, Germans, Armenians, Russians, Poles, Swiss, and Welsh. The Italians were the most numerous, constituting about 50 per cent of the immigrants, followed by the Spanish, being about 20 per cent of the total. However, there were also small groups of English, Welsh, German and Swiss people, who had already arrived before 1860 (Bertoni 1990). The 1869 national census gives the following information with respect to the major foreign communities established in Argentina (numbers plus percentages of the total population):

- 71,442 Italians (3.90%)
- 34,080 Spanish (1.8%)
- 32,383 French (1.7%)
- 10,709 British (0.6%).

By time of the 1895 national census, the percentages had changed:

- 492,676 Italians (12.4%)
- Spanish 198,685 (5%)
- 94,098 French (2.3%)
- 21,788 British (0.6%).
The 1914 national census showed further changes:

- 929,863 Italians (11.7%)
- Spanish 829,701 (10.5%)
- Russians/Jews 93,701 (1.18%)
- 86,428 Uruguayans (1.09%)
- 79,491 French (1%).

As a result of the massive influx of European immigrants into Argentina, in the following years, these ethnic groups would play an important role in the urbanisation process and provide labour for industrial development. A process of acculturation and acclimatisation between Argentineans and foreigners commenced. This was inevitable because of the mixture of customs that were present in the nation. No other country in the region received as many immigrants, compared with the size of the local population (de la Vega 1994).

To further the expansion of the economic model between 1865 and 1886, the Government acquired three more loans, bringing the debt total to an approximately 41 million pounds. These loans increased the level of state indebtedness, as well as the quantity and relevance of foreign capital in Argentina, leading to an increased dependency that was sustained and approved by the ruling oligarchy and by economic growth. Every single loan was supposed to be part of a different programme for the modernisation of the railways or ports. In some cases,

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the loans financed inter-class fights (i.e. civil wars), but they were never used to improve the quality of life of those outside the oligarchic class. Each new loan was also subject to large reductions that constituted upfront payments for commissions, depreciation and interests, as in the case of the Baring loan. One president after another would honour the loan before any other was issued, as reflected in the words of Nicolás Avellaneda (who ruled between 1874 and 1880):

The Republic can be deeply divided into domestic parties, but has only one honour and credit, as only one name and one flag. There are two million of Argentines who would save up on their hunger and thirst, to meet the commitments of our public faith to foreign markets (cited in Cuccorese 1966: 23).

This is how the Argentine nation was created: a country that, before achieving national sovereignty, forged a national debt that would be increased significantly during its first fifty years of independence; as stated previously, the Independence War, the Civil War and other conflicts that took place and defined the Argentinean political system were financed with foreign capital. In this way, the country was born on an economic seesaw, tied to the struggles and civil wars between caudillos, wealthy investors (as in the case of the Barings) and inexperienced national administrators. Both the economy and polity of the country were ruled by an oligarchy that promoted central authority as a means of achieving economic stability, but with no institutionality. On this subject, Gruegel and Riggirozzi (2012: 253) assert:

Economic growth during this time was not accompanied by a strengthening of the state. Growth did not mean the emergence of a powerful set of institutions at the centre. Instead, the country’s federal structure meant that dominant local economic elites were able to remain in control of political, economic and social assets.
Later on, this kind of political management caused social conflict as economic growth decreased and class tensions mounted. Quickly, social conflict and crisis became recurrent events, a pattern which I see as critical to an understanding of the evolution of the country’s political economy and social policy interventions. With regard to social policy, Argentina introduced a retirement fund for federal government employees in 1904 (Lewis and Lloyd-Sherlock 2009). However, this covered only civil servants. Later, between 1919 and 1923, key influential groups (railway workers, utility staff and bank staff) would also be granted such funds. In this sense, we could argue that at this point, social insurance had been introduced. However, I contend that social protection institutions, laws and coverage would not become a key political issue until the arrival of Peronismo (see Section 1.2). On the other hand, with regards to the political management, by the beginning of the century, it had become common practice for the Argentine oligarchy to combine civil and military affairs in their meetings and agreements. In 1906, Carlos Pellegrini declared:

The truth is that our regime, in fact, is not representative, nor republican, neither federal. Is not representative, because the vicious practices, which have been increasing day by day have led policy-makers to become the biggest voters, to replace the people in their political and electoral rights ... now, if anyone wants the honour of representing their fellow citizens, all that is needed is to conquer the protection or the goodwill of the president (Cited in Oría 1946: 24).

By this time, a wave of social conflicts had begun. An economic crisis hit the

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21 In this study, social conflict is understood as a contentious interaction between social actors and institutions (Cadarso 2001).
22 In this study, the term crisis implies that ‘the continuity of a given process, trend, or intellectual orientation is gradually or suddenly threatened and then destabilised or halted’ (Fontana et al. 2012: 20).
23 In relation to this subject, ‘coverage’ concerns the reach of a programme or system with respect to a certain population (Bertranou 2007).
24 Argentinean president from 6th August, 1890 to 12th October, 1892.
country in 1890 as a consequence of the near insolveny of the Barings Bank. This became a clear sign of the country’s external dependence, which in the future, would increase, alongside the recurrence of economic crises. This, I argue, is a key issue in terms of interpreting the country’s political economy.

Strikes were followed by severe repression. This social unrest was a direct response to the management of the oligarchy, which, by that time, had been ruling the country without any real legitimacy under a system called *unicato*. Since its independence, Argentina’s oligarchy had been able to maintain single-party rule and an almighty presidency. This was a sign of the country’s institutional weakness, according to Gruegel and Riggirozzi (2012: 253):

> Over time institutional weakness and elite privilege contributed not only to the periodically explosive class tensions that erupted but also to the country’s difficulties in responding to the steady erosion of its exports markets through the twentieth century.

Every single one of those who ruled the country arrived in office through a series of relationships and negotiations within the oligarchy, instead of following an institutional process. It was not until almost one hundred years after independence that President Roque Sáenz Peña sought to resolve, or at least control, the notorious political instability that was driven by these circumstances. His strategy was simple, but of great relevance in terms of the evolution of the electoral and political system. Under his government, Law 8871, now known as the Saenz Peña Law, was passed. This law made voting secret, universal and compulsory for males over 18 years of age. It paved the way for the rise of political opposition against the *unicato*. Leandro Alem and Bernardo Yrigoyen, who founded the

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25 The use of military force to control social conflicts increased during and after this period.
Union Cívica Radical, led the political opposition. Saenz Peña died in office in 1914 and Vice President Victorino de la Plaza replaced him. It was at this point that elections for the institutional transfer of power under the auspices of the new electoral system took place for the first time.

In 1916, the presidential power was transferred to Hipolito Yrigoyen (the nephew of Bernardo Yrigoyen), a member of the Union Cívica Radical. He was the first President elected via free and universal male suffrage in Argentina. Regrettably, as we will see in the following sections, democracy did not take root. Another radical, Marcelo T. de Alvear, arrived in office 1922, and by the end of his term, the military influence had been formalised. Under his government, a presidential decree increased the military budget. Later on, the institutional linkage between the president and military chiefs became official. As Darío Canton explains:

From 1922, following the initiative of the Military Circle, the tradition of celebrating a meal with the participation of officers from across the country on occasion of the National Independence anniversary began ... by 1924, at the request of the audience, the president (Alvear) spoke to the guests, and since 1926 this became an established practice (cited in Lázara 1988: 71).

In the words of Juan V. Orona, author of La Revolución del 6 de septiembre, this was the first formal inclusion of the military power within civilian authority (1966). The Argentine people witnessed a ‘regeneration’ of the nation by the force of the sword:

The approaching turning point was a crossroads in Argentine history: a path that led directly to institutional instability, militarism and authoritarianism, which facilitated the recurrent crisis by failing to resolve any of them, which, eventually, led to disaster (Lázara 1988: 76; own translation).
The next stage in the history of this country was marked by this phenomenon. In the section below, I analyse the evolution of military power, the inception of populism, and yet another cycle of crisis and social conflict.

2.1.3 AUTHORITARIANISM, CRISIS AND SOCIAL CONFLICT

In 1930, a deep economic crisis affected the country as a consequence of the Wall Street crash of 1929. Argentina, yet again, felt the effects of its external dependence. As the economic crisis hit, the military staged a coup against Hipolito Yrigoyen, led by José Felix Uriburu, who would later become the first the de facto president of Argentina. I argue that this particular event was a critical juncture in the evolution of the country’s political economy. From this moment on, military coups will continue to appear until the 1970s, highlighting the country’s institutional weakness and, for a time, becoming a recurrent issue in the country’s political and economic development. Too often in the midst of economic crisis, both institutional weakness and social conflict continued to appear, as I will illustrate in the following paragraphs and chapters.

The establishment of dictatorships spread across the region at around the same time. In most of the Latin American countries, similar patterns of oligarchic domination had developed after independence (as mentioned in Chapter 1). It is not the purpose of this study or the chapter to provide an account of every case; however, I will provide some regional context to indicate the other places in which power fell in the hands of a dictatorship. My chronological analysis is based on the accounts of Roitman (2005), who identifies the countries that, at this stage, fell under what he calls ‘political Caesarism’: dictatorships that were the
product of oligarchic domination and were based on plutocracy, paternalism and political patronage:

- Chile – Carlos Ibáñez del Campo (1927-1931)
- El Salvador – Maximiliano Hernandez (1931-1944)
- Guatemala – Jorge Ubico (1931-1944)
- Cuba – Gerardo Machado (1925-1933)
- Honduras – Tiburcio Carias (1933-1948)

Provisional military governments existed in:

- Paraguay – Luis Sanchez Cerro (1931-1933)
- Peru – Oscar Benavides (1933-1938)
- Dominican Republic, Rafael Trujillo (1930-1962)
- Uruguay – Gabriel Terra (1933-1938) and Alfredo Baldomir (1938-1943)
- Venezuela – Juan Vicente Gómez (1909-1932),
- Argentina – José Félix Uriburu (1930-1932) and Augustine P. Justo (1932-1938)

Military juntas existed in:

- Bolivia, Toro and Busch (1936-1939)

Militarization of power occurred in:

- Brazil – Getulio Dornelles Vargas (Estado Novo 1937-1945),
- Ecuador – Alberto Enríquez (1937-1938)

According to Roitman, if anything was evident in Latin America before World
War II, it was the lack of democratic forms of exercising and controlling political power. Oligarchic dictatorship and family dynasties were the representatives of domination, and exclusion, marginalization and savage exploitation were the salient features of the time. Indeed, as he explains, ‘The attempts of social transformation, national liberation and democratic openness inevitably ended with the emergence of more dictatorships and better repressive techniques’ (Roitman 2005: 193). In Argentina, the combination of these elements led to the strengthening of executive authority, which, in turn, fostered institutional weakness, crisis and social conflict. In this regard, I argue that the issue of institutional weakness is a legacy of military governments.

To summarise, the 1816-1930s period represented a time of economic and institutional crisis. State structures determined the political system, and the power relations that set the generation, transfer and distribution of income were tied closely to foreign capital. These factors led eventually to a strong international dependency and domestic management by a military oligarchy. With regard to social policy, this oligarchy did not establish a universal welfare system, although it provided funds to influential groups of workers.

After the 1930s coup, the presidential office was held by the military. Buchrucker (1987) points out that Argentine society in the 1930s had a psychological predisposition to tolerate, or accept with hope, the regular coups d’état, and that this kind of passive acceptance benefited the army. In the following section, I will analyse the evolution of the economic and political system as the agro-export model ended and the military strengthened their position. What I aim to depict is a
path along which economic growth/crisis, institutional weakness and social conflict gave way to the arrival and fall of populism under the figure of Juan Domingo Perón, in which yet another policy legacy was created through the inception of welfare politics.

2.2 THE RISE AND FALL OF PERONISMO AND THE ISI MODEL

Right after the 1930s coup, Uriburu appointed José S. Pérez (a civilian) as Ministry of the Economy (a trend followed during subsequent coups). As European economies were also affected by the 1929 crash, the agro-export model based on free trade ended when importing countries imposed protectionist measures. Argentina then started a process known as import substitution. This closed-economy policy was designed to increase local industrialisation, while decreasing dependence on the foreign supply of goods. As explained in the previous chapter, this economic model became a general pattern across the region. Uriburu’s dictatorship and the change in the economic model marked the beginning of what is known in Argentina as the ‘infamous decade’: a period characterised by electoral fraud, poor economic development, corruption and public discontent. In 1942, under the direction of some of the most prestigious military figures, a nationalist faction of the army formed a group that would become central to the Government in the following years. This group (a lodge known as ‘The United Officers Group’ or its Spanish abbreviation, GOU) was led by, among others, Juan Domingo Perón. In early 1943, the GOU presented a document directed exclusively at Armed Forces officers (Potash 1984), in which a manifesto against the nation’s political life was made, in particular against corruption and the left wing. The document gave a description of the explicit and
imminent danger of an internal war posed by the possibility of conducting elections for the renewal of presidential and parliamentary authority.

In June 1943, the Army deposed President Ramon S. Castillo, interrupting the constitutional order for the second time (the first incident was in 1930, with Yrigoyen). Pedro Pablo Ramírez and Sabá H. Sueyro led the 1943 government, both supported by the GOU. Being part of the public administration became an activity restricted to the military. In 1944, Ramirez transferred the presidential power to Edelmiro J. Ferrel, who appointed Juan Domingo Perón as Vice President. Perón would become the main actor in this partnership. The import-substitution model led to a new cycle of economic growth (which was key to the rise in living standards in the country between 1940 and 1970), a process that generated an emergent working class with no political voice. Soon after, Perón sought to take advantage of this situation to develop his political position. Under his influence, the Oficina Nacional del Trabajo [National Office of Labour], which later became the Ministerio del Trabajo y Bienestar [Ministry of Labour and Welfare], was created, with Perón at the head. In his role as minister, the figure of Perón as a mediator between political and social forces and sponsor of social projects evolved and was strengthened.

Various reforms to labour laws took place, among the most influential of which was the Labourer Statute, which established a minimum wage and aimed to improve nutrition, housing and employment for rural workers. Social protection was expanded beyond the few pension funds that were already in place. Social insurance and industry-specific contributory pension schemes were established,
benefiting two million people. This would be the cornerstone of the country’s social protection system. The welfare regime also included health and education, though their provision was not universal either. As was the case with the funds established in 1904, coverage was selective, though the reach was extended to include more sectors – in particular, members of trade unions and cooperatives.

With regard to poverty, we can argue that social protection policies were mainly established for the labour force that contributed to the system (primarily in the form of social insurance), and the system remained that way until the 1990s. The welfare system neglected the rural population and the poorest groups in society. It should also be noted, however, that these groups did not have a political voice at this stage, nor did they represent a large percentage of the population. On this subject, Gruegel and Riggirozzi (2012: 254) state:

This segmented provision of social and economic rights has contributed, over the long term, to the creation of lasting difficulties in terms of universalizing access to, and the public provision of, social welfare and justice; the very poor were left without protection … nevertheless levels of poverty were much lower in Argentina than in the Latin American region as a whole, with only around eight per cent of the total population living below the national poverty line before 1970.

In this way, I argue that the arrival of Perón at the Ministry of Labour and Welfare was another critical juncture in the evolution of the country’s social protection system. The political economy of Peronismo established a policy legacy that influenced the path that would be followed for future social policy interventions; a path based on populism, a corporatist approach and the use of decrees, in which social protection evolved via an exclusionary pattern. In the following paragraphs, I explain how welfare politics cemented support for Perón, leading to the
founding of his own party, his presidency, and the promotion of nationalist and interventionist economic policies.

Labour courts were created, whose decisions were favourable in general to workers’ demands. Wage increases and bonus programmes were established for all workers. Professional associations were recognised, which meant that there was a substantial improvement in the unions’ positions, in a legal sense. While these measures encouraged a close relationship between Perón and the labour sector, they also fostered the recurrence of political crisis and social conflict, as most of the military in government positions were alienated by Perón’s practices.

On 9th October, 1945, Perón was forced to resign from office, and was arrested and imprisoned. This caused a national crisis, and various mobilisations, driven primarily by the General Confederation of Labour (CGT, abbreviated in Spanish), the largest trade union in the country. As a result, Perón was released on 17th October. This would be the beginning of a new form of participation through mobilisation (Romero 1998: 147). Perón had allowed the re-articulation of the opposition parties that converged as a front for the elections of February 1946. Socialists, Communists and Progressive Democrats combined under the name of Unión Democrática [Democratic Union]. Perón soon began to organise his electoral strategy. Backed by union officials, he called for the creation of his own political party, the Laborista party, based on the principles of social justice. This would be the political base of Peronismo. On 4th June, Perón arrived in office. The name Laborista was changed rapidly; in 1947, the name Justicialista was adopted. In this way, the connection with the general principle of justice, rather than simply
labour, became official. The party’s main support would come from the CGT, which meant that Peronismo was linked with populist, paternalist and corporatist governments. For the first time in Argentine politics, then, at least rhetorically, the ‘people’s’ interests were juxtaposed with those of the ‘elites’. Consequentially, a different relationship between the state and working classes emerged with Peronismo. This political management alienated members of the oligarchy and, once again, fostered a pattern of social conflict, crisis and institutional weakness. As Perón sought the support of the country’s emerging working class via the implementation of policies favourable to the unions’ members, his central authority was strengthened. If, during previous stages, executive power was becoming mighty, with Perón, that trend developed even further under the auspices of policies implemented by diktat. Here, we can identify the ways in which the issue of institutional weakness started to evolve in the country. By the use of decrees, the presidential figure would become the main decision-maker and veto-player in the country. The strengthening of central authority was reinforced, to the detriment of other institutions, such as the Congress. This policy legacy would allow for the continuation of institutional weakness and the path-dependence that I have illustrated thus far.

As President, Perón launched a strong economic programme of industrial nationalisation (meant to provide the internal market with products and services) and the import-substitution model became more extensive, covering railways, gas, telephones, banking, merchant shipping, military aviation and steel factories (Brailovsky 1996). In 1946, Perón created the Institutio Argentino para la Producción e Intercambio [the Argentine Institute for Production and Exchange],
or *IAPI*, as well as nationalising the administration of foreign trade, fixing prices for agricultural exports, and regulating imports and domestic production. At first, these measures led to a strong inflow of resources to the state. Later, Perón introduced new initiatives and strengthened the labour organisation through policies such as the *Ley de Asociaciones Profesionales* [Law of Professional Associations], which assured the existence of large unions in different industry sectors (railways, ports, etc.), as well as a single confederation with a union (Romero 1998). In 1947, he gave women the right to vote, a resolution adopted in part due to the strong influence of his wife, Eva Perón. The next year, in 1948, the Peronists’ Women Party was founded and led by the First Lady.

In 1946, Perón replaced the Supreme Court. He also openly intervened in provincial governments in places such as Santa Fe, Catamarca and Cordoba. In 1947, a new law ended university autonomy and, thereafter, all teachers had to be appointed by executive decree. All the proposals for this law were generated in the *Casa Rosada*\(^\text{26}\) and were later approved without amendment. At this time, if a legislator sought to oppose any such proposal, it was enough to expel him from office. Press freedom was also restricted, and the state controlled some radio stations and newspapers (Romero 1998).

In 1949, a crucial act of political reform occurred with the enactment of a new Constitution. The labour movement’s rights, as well as policies regarding the nationalisation of public services and trade, among others, were recognised constitutionally and were legalised at this time. The ability to re-elect a person to

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\(^{26}\) Residence of the Argentinean Presidents.
the post of president (a major modification) was also introduced.

After the enactment of the 1949 Constitution, Perón reinforced his authoritarian ways. From 1951, Perón required all Congressmen to sign an agreement stating that they would not object to his proposals, as a guarantee of their discipline (Romero 1998). The party was becoming a vertical structure. This kind of action tended to generate dissatisfaction among the political elite. In 1955, adding to the political discontent, a new economic crisis hit. Commodity prices fell and foreign investment dried up due to nationalisations; as the favourable balances of the economic model began to disappear, so too did prosperity, and in a relatively short time, the limitations of the economic model emerged. This combination caused the downfall of Peronismo (Lázara 1988).

On 16th September, 1955, Eduardo Lonardi, a retired military general, started a movement that brought military and civilian participation together. Within three days, this coalition managed to overthrow Perón, sending him into exile. In the following section, I explain how this new military government sought to dismantle Peronismo in an environment of increased social and political instability, which culminated in the establishment of the 1976 dictatorship.

To summarise, from the 1930s to the mid-1950s, a new type of political administration was launched under the aegis of an authoritarian, populist and corporatist programme of nationalist redistribution. For a while, this helped Perón to gain the support of workers and the lower classes through welfare politics (social insurance, health and education), and also antagonised the upper- and
middle-class sectors. Furthermore, in the inception of welfare politics and the expansion of pension funds, we can identify a lack of universal coverage or poverty-alleviation policies for the unemployed, as social policy interventions revolved around social insurance, health and education measures that benefited influential groups in the formal market. This constituted yet another policy legacy.

Moreover, as was the case with the agro-export model, a path-dependence can be observed in the establishment of industrialisation processes in which economic growth facilitated the evolution of a central authority through authoritarian methods. This process fostered crisis, social conflict and institutional weakness. Political instability and economic uncertainty would be distinctive markers of the country until the 1990s.

2.3 FROM THE ISI/AUTHORITARIANISM TO NEOLIBERAL/DEMOCRACY: INSTITUTIONAL WEAKNESS, CRISIS AND SOCIAL CONFLICT

After the coup against Perón, this path-dependence, characterised by institutional weakness, crisis and social conflict, continued with subsequent governments. Among the first steps taken by the interim government, led by Lonardi (who only ruled between 23rd September, 1955 and 13th November, 1955), was the creation of the Junta Consultiva Nacional [National Advisory Board], composed of representatives of different political forces, including the Radicals (Unión Cívica Radical), the Socialist Party (Partido Socialista) and the Christian Democrats (Democracia Cristiana). A consensus began to be generated; the economic, political and social difficulties that the country was facing were a direct result of
the model implemented by Peronismo (Poneman 1987). It was assumed that the implementation of populist measures, in which foreign capital and the participation of elites were restricted, had led to disaster. Not only was the economic situation difficult, there was political and social unrest, too. This social unrest, represented by strikes and various social manifestations, was linked to Perón; after all, he had encouraged the participation of workers and low-class social sectors.

As a consequence, Peronismo was banned by decree. As we can see, in Argentine politics, one government after another made use of authoritarian decrees and reforms to control political competition and economic development (Cavarozzi 1983); a misuse of power that, as I have depicted, became common practice and fostered institutional weakness. Following the ruling, the word Peronismo could not be used as a party name, and the creation of any other group supportive of Perón was also banned. To restrain Peronismo further, the Government repealed the 1949 Constitution, also by decree, and dismantled the organisations close to it, as was the case with the General Confederation of Labour, in which the leaders were replaced. In 1955, then, Peronismo became the ‘black sheep’ of the system (Lázara 1988), just as Radicalism has been in 1930.

On the advice of the Economic Commission for Latin America (abbreviated as CEPAL in Spanish), led at that time by Raul Prebisch (who had worked for Perón as Director of the Central Bank), the Government began a programme to reduce state intervention in the administration of some public services, with a view to reducing costs (Ferrer 1998). This change in the economic management of the
state was not exclusive to Argentina; according to Pereira (2004), Marini (1986), Baéz (1989) and Dos Santos (1986), after World War II, a new stage of growth occurred across the region, and in this period, the Developmentalist State (1950-1960) was assumed to be the only viable model through which to modernise the underdeveloped structures of the Latin American states.

According to the authors listed above, the developmentalist model was characterised by analysis of the obstacles that the old structures imposed on a state’s evolution, such as the colonial relationship between foreign capital and development. It promoted the modernisation of the state through the generation of infrastructure, human resources and the protection of local industry. This strategy was clearly evident in the leading countries in the region, including Mexico, Brazil and Chile. These countries encouraged the domestic market, applied high rates to imports and promoted the birth of a bureaucracy that could interact with the world’s elites. This approach also contributed to the emergence of a middle class that could foster the dynamism of the domestic market.

Following Lonardi’s government, elections were held in Argentina in July 1957 in order to reform the Constitution under the presidency of Pedro Eugenio Aramburu. Despite being banned, Peronismo remained a political force, and it was impossible to produce an agreement on constitutional reform. The work of the Convención Constitucional [Constitutional Convention] was cancelled and the armed forces decided to end Aramburu’s provisional government, calling for general elections. The election results were favourable for Arturo Frondizi, a member for the Union Civica Radical, who was supported by intellectual factions.
Being a member of the opposition, he had spoken out against some of the proposals approved by Peronismo, such as those related to the oil fields and the promotion of industrialisation in manufacturing.

Frondizi took office on 1st May, 1958. His leadership was based on two strategies: 1) the privatisation of companies that, at that time, were part of the state apparatus, and 2) openness to the participation of foreign capital in the pursuit of accelerated development. His period was known as one of development (due to his developmentalist economic plan) and ‘restricted democracy’ between military governments. In order to dilute the social and political conflicts that these strategies generated, Frondizi declared a state of siege. This legal clause was allowed within the Constitution in the case of national emergencies. The move gave the President discretionary powers in such areas as homeland security, and an era of violent repression, directed at the left and the labour movement began. Here, once more, the key features of the country’s path-dependence are evident: a mighty central authority, crisis and social conflict. On 27th April, 1959, Communist Party offices were closed throughout the country by presidential decree and, five months later, the Government eliminated the party altogether.

In terms of the economy at the beginning of the 1960s, a crisis of accumulation and production became manifest through the loss of import capacity, which led once again to economic instability. According to Marini (1994), this was the result of having implemented a development model based on the promotion of industrialisation that characterised the old export economy. In this regard, the Developmentalist State was unable to modernise the underdeveloped structures
present in Latin America as it was based on the productive structure and relations of the 1930s.

In 1962, it was no surprise that a coup was staged against Frondizi’s government, which occurred in the midst of political instability and economic uncertainty (a pattern that we have already observed in other periods). The Supreme Court declared the holder of the Senate, José María Guido, the new President. Guido, who ruled between March 1962 and October 1963 only (due to his lack of political strength), enacted a draft statute for political parties in 1962. Here, the Peronists were excluded once more from political life, preventing them from creating a party to express the ideas of Peronismo. The Communists were also excluded. Any person suspected of being a Communist would be described as dangerous and, therefore, was subject to legal action. Article 19 of the statute stated that:

The Communists and followers of other forms of totalitarianism cannot join a party. One will be considered a communist if one is, or has been, a member of the national or international Communist Party over the last ten years, or, without being affiliated to it, has been engaged or involved directly or indirectly with the Communist Party ... or has collaborated or assisted the Party or any Communist organisation in the past ten years, legally or illegally; or is involved with a Communist government or the World Communist movement (Lázara 1988: 148; own translation).

In 1963, provisions were added to broaden the scope of the statute to include the repression of those who might damage the national economy and/or incited class struggle, in accordance with Law 788/63. Elections were held in 1963 but no party won with a majority, and so several parties united in favour of installing Arturo Illia as president, who took office on the 12th October, 1963. Under Illia’s
government, the United States and Argentina signed a mutual assistance pact to encourage the exchange of information and of military officers. This move was part of the United States’ international strategy against leftist movements in the context of the Cold War.

In 1966, President Illia legalised Peronismo. As a result, the military replaced him, through yet another coup d’état, with Juan Carlos Ongania. As a military dictator, Ongania’s policy was based on increased repression and the shift towards supposed modernisation through orthodox economic policies. He dissolved the Congress, dismissed governors and ignored local legislature. Furthermore, as expected, he banned political parties, awarding their property to the state (Yerguin and Stanislaw 2002). Different forms of social opposition occurred with respect to this oppression, even to the extent of guerrilla activity. Weakened by this popular uprising, Ongania was toppled by a military junta and replaced by Roberto Marcelo Levingston on 8th June, 1970. He, too, was replaced after less than one year in office, following increased social and political unrest that led to yet another coup d’état on 22nd March, 1971, headed by Alejandro Agustin Lanusse, Chief of Staff of the Armed Forces.

It is clear that after the coup against Illia’s government in 1966, a new phase of instability began. This period, marked by military-appointed presidents and the implementation of economic policies that sought to open markets, has been called ‘the Argentinean Revolution’. At this time, the weakness of the political system increased, as did social conflict. The military’s aim was to achieve structural reform, to overturn the country’s political, economic and social problems, and to
achieve national realignment (Yerguin and Stanislaw 2002).

In this respect, the 3rd Article of the Minutes of the Argentinean Revolution noted that the Government should:

[s]trengthen the spiritual values, raise the cultural, educational and technical level, eliminate the causes of the current economic slowdown, achieve appropriate industrial relations, ensure social welfare and strengthen our spiritual tradition based on the ideals of freedom and dignity of the human person, which are the heritage of Western Christian civilisation, as a means to restore a true representative democracy in order to prevail within the law, justice and the interest of the common good, all to reorient the country for the way of its greatness (Villegas 1969: 322).

Lanusse enacted Law 19.608, which stated the need for a partial amendment of the Constitution, on 3rd May, 1972. This partial amendment came in the form of the Fundamental Statute of the 24th August 1972, which was signed by Alejandro Lanusse, Carlos G. N. Coda and Carlos A. Rey (Baeza 1989), and introduced amendments that were considered necessary for national reorganisation – in particular, for the election of the president, vice president and senators. Among those amendments, the proscription of the Justicialist Party was lifted, though Perón himself would not be able to participate as a candidate in any upcoming electoral process, as the number of years of residency required was increased and Perón had been in exile since 1955.

Social and political unrest reached a peak as urban guerrillas started to mobilise,

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27 These were transitory measures, left to the next government for approval or otherwise. According to the validity clause provided in Article 4, the reforms would apply until the 24th May 1977, whereafter, if a constitutional convention did not decide on their definitive incorporation into the Constitution, or their total or partial repeal by 25 August 1976, the validity would be extended until 24th May 1981 (Baeza 1989).
as in the case of the Montoneros, Fuerzas Armadas Revolucionarias and the Ejército Revolucionario del Pueblo before the 1973 elections. Henceforth, Lanusse decided to stand down, leaving an open door for the restructuring of Peronismo, which was reorganised under the name Frente Justicialista de Liberación. In this sense, we can identify a shifting balance in terms of the interest groups that contributed to the rising political instability. The new government came into office on the 25th May, 1973, with Hector Campora (Perón’s protégée and personal delegate) at the head, who then resigned on the 13th July to allow Perón to return to power. Raul Lastiri organised a new election and from the 12th October, 1973, Juan Domingo Perón occupied the presidential palace for the third time.

This ‘new’ Peronismo established two strategies: one being linked to the traditional labour movement and the other aiming to improve parliamentary relations by making the Congress an open forum for negotiations between parties. As this latter proposal went beyond the traditionally authoritarianism of Peronismo, the Radical Civic Union and groups like the Federalist Popular Alliance and the Popular Revolutionary Alliance were attracted to it. Another important aspect of Peron’s return was his quest to redefine the role of the Armed Forces in political life.

By this time, a rising tide of violence and attacks against the civil order was already present in Argentina and the rest of the region. According to Vasconi (1978), most Latin American countries passed through a period of bourgeois

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28 The previous amendments to the Constitution were no longer in place, since Campora’s Government had not approved them at a constitutional convention.
counter-revolution during the Cold War, which found its extreme expression in the Southern Cone, militarised States. The influence of the United States was key in the training of Central and South American military commanders under the 1953 Mutual Defence Act (Sandoval 1978). This process began in Paraguay and spread to Brazil, Peru, Chile and Uruguay, among others. As explained in the previous chapter, in 1954, thirteen Latin American States out of twenty were ruled by the military; by 1975, more than half the continent’s total population lived in states whose administration was in charge of the military or dominated it. In South America, the presidents of six nations (across four-fifths of the territory) had achieved power through their peers and coups d’état (Rouquie 1988).

In the midst of this turmoil, in July 1974, Perón died, and Isabel Perón (his third wife and Vice President) assumed power. After his death, the crisis and chaos could no longer be controlled; various violent upheavals, both within civil society and in the military, undermined the already-weak political system. During 1975, rapid and exclusive grouping occurred within the Armed Forces, which led to the coup on 24th March, 1976, which was headed by Jorge Rafael Videla, Chief of Staff of the Army. The arrival of this military government put an end to the cycle of intermittent coups by establishing a military junta that ruled the country until 1983.

The junta comprised of commanding generals from the Army, Navy and Air Force, and their capabilities were institutionalised in the Acta para el Proceso de Reorganización Nacional [Act for the National Reorganisation Process]. The new President was Jorge Rafael Videla himself. The Reorganisation act established the
purpose and objectives of the ‘national reorganisation process’ and on that basis, a statute was enacted, which was published in the *Gaceta Oficial* [Official Gazette] on 31st March. The new Government did not amend the Constitution; it simply cancelled it altogether, adding to the institutional weakness that we have observed so far. The Congress was closed, the use of decrees expanded, social conflict was confronted via repressive demobilisation mechanisms, trade unions were banned and provincial governments were brought under military control (Sandoval 1978).

In terms of welfare provision, the expansion of social protection did not occur because the coup governments that ruled from 1955 were fiercely anti-Peronist (and welfare politics were synonym of *Peronismo*). Reform in this area would come later, during the 1980s and 1990s (as will be discussed further in the next chapter).

The junta left the management of economic policy to José Alfredo Martínez de Hoz, who adopted free trade and deregulation in order to open Argentina’s markets and end the ISI model, as Gruegel and Riggirozzi (2012: 255) state:

> It was in the context of deepening repression in the 1970s that the import-substitution model slowed fatally under the weight of energy price hikes, the complexity of protectionist tariffs, the loss of industrial competitiveness, the difficulties of internal capitalisation, and a general loss of faith in nationalist approaches to development.

Economic openness officially commenced in 1978 as a means to increase international competitiveness. At this time, the Argentine peso was steadily devalued against the U.S. dollar (Hermans 2003). By the time the military government ended, foreign debt increased fourfold, from US $7.875 million
dollars (in 1975) to 45.087 (in 1983). Moreover, a tenfold devaluation of the peso left Argentina facing one of its worst financial crises, during which it defaulted on its debts and entered a period of inflation and deep recession. Here, we can identify some of the reasons for the steady fall in the country’s living standards, which fostered poverty on an unprecedented scale over the next decade and planted the seeds for yet another cycle of economic crisis and political uncertainty, which would become one of the worst in Argentina’s history.

During the dictatorship, the proportion of the country’s population living under the poverty line in urban areas increased from 7 per cent in 1976 to 11 per cent in 1982 (further discussion regarding this issue is presented in the following chapter). Even so, the military junta that ruled between 1976 and 1983 is better remembered for the forced disappearances and human rights violations that affected up to 30,000 Argentineans. Here, the economic crisis, rising inflation, increasing inequalities and the loss of the Falklands War were all factors. There was also international pressure due to these human rights violations, which led to increased public opposition of the Government. Ultimately, the junta relinquished power and called for elections in 1983.

To summarise, once more, a cycle of policy decisions marked by crisis, social conflict and institutional weakness can be seen, all of which, I contend, are key issues for understanding the historical path-dependence in Argentina and the ways in which these issues have influenced and shaped social policy interventions.

After eight years of military rule, Raúl Alfonsin, a member of the *Union Civica*
Radical, became president, marking the beginning of the country’s current period of democracy. Alfonsin was faced with a country immersed in a harsh economic crisis, in which there were a host of concerns regarding the impunity of the military junta with regard to state terrorism. Tackling these problems would prove difficult. In the following chapter, I analyse this situation and, in particular, one of the main features of the advent of democracy: the shift towards neoliberalism, which preceded the 2001 crisis.

CONCLUSIONS

We can draw certain conclusions from the existing literature regarding the development of the Argentine political economy and the wider regional context. First, in terms of stages of the independence process, the transposition of new structures of power and the emergence of colonial capitalism (in the form of the agro-export model in 1880) integrated both the country and Latin America within the global process of capital accumulation. As Roitman (2008) argues, this process is central to an understanding of the political economy of the region. It is what he calls a ‘colonial inheritance’, expressed in the social structure of the oligarchy and in internal development. During this period, we can identify the inception of a ruling oligarchy based on a mighty central authority that benefited from this economic model. The issues evident at this stage of economic growth/crisis were institutional weakness and social conflict, which became a pattern that would be repeated in the future.

In the 1930s, as the agro-export model came to a halt, there was another period of economic and political crisis, the salient features of which were (as in the previous
stage) a mighty central authority, crisis and social conflict. Within this historical stage, the ways in which the rise and fall of Peronismo was clearly intertwined with the introduction of welfare politics and the industrialisation process can be observed. Perón expanded existing pension funds by using discretionary powers to establish social protection institutions and laws related to the provision of social insurance for influential groups of workers; a move that provided him with unconditional support from union members through a ‘favour-for-vote’ dynamic. In this sense, welfare politics strengthened Perón’s central authority. We can also see how the system excluded certain sectors of the society, as well as how this exclusionary character was maintained as the social protection system evolved. In short, Perón’s political economy alienated military elites, thus fostering the recurrence of institutional weakness, crisis and social conflict.

During the 1950s, both in Argentina and regionally, the post-World War II period induced a series of changes in terms of political and economic forces. With the advancement of the industrial bourgeoisie in countries like Argentina, Chile, Uruguay, Brazil and Mexico, development became the dominant ideology evident within the multitude of public policies that emerged. However, after a decade of expansion, the Latin American economies fell into crisis and stagnation, thus revealing the shortcomings of the industrialisation process.

From 1955 to 1976, the advancement of economic instability and political uncertainty became evident in Argentina, the key features of which, once again, were institutional weakness, social conflict and crisis, which lasted until the arrival of democracy. Coup d’état after coup d’état occurred, with military
governments being deposed frequently –often in the context of economic crisis, as occurred in previous stages.

Regarding the central features of state structures and the power relations that determine the political system and set the generation, transfer and distribution of income, it can be said that Argentina has experienced periods of strong economic and political crisis since its independence. The lack of institutional legitimacy within the emerging national political system led to institutional weakness and authoritarianism. Submission and dependence generated the outward polarisation of social classes, fostering social conflict and crisis. Although the country has experienced important economic achievements, they have always been followed by sharp declines into financial abyss. In times of economic growth, institutional weakness and authoritarianism increased, while in the midst of economic crisis, social conflict and political uncertainty did. Both economic and political processes have been highly influenced by military forces, and every state of crisis or change has been linked to national class fights (Gonzalez Casanova 2009). In this way, we can conclude that in the development of the country’s political economy, policy legacies established a path-dependence, in which the central features are institutional weakness, social conflict and crisis.

As for the origins and evolution of social protection, these can be seen as closely related to the rise and fall of Peronism. Although some funds had been previously established, social insurance was extended during Perón’s term as Minister of Labour and as President, where he utilised discretionary powers, enacting laws and creating institutions by decree. In this respect, the executive had excessive
leeway to influence social policy, becoming the main policy-maker and veto-player in the country, which, I argue, is a policy legacy from this time. During this historical period, social policy interventions were related primarily to social insurance, health and education, but social protection provision was selective, covering only influential key groups of workers who contributed to the system and were involved in the country’s unions and cooperatives. This, in itself, is another policy legacy that, in the long term, caused difficulties with regards to universal access provision. On the subject of poverty, we can observe that, thanks to periods of economic growth, poverty rates were relatively low until the 1980s; hence, poverty was not considered a political issue during the aforementioned stages. In time, the period of military dominance came to a halt. This study focuses on the post-dictatorship era and therefore, the following chapters offer a broad reflection upon the effects that the aforesaid policy legacies had during the democratic period, particularly with regard to the expansion of social protection in order to tackle rising poverty. In the next chapter, I will analyse the development of democratic/neoliberal governments from 1983. This will involve a discussion of the period from the 1980s to the 2001 crisis that occurred under de la Rúa’s presidency, in which the following questions will be explored: a) ‘How did the emergence of democracy/neoliberalism affect the historical pattern of social protection?’, b) ‘Is it possible to identify a shift in social policy interventions regarding poverty alleviation within the democratic/neoliberal governments?’, c) ‘How might this shift be connected to the historical development of the country’s political economy?’.
CHAPTER 3. SOCIAL PROTECTION AS A RESPONSE TO ECONOMIC CRISIS

INTRODUCTION

In the previous chapter, I identified the historical sequences in which policy legacies (in particular, institutional weakness and social conflict) influenced and defined the origins and evolution of the economic, political and social-protection systems. I examined the processes surrounding the development and structure of social policy, as well as the evolution of poverty as a political issue, up to the 1980s.

In this chapter, I offer a continuation of that analysis, studying the ways in which social protection evolved from the 1980s to the 2000s. This will contribute to the discussion of the evolution of social policy interventions, in accordance with the following research questions: ‘How did the emergence of democracy/neoliberalism affect the historical pattern of social protection?’, ‘Is it possible to identify a shift in social policy interventions regarding poverty alleviation within the democratic/neoliberal governments?’, ‘How might this shift be connected to the historical development of the country’s political economy?’, ‘Are policy legacies related to contemporary social policy interventions that target poverty alleviation?’. I will analyse the consequences of the 1980s debt crisis, the impact of the arrival of democratic/neoliberal governments, and the 2001 crisis and its effect on the existing social protection system. With regard to the latter, I will present an overview of the context that preceded and surrounded the crisis.
This chapter offers detail about the evolution of social protection in Argentina. It will also help us to understand the impact of the 2001 crisis on social indicators in Argentina. Furthermore, as this project focuses on poverty-alleviation policies, this chapter pays particular attention to the evolution of policies aimed directly at addressing poverty within Argentina’s social protection system. By examining this issue, I consider the influence of the policy legacies identified in the previous chapter upon contemporary social policy interventions. This chapter will therefore contribute to the development of the thesis, describing the historical sequence of events that led to the expansion of social protection (social assistance and social insurance) through cash transfers, which were aimed at alleviating poverty. By doing so I should be able to identify the forces and circumstances that influenced such a process. Finally, this chapter also serves as an introduction to the social policy interventions that are taken as case studies within this thesis: the Plan Jefes y Jefas de Hogar Desocupados, the Seguro de Capacitación y Empleo and the Plan de Inclusión Previsional. Chapters 4 to 6 will then provide a detailed analysis of each programme, as well as the processes and actors involved in their adoption and implementation.

In this chapter, a literature review is offered, through which the political, social and economic context is analysed. Using this approach, I will outline the evolution of social policies in Argentina from the 1980s to 2001. In this way, an explanation will be provided of how and why certain social policies materialised and then influenced the development of subsequent policies. The chapter is divided as follows: Section 3.1 concerns social policy interventions under the democratic/neoliberal governments that were in place during the 1980s and 1990s.
Within this section, I extend the analysis given in previous chapters of the impact of the economic context on poverty and unemployment, and on the evolution of social protection. In Section 3.2, I offer an overview of the political, economic and social context from the 1990s to the 2000s. In this section, I analyse the origins of the 2001 crisis, as well as its political and social impact. Furthermore, I examine the ways in which the Government reacted to the crisis by expanding social protection via cash-transfer programmes.

Overall, the examination of the context of the 1980s and 1990s in this chapter provides the basis (and a justification) for the subsequent development of this research by describing the historical sequence of events in which both the policy legacies and feedback processes that influenced certain policy choices are evident. Furthermore, the connections between this period and the 2001 crisis are examined. This is particularly important in terms of identifying the forces and processes that ultimately shaped and influenced the adoption and implementation of the social policy interventions that were established after the crises in the 1980s and 2001.

3.1 SOCIAL POLICY INTERVENTIONS UNDER DEMOCRATIC/NEOLIBERAL GOVERNMENTS FROM THE 1980s TO 1990s

In the following paragraphs, I offer an overview of the processes that surrounded the crises in the 1980s and 2001, as well as their consequences with regard to poverty and poverty alleviation. This period has been chosen as a focus because a number of institutions and programmes aimed at tackling poverty were introduced during this time. From there, I will map the evolution of the social protection
system up until the creation of the Plan Jefes y Jefas de Hogar Desocupados, the Seguro de Capacitación y Empleo and the Plan de Inclusión Previsional.

When analysing social policies aimed at tackling poverty in any context or period, it is important to understand the position of those in charge of the decision-making process, the manner in which the social policies were developed, the timing of policy decisions, and the acceptance or otherwise of poverty as an issue of major relevance to the political agenda.

As the economic deficit worsened and the 1980s external debt crisis hit Argentina, the budget designated for social policies decreased, taking with it the quality of the services that it was supposed to fund. It also determined the fall from power of the authoritarian government that ruled until 1983 (Cortés and Kessler 2005). As explained in Chapter 1, the debt crisis provoked similar results across the region. Within this chaotic context, the political aspects of the transitional process were more important than the social ones; it was crucial to work on the contents of the political pact that would allow the return to democracy first. Because of this, the issue of the expansion of social protection did not emerge strongly enough in public debate during the 1980s for it to feature on the Government’s agenda. During that time, more pressing demands were being made, which were related to the human’s rights violations perpetrated by military rule.

The secondary role that issues such as poverty and unemployment played in the first democratic government’s agenda led to a lack of assistance for the poorest for the rest of the 1980s. The only exception was the Programa Alimentario
Nacional, implemented in 1984 by Raúl Alfonsín’s government, which aimed to tackle nutritional needs (Repetto 1994). Following Alfonsín’s government, Carlos Menem (a member of the Justicialista Party) assumed the presidency in 1989, within a particularly difficult economic and political climate. The economic reform package that he developed in the 1990s involved adaptations to the economic model, as well as the introduction of changes to the Argentine social protection system through the partial privatisation of social security in 1994.\(^{29}\)

There was a definite shift towards neoliberalism, as the programmes implemented in the 1990s aimed to reduce the already-minimal lines of state intervention available at that time (Vinocur and Halperin 2004).\(^{30}\) Soon after the beginning of Menem’s presidency, the Programa Alimentario Nacional, which the previous government had implemented, was cancelled and replaced by the Bono Nacional de Emergencia. This new programme was supposed to last for six months, with voluntary support being given by business circles. This was evidence of an alliance existing between business and political circles – a characteristic that defined Menemismo, in opposition to Peronismo, in which the main source of support and alliances came from the working class – but as soon as the programme started, a wave of problems related to irregular bonos distribution processes emerged (they were not distributed based on eligibility criteria, but via clientelistic practices; that is, as favours for votes) and the programme was abandoned (Repetto 1994).

\(^{29}\) The 1994 reform process will be analysed in Chapter 4.

\(^{30}\) As analysed in Chapter 1, throughout the region, the implementation of neoliberal packages resulted in processes of privatisation in relation to social security.
Nevertheless, Menem’s alliance with the private sector continued. In terms of the economy, his presidency would be characterised by a development strategy centred on private investment and external openness. This in itself can be considered a feedback process, in terms of the historical trajectory of Peronismo, as well as a critical juncture, due to the influence that this shift had over the following years. Menem had been elected and supported by Peronists\(^{31}\) (Torre and Gerchunoff 1999), but once Menem started to promote the privatisation of social security, there was opposition from the Peronist movement, although there was no political alternative in place to feed the opposition. The landscape was very different, however, when it came to the privatisation of public enterprises such as \textit{Entel, Aerolíneas Argentinas, Obras Sanitarias} and \textit{Yacimientos Petrolíferos}; this process was quick, occurring without bureaucratic problems or political opposition (of course, the sectors involved in these negotiations were quite different from those affected by social security reforms). Therefore, it is worth noting that in the process of economic transformation, the historical position of the unions seemed to be affected by Menem’s strategies. Ultimately, though, Menem achieved a strong coalition between political and economic leaders.

If, historically, social protection had been linked to the provision of social insurance for influence groups linked to unions, Menem’s social plan altered this pattern. In addressing the limitations of the social protection system (and to manage issues such as rising poverty), his policy was based on three strategies: targeting, decentralisation and privatisation (Isuani 2008). The central argument behind targeting was that the model followed since the 1930s in terms of the

\(^{31}\) As explained in the previous chapter, this political group and ideology was linked, historically, to a very different model, centred on the internal market and strong state interventionism.
provision of social protection did not have the capacity or mechanisms to provide for those in most vulnerable situations. It had been used as a benefit available exclusively to those workers within unions linked to the state, under the auspices of the ISI model and Peronismo. Thus, the system provided no coverage for those in the informal market or the unemployed. Consequently, to achieve equity and provide access to the poorest, it was necessary to reform the social protection system.

President Menem’s idea regarding targeted social policy intervention meant that state expenditure would be used to provide social protection to those who had been neglected by the previous model. This would have its own complications, as some of the resources that, historically, had been assigned to the coverage of sectors linked to the formal market and unions would be reduced. To release resources and reach the poorest, it would be necessary for those in better economic situations to start paying in part or full for the social services that they consumed, or to receive care through private institutions. In this way, in the case of Argentina, the privatisation of the social security process was linked to a targeting strategy. Furthermore, it was assumed that the decentralisation process would contribute to the efficiency and efficacy of social expenditure by giving the beneficiary some amount of control over the quality of services, as s/he would be able to demand them from local authorities.

This targeting strategy started to be promoted in 1989, as Menem arrived in office, but the actual creation of any social programme was sidelined at this time. It was not until three years later, in 1992, that the Ministerio de Acción Social
[Ministry of Social Action] established the Programa Federal de Solidaridad [Federal Programme of Solidarity] (Repetto 1994). The following year, the Government’s Plan Social [Social Plan] was announced. This plan was not focused exclusively on the issue of poverty; it included broader social issues such as infant care, the creation of community centres, assistance for people with disabilities, health and education.

Unfortunately, this plan failed to progress further. It was not clear how each objective would be achieved or how different government offices would cooperate (Acuña et al. 2002). The absence of a coordination strategy is, I argue, another sign of the county’s institutional weakness. In February 1994, the Secretaría de Desarrollo Social [Social Development Secretary] was created as part of the targeting process. This role involved the design and implementation of poverty-alleviation policies, leading to changes in the institutional approach to poverty, as further work began to be conduced in this area. This, I contend, was a critical juncture in the evolution of the social protection system. However, the success of the targeting process was jeopardised by issues related to institutional weakness. Under Eduardo Amadeo, the Secretaría de Desarrollo Social role generated a series of unarticulated programmes, instead of a single, strong anti-poverty policy. At the same time, the Secretaría started to delegate economic resources and the implementation of programmes to NGOs, leading to the fragmentation of policies (Isuani 2008; Acuña et al. 2002).

Later that year, in August, Argentine constitutional reform led to the introduction of the post of Jefe de Gabinete de Ministros [Chief of Cabinet of Ministers], who,
among other responsibilities, was in charge of coordinating the *Gabinete Social* [Social Cabinet]. This led to conflict with the *Secretaría de Desarrollo Social*, as both positions involved the same responsibility: the design and implementation of poverty-alleviation policies. In other words, inherent in the nation’s social policy strategy for tackling poverty was political conflict. This issue of political conflict had been a recurrent problem throughout the historical evolution of the country’s political system.\(^{32}\) To this, we must add that the *Gabinete Social* itself was integrated into the *Ministerios de Economía, Salud y Acción Social, Educación, Trabajo y Seguridad Social, Interior, and Desarrollo Social*.\(^{33}\) This represented an institutional problem, as many political figures became involved. Ultimately, in 1995, the *Secretaría de Desarrollo Social* established the *Plan Social del Gobierno Nacional* [Social Plan of the National Government], its main objective being to organise social expenditure (Isuani 2008) – although the political conflict continued.

In an attempt to organise this chaotic situation, the Argentine Government created the *Consejo Federal de Desarrollo Social* [Federal Council of Social Development] in 1996. This office was operated by those responsible for social policies in the provinces and the capital, aiming to coordinate their actions. Unfortunately, despite these reforms within the institutional apparatus, the multiplicity of programmes overlapping different jurisdictions continued. By 1996, the state had created 48 social programmes aiming to tackle poverty and social vulnerability, 14 of which were related to employment and productive development. By 1997, there were 60 social programmes at national level only.

\(^{32}\) This issue is examined further in Chapter 2.

These programmes depended on nine ministries and secretaries (Isumi 2008). By 1999, the Government’s strategy for tackling poverty was broadened, involving the creation of 70 small programmes that, ultimately, were used to gain political support for the actors promoting them (Acuña et al. 2002) – a reminder of the favour-for-vote practices of the past.

Overall, of the range of programmes created during this period by the Ministerio de Trabajo y Seguridad Social [Ministry of Work and Social Security], the most important was the Plan Trabajar. Under this plan, cash-transfer programmes were introduced in the country for the first time. Here, temporary work was provided to unemployed people living in poverty in exchange for a monthly income of up to 200 Argentinean pesos, health care and work-related accident insurance. Throughout the 1990s, this programme achieved a high rate of legitimacy at a sub-national level as it tackled local social conflicts effectively.

In sum, I argue that, from the 1980s to the 1990s, during the first democratic/neoliberal governments, a shift in the historical pattern of social protection can be identified, which involved the privatisation of social security and the posterior introduction of institutions and programmes that sought to tackle poverty. I contend that the institutional fragmentation that accompanied the creation of poverty-alleviation policies in the 1990s is key to understanding their evolution. This issue can be seen as part of a broader problematic of institutional weakness.
With the promotion of a strong reform process in 1989 under Menem’s rule, the country faced a political and economic backlash process that represented a critical juncture that altered the historical pattern witnessed in previous stages. This critical juncture was possible because in the preceding years, economic and political institutions lost credibility due to poor performance; therefore, the political space[^34] was opened up suddenly and the agenda was reoriented in another direction. In this context, Menem emerged as a political leader with a strong leadership capacity and good political credentials. By taking advantage of such conditions, he was able to advance a large privatisation process (despite unsuccessful opposition from the Peronist movement) and alter institutional arrangements with regard to the social protection system.

Undoubtedly, Argentina suffered a drastic transformation during the 1990s. Since then, the economy has been working under a system characterised by the liberalisation of commerce, labour-market flexibility and the privatisation of public monopolies. Nevertheless, this change has been accompanied by social exclusion, expressed fundamentally by the wage crisis, high levels of unemployment and poverty. The case for social reform in Argentina illustrates the relevance of the institutional framework as a source of continuity or change, with the introduction of compensation schemes or agreements allowing alterations within the balance of power that favoured the reform process. In the following section, I analyse the relationship between the economic reforms of the 1980s and the 1990s and the 2001 crisis, and the subsequent expansion of social protection via social assistance through cash transfers.

[^34]: For further discussion on political spaces and poverty policy, see Brock et al. (2001).
3.2 OVERVIEW OF THE POLITICAL, ECONOMIC AND SOCIAL CONTEXT FROM THE 1990s TO THE 2000s

In the decade following the arrival of the Peronist President Carlos Raúl Menem in 1989, a wave of privatisation programmes occurred. There was also an increase in welfare programmes targeted at the unemployed, but benefits were not distributed according to the eligibility criteria established; they were utilised by politicians in an old-fashioned, favour-for-vote, clientelist way to gain political support (Giraudy 2007). Subsidies were cut in areas such as education and health; from 1995, access was made conditional on the imposition of tuition fees and co-payment schemes for primary and secondary education (private schools stopped receiving subsides from the state). Around 600,000 jobs were lost and no compensatory social policy measures were taken (Magnani 2003). The social cost of Menem’s economic management, represented by raising unemployment and poverty rates, among other issues, was sufficient to foster social discontent and, ultimately, generate the conditions that led to social breakdown of 2001, in the face of another political and economic crisis (Cortés 2005). After a decade of apparently successful management, the economic system entered into a dramatic crisis of an unprecedented magnitude, which, in turn, affected the political system.

Starting in 1991, Menem’s government introduced a convertibility regime policy,\textsuperscript{35} via which the exchange rate for the Argentinian Peso was pegged to the US dollar.\textsuperscript{36} The aim was to stabilise the economy during a period of

\textsuperscript{35} When the country enacted the ‘convertibility law’ that pegged the peso to the dollar at a one-to-one exchange rate, it stipulated that everyone had the right to convert as many pesos to dollars as they wanted. To give credibility to that promise, the Government agreed that each peso in circulation would have to be backed by a dollar (or similar hard currency) at the central bank – the so-called currency board system (Fieldstein 2002).

\textsuperscript{36} It should be noted that during the 1980s and early 1990s, Menem followed the advice of the IMF (Cavallo 2004).
hyperinflation, in which rates had reached a dramatic 200 per cent. This measure led to a double currency system, in which both the Argentinean peso and the American dollar circulated interchangeably. Any transaction, including ATM cash withdrawals and bank loans, for instance, could be made in one currency or the other, placing a lot of pressure onto the banking system. The peso increased in value in the currency market at the same rate as the U.S. dollar, and imports were suddenly cheaper than exports, which affected the growth of the economy and raised fears in society, as well as among investors. For analysts such as Stiglitz,\textsuperscript{37} this pegging agreement made no sense, as most of Argentina’s trade was with Brazil and Europe, not with the United States (2002).

An overvalued, fixed exchange rate and an excessive amount of foreign debt were two apparent causes of the Argentine crisis. The main problem with the convertibility regime was not that it was fixed, but that it was unaccompanied by sound macroeconomic management, especially after 1997. Fixed-exchange-rate regimes require impeccable fiscal accounts, very low deficits and low debt levels. Starting in 1997, Argentina failed in this regard. Rather than take advantage of the economic boom of that year to pay down the national debt and lower deficits (as Mexico and Peru did), Argentina went on a spending and borrowing spree. The ratio of foreign debt to exports in Argentina surged from 385.5 per cent in 1996 to

\textsuperscript{37} ‘Had most of Argentina’s trade been with the United States, pegging the peso to the dollar might have made sense. But much of Argentina’s trade was with Europe and Brazil. The strong (most would say, overvalued) dollar has meant enormous American trade deficits. But with the Argentine peso pegged to the dollar, an overvalued dollar means an overvalued peso. And while the United States has been able to sustain trade deficits, Argentina could not. Whenever you have a massive trade deficit, you have to borrow from abroad to finance it. Although the United States is now the world’s largest debtor country, outsiders are still willing to lend us money. They were willing to lend to Argentina, too, when it had the IMF stamp of approval. But eventually they realized the risk’ (Stiglitz 2002:2).
452 per cent in 1998, whereas in Mexico and Peru, the ratios declined from 147 per cent to 125 per cent, and from 462 per cent to 393 per cent, respectively. Economic officials recommended increasing taxes, decreasing expenditure, and using the proceeds of privatisation to make payments towards the rising debt. However, no one at the top – neither the President, nor his detractors within the Partido Justicialista – seemed to want to follow such advice; rather than decreasing spending, Menem actually proposed increases in his 1998 budget (Corrales 2002).

As the exchange rate was fixed at too high a level, Argentina exported too little and imported too much. This trade imbalance made it impossible for the country to attract the foreign trade it needed to pay the interest on its foreign debt. Instead, Argentina had to borrow to meet those interest payments, causing the debt to grow even larger. The country’s foreign debt, most of which was owed by the central and provincial governments, eventually reached 50 per cent of Gross Domestic Product by late 2001, with $30 billion in repayments being due in 2002 (Perry and Serven 2002).

The hard-peg policy actually obscured, at least for a while, the serious deterioration in fiscal solvency and the mounting financial stress from public view. Indeed, the protracted deflationary adjustment that would be required to realign the real exchange rate under the hard peg would have eroded the debt-repayment capacity of the Government and of households and firms in non-tradable sectors (the debtors whose incomes would be affected adversely as a direct result of deflation – see Perry and Serven 2002). As it became evident that
crisis was imminent, the IMF recommended that cuts should be made to Government spending in all areas. At the same time, several job centres closed as their owners were unable to pay their loans, which pushed people into the informal market (Lewis 2002; Jeter 2003). In this way, the crisis had serious implications not only on poverty and unemployment, but also on the pension system (an issue that I will analyse further in Chapter 6).

Following the crisis that was caused by the Plan de Convertibilidad [Convertibility Plan], the problems generated by rising unemployment rates following the privatisation of companies (for example, Yacimientos Petrolíferos Fiscales, the national oil company, in regions such as Neuquen and Salta) and the recession that started in 1998, social instability increased. This became evident in the form of social movements such as the Piqueteros [Road-blockers]. Such groups benefited from their huge mobilisation capacity over several territories within the Argentinean provinces; they organised roadblocks [piquetes] in order to pressurise the government, demanding employment opportunities and improvements to health services and the education system, for instance (Neffa 2008). In response, Menem’s government developed social programmes as a means of negotiation, thus dampening down the economic and political instability that such social conflicts created. The Programa de Emergencia Laboral [Emergency Employment Programme] was created to promote self-employment, and the Ministerio de Desarrollo Social established the Programa Solidaridad or Plan Integral de Ataque a la Exclusión Social [Plan Against Social Exclusion], following the example set by the Mexican programme PROGRESA, where social assistance was provided through income support. During this period, the
relationship between the leaders of the Piqueteros and the Government was key to social policy-making\textsuperscript{38}; in 1999, however, the situation changed, as Fernando de la Rúa arrived in office.

Under de la Rúa’s management, new economic policies were introduced and the number of social programmes was reduced, as was the amount of subsidies assigned to these programmes. This generated a new series of conflicts with the Piqueteros, whose actions became more radical as they called for massive popular demonstrations at the Plaza de Mayo (literally, the front door of the presidential residence) and asked for the resignation of all bureaucrats. Ultimately, increasing economic and social instability led to the breakdown of the national central government. According to Neffa (2008), by October 2001, unemployment affected around 18.4 per cent of the EAP in the Gran Buenos Aires area and, by December, the economic, political and social situation was unmanageable.

In order to understand the context within which the profile of poverty-alleviation policies was improved in Argentina, it is necessary to pay attention to the deterioration of the economic and political systems during 2001 and the particularities of the events that led to the December 2001 crisis. This crisis, I argue, represented an acute turn in the history of the economic, political and social systems of the country. It is here that we can identify the consequences of the previous critical juncture of 1989 (the arrival of Menem in office and the definite shift towards neoliberalism and privatisation), examining the ways in which it influenced the events to follow.

\textsuperscript{38} This issue is further analysed in the following Chapter.
3.2.1 THE 2001 CRISIS

In January 2001, Argentina received an assistance package, indicating how the decline in the economy had started to worry international lenders. This assistance package comprised of a loan of US $40 billion, of which US $7 billion was provided by the International Monetary Fund, with the rest being contributed by the Inter-American Development Bank, the World Bank, Spain and private lenders (Hornbeck 2002). Unfortunately, and in spite of this injection of fresh capital, the economic situation continued to worsen. As a consequence, the Minister of Economy, Ricardo Lopez Murphy,39 resigned, allowing Domingo Cavallo40 – who had already served as Minister of Economy during Menem’s government – to take office.

Regrettably, the Argentine economy continued to demonstrate poor economic performance, reaching a critical point in December 2001. In the following paragraphs, I will present a brief chronological summary of the events of 2001 and 2002 to illustrate the extent of the crisis. This summary aims to outline the origins and consequences of the crisis, particularly in terms of poverty.

In June 2001, after receiving the assistance package discussed above, the de la Rúa administration announced a US $29.5 billion voluntary debt, thus exchanging short-term debt for new debt with longer maturities but higher interest rates. This raised scepticism about the evolution of the economy in the months that followed.

39 Ricardo López Murphy was an economist and member of the Unión Cívica Radical (UCR), who also served as an advisor to institutions such as the World Bank, the IMF and CEPAL.
40 Cavallo is known for implementing the convertibility plan and currency board that imposed the one-to-one peso dollar exchange rate from 1991 to 2001. Later, he worked for both the UCR and the Partido Justicialista, and implemented the corralito policy.
Domingo Cavallo announced a plan to balance the budget in July, based on austerity measures that would affect public expenditure. The markets reacted negatively, expressing a lack of confidence in the convertibility system. On 19th June, the country’s unions called a nationwide strike to protest against the austerity plan. This was merely the beginning of the social turmoil that ultimately led to de la Rúa’s resignation. By the end of the month, the Argentine Congress had passed the Zero Deficit Law, through which the country pledged to achieve a zero deficit.

Based on this commitment, the IMF increased the previous lending agreement by US $7.2 billion. Nevertheless, the economic situation continued to worsen and, in October, the use of provincial bonds as ‘scrip’ to pay public salaries became widespread as federal revenue transfers declined. On 30th November, central bank reserves fell by US $2 billion in one day as a result of frenzied withdrawals of large sums at banks, as people accessed their dollar-based savings. President de la Rúa responded by imposing a US $1,000 per month limitation on personal bank withdrawals, known as the Corralito [Playpen], in order to protect banking assets; a measure that was designed by Domingo Cavallo (Krauss 2001). Rising prices, increasing unemployment and limited access to money had fuelled a series of social protests (Evans 2003), but on 1st December, the attention spread to the issue of the Corralito. On 5th December, the IMF withheld a $1.24 billion loan instalment as a result of Argentina’s inability to meet fiscal targets. Two days later, Argentina announced that it could no longer guarantee foreign debt payments. The unemployment rate soon reached 18 per cent and the unions called a nationwide strike. Supermarket looting began and rioting over deep budget cuts
spread to major cities:

Decentralised and non-institutionalised forms of protest emerged, run by whole communities, social organizations and the unemployed, with the support of trade unions; the most effective of which were roadblocks. These roadblocks were the scene of the emergence of the *Piquetero* identity and the organization of the unemployed into a ‘movement’ (Dinerstein 2001).

According to Nardacchione (2005a), this form of social activism took politicians by surprise as the protestors raised a variety of flags; the *Piqueteros* movement, rail workers, public school workers, state workers, small-business owners and members of industry were present, among others. General opposition to the Government brought them together. In the paragraphs below, I will examine the political impact of these events.

### 3.2.2 THE POLITICAL IMPACT OF THE 2001 CRISIS

On 19th December, 2001, the Government declared a state of siege and the Minister of the Economy, Domingo Cavallo, resigned. The following day, as the rioting continued, President de la Rúa also resigned. On the 21st, the Senate President, Ramón Puerta, was named provisional President for 48 hours. Then, on the 23rd, the Congress appointed Adolfo Rodríguez Saa (who had acted as Governor of San Luis – one of Argentina’s provinces) as interim President until March 2002, when elections would be held.

During his first days in office, Rodriguez Saa announced a new economic plan based on: 1) the suspension of public-debt payments, 2) a new job-creation programme and 3) the development of a new currency (the *Argentino*), which would begin to be circulated in January 2002 and would not be convertible into...
U.S. dollars. However, on the 30th December, after continued rioting and a lack of political support, Rodríguez Saa also resigned, after just seven days. Immediately after, the Senate leader, Ramón Puerta, resigned in order to avoid being appointed as interim President for a second time. The presidency was then occupied for three days by the President of the Deputies Chamber, Eduardo Camaño, who also resigned on 1st January. No immediate successor emerged (Hornbeck 2002). The political, economic and social turmoil was of such an unprecedented magnitude that no one seemed to be willing to step forward as a potential Presidential candidate. I consider this to be evidence of the extent of the political crisis. To avoid a vacuum of power that could jeopardise the continuation of the political system permanently, Senator Eduardo Duhalde41 was appointed by the Congress on 1st January to complete a Presidential term scheduled to run until December 2003. The following day, Duhalde was sworn in. Upon taking office, President Duhalde was confronted with one major problem: how to address poverty and unemployment rates, thus calming the rising social unrest. He embraced an anti-market rhetoric, thinking that this would placate the citizenry. In his acceptance speech, he lambasted neoliberalism as an economic model, as well as the new business groups that had profited from privatisation (even though it was his own party that had pursued the market reforms of the 1990s, under Menem’s leadership). In a way, this strategy gave the public the idea that, at least rhetorically, the incumbent Government was against the continuation of such economic management. Thus, I argue that this moment constituted a critical juncture, the 2001 crisis became a turning point in the historical trajectory of Argentinian political economy; it caused a profound economic and political

41 Eduardo Duhalde was a member of the Partido Justicialista who had previously governed the Buenos Aires province.
backlash as it entirely delegitimised the neoliberal approach that Menem had followed.

On 3rd January, 2002, it finally became clear that Argentina could no longer borrow in order to roll over its debts and pay off the interest. President Duhalde was forced to default and to devalue the peso, thereby ending convertibility by presidential decree. The nominal devaluation in 2002 (which occurred when one-to-one convertibility was ended in Argentina) revealed in full force Argentina’s latent problems, which were made much worse by the exchange rate (the peso’s value fell to $1/4 of a US dollar) and the disruption of the payments system that resulted from the deposit freeze (the corralito policy explained previously), which might have been partially avoided if better policy responses had been given (Perry and Serven 2002). Financial stress was aggravated by the exposure of the banks and Pension Funds to increasing government risk (pension funds were invested in government debt). Thus, a vicious circle of economic contraction, fiscal hardship and financial stress ensued. Although the devalued peso would eventually raise Argentine exports, in the short term, the weakening of the currency caused widespread bankruptcies (Fiszbein et al. 2002).

On 23rd January, 2002, following the 3rd January default, the Argentine Senate passed a bankruptcy law, putting in place capital controls to restrict foreign

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42 Soon after the default decision, Eduardo Duhalde defiantly declared that the ‘Washington consensus’ was a ‘broken model’. He argued that ‘For many years in Argentina, they have made us believe that amid this new world order, there is only one possible economic model. That is a complete falsehood’ (cited in Helleiner 2005: 953). For the next year and half, the Argentine Government gave no specific indication of when or how it intended to repay its debts. The country was experiencing a severe depression and its politicians made it clear that the repayment of foreign debt was not a priority.

43 ‘Government risk’ is an investment term that describes the impact of prospective changes in policies on the executive.
private debt payments. In the days that followed, as the protests continued in Argentina, Carlos Ruckauf, Argentina’s Foreign Minister, visited the Bush administration’s cabinet members, appealing for political and financial support (Edwards 2002; Hornbeck 2002). This series of events signified the culmination of the critical situation experienced by the country during 2001 and early 2002, which affected every branch of the economic, political and social systems. In February 2002, economic activity fell by almost 11 per cent, although it started to rebound by the middle of the year, thanks to increases in the prices of Argentinean exports (particularly for raw materials). These increases had positive effects on the economy, lowering the inflation rate to 3.8 per cent and enabling 8.7 per cent economic growth to occur. This change of fortune was reinforced with a reduction in political uncertainty, as President Duhalde stayed in office and called for new elections. The 2003 electoral process was essential in order to secure emergent stability, which had been hard earned but was still relatively weak. The Partido Justicialista led the process, as the Union Civica Radical was not in a strong enough position to regain political ground.

Within the Justicialismo, two leaders were in competition: Carlos Saúl Menem and Néstor Kirchner. Kirchner and his Frente para la Victoria [Front for Victory] (a Peronist electoral alliance) gained ground with a campaign based around a speech on the moralisation of public life. He condemned previous acts of corruption, aiming to obtain legitimacy at the same time as promising firm renegotiations with the IMF (Catenazzi et al. 2005). Kirchner had previously been a member of the Juventud Peronista, a left-wing sector within the Partido Justicialista. In 1987, he was elected Mayor of Rio Gallegos and because of his
success in this role, he was put forward by the Justicialismo as a candidate for the post of Governor of Santa Cruz province. In 1995, Kirchner was elected to the position. During his term in office, he encouraged public investment; this measure was different to that applied by President Menem (who, at that time, was also the leader of the party). From that moment onwards, Kirchner created his own path within the party, creating the Corriente Peronista (Peronist Current): a leftist stream. On 15th January, 2003, just a month before the Partido Justicialista’s internal election to appoint its presidential candidate, President Duhalde announced his support for Néstor Kirchner.

During his campaign, Kirchner promised to undertake leftist reform, criticising Menem’s economic management and promising to fight corruption. In contrast, the Union Cívica Radical (UCR) was unable to develop an attractive campaign. As Corrales (2002) states, programmatic adaptation was difficult in part because the UCR had a hard time retiring old leaders; in 2000, the party still had the same leader that had been in place since the late 1970s: Raul Alfonsin, who was also President of Argentina from 1983 to 1989. His overextended political life is even less justifiable considering his disastrous leadership: in 1989, he resigned as President because he could not prevent hyperinflation, and in the 1990s, he led the UCR through three catastrophic electoral defeats (Corrales, 2002).

The electoral process therefore involved just two candidates from the same party. On 27th April, both Carlos Saúl Menem and Néstor Kirchner were voted in; in the first round, the Frente para la Victoria (Kirchner) obtained 22 per cent of the votes, against the Alianza Frente por la Lealtad (Menem), which achieved 24.3
per cent. Due to the close result, a second round was scheduled for 18th May. A series of polls indicated declining support for Menem and on 14th May, he announced his withdrawal from the electoral process. Consequently, Kirchner automatically became the President elect. Before assuming his position, Kirchner visited Brazil and Chile, where he gained the support of Presidents Lula da Silva and Ricardo Lagos. His aim was to achieve a continental economic recovery based on a social centre-leftist programme, in which the state would be integral to economic development, promoting employment through employment-generation and workfare programmes. In this sense, the 2001 crisis can be considered a critical juncture that enabled the alteration of the political and economic pathway that the country was following.

The beginning of Néstor Kirchner’s presidency was full of expectations. The economy was in recovery but it was necessary to proceed carefully and make necessary negotiations with the IMF. The new President also faced the challenge of designing public policies to tackle social needs. This was of paramount importance for him in terms of ensuring the continuation of his term in office. The adoption and implementation of poverty-alleviation policies first began under Duhalde, but was developed further during Kirchner’s presidency. However, it is impossible to ignore some of the other challenges that the new Government faced, such as the renegotiation of public services (which, of course, had a direct impact on the poor and unemployed) and the restructuring of the banking system.

With regard to public services, following the privatisation process that took place during President Menem’s term in office, public transport, as well as gas,
electricity and water distribution, and the management of rail networks, motorways, airports, ports, post and telecommunications, was passed on to various different enterprises. However, after the devaluation of the Argentine peso, the Government intervened, imposing controls over the rates for such services, which led to two problems: firstly, a constant battle began with the enterprises that owned such services, as their limited earnings left them unable to cope with the inflation rate. In order to manage this situation, during his term in office, President Duhalde negotiated incremental increases to such rates, which created the second problem: consumers fought against these measures, as their own finances were affected. The ways in which Kirchner managed this situation during his presidency do not form a part of this study, but it is important to note that, at the beginning of his term in office, there were other challenges to be tackled, besides poverty.

To summarise, by December 2001, the Government was unable to pay its foreign debts. Spending was cut in all areas, leading to rapid increases in poverty and unemployment rates, which foreshadowed political collapse. According to Pastor and Wise (2001), Government employees experienced a wage reduction of 13 per cent in 2001. Stiglitz (2002) states that unemployment rose at the same time, affecting around 20 per cent of the population. I argue that several explanations can be put forward to account for this situation, including adverse policy advice from the IMF, a lack of responsibility and accountability

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44 In this regard, Stiglitz (2002:02) states: ‘The crisis that had been brewing in Argentina for several years finally burst out in December. Street demonstrations overturned a democratically elected government. The country could not meet its debt payments. It had no choice but to default, and the economic regime, with the Argentine peso fixed in value to the dollar, had to crumble. Since then, the economy has gone from bad to worse. What is remarkable about Argentina is not that social and political turmoil eventually broke out, but that it took so long’.
mechanisms within the Argentine Government (Krueger 2002), and the fixed exchange rate policy, through which the peso had been pegged one-to-one with the dollar since 1991. On this subject, we can observe how, in Argentina, the seeds of its recurrent crisis were planted by the imprudent behaviour of its rulers. As has been shown, the Argentine crisis involved a structural and, therefore, multidimensional crisis. From December 2001, the political destiny of the nation was unknown, given the lack of credibility of the political class. At the same time, it was necessary to face the issues of the suspension of payments towards foreign debts, massive withdrawals, unemployment, poverty and social turmoil. How Presidents Duhalde and Kirchner managed this scenario and, in particular, the issues of poverty and unemployment, will be analysed in the next section.

3.2.3 THE SOCIAL IMPACT OF THE 2001 CRISIS

The combination of the hard peg of the Argentinean peso to the US dollar and excessive borrowing led to an unsustainable fiscal situation and, ultimately, to the collapse of the economy at the end of 2001. Extreme poverty levels were experienced following the severe economic crisis, which reached a critical point right after de la Rúa’s resignation (Alperin 2009). Widespread concerns about the impending collapse of the Convertibility Plan and a possible default on external

45 As Stiglitz (2002:02) explains: ‘That Argentina has moved to the bottom of the class has much to do with the exchange rate system. A decade ago, it had hyperinflation, which is always disastrous. Pegging the currency to the dollar – one peso equalled $1, no matter what the rate of inflation or the economic conditions – acted, almost miraculously, to cure this problem. The IMF supported the policy. It stabilized the currency and was supposed to discipline the government, which couldn’t spend beyond its means by printing money without breaking the peg. It could only spend beyond its means by borrowing. And to borrow, presumably, it would have to follow good economic policies. A magic formula seemed to have been found to tame the seemingly incorrigible politicians’.
debt led to extreme measures being taken to prevent withdrawals of bank deposits, which, in turn, heightened liquidity constraints as bank accounts were frozen almost completely and withdrawals from U.S-denominated bank accounts were forbidden, limiting cash availability (Galasso and Ravallion 2003). The almost-immediate impact on welfare was severe; unemployment rose sharply, as did various indicators of poverty (Fiszbein et al. 2002; World Bank 2003). Act 25.561 and Regulatory Decree 165/2002 declared a national state of emergency until 31st December, 2002 (Alperin 2009).

The December crisis provoked a dramatic collapse in Argentina, resulting in the deepest political and economic slump in generations. Few countries have experienced such economically catastrophic events. Over the four-year period from 1999 to 2002, Gross Domestic Product fell by over 20 per cent. Furthermore, poverty and extreme poverty rates rapidly increased during the crisis. The official poverty rate showed that 53 per cent of the population was poor in May 2002. This rate rose to 57.2 per cent by October 2002, a huge rise, compared with the rate 38.3 per cent in October 2001. Additionally, the homelessness rate rose from 11.6 per cent to 24.8 per cent during the same period (Fernández 2005). This crisis was a challenge that had to be met via the design of appropriate state policies to reduce poverty (Cortés et al. 2005) In this regard, I argue that the 2001 crisis was a critical juncture in the evolution of Argentina’s social protection system.

During the first six months of 2002, the national currency lost nearly 70 per cent of its value against the US dollar, and Gross Domestic Product fell by 11
percentage points in 2002. The combination of an increase in unemployment (reaching 21.5 per cent in May 2002) and a reduction in real wages, due, largely, to soaring inflation, led to a dramatic increase in poverty, as explained above. The following tables compare the information provided by the Central Intelligience Agency (CIA) and the International Monetary Fund (IMF) in order to show the trajectory of unemployment rates. The data gives the percentages of the labour force that were without jobs (substantial unemployment can be noted here).

TABLE 4 - UNEMPLOYMENT RATE 2003-2010 (adapted from the CIA World Factbook 2010).

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment rate</th>
<th>Per Cent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>21.50 %</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>17.30 %</td>
<td>-19.53 %</td>
</tr>
<tr>
<td>2005</td>
<td>14.80 %</td>
<td>-14.45 %</td>
</tr>
<tr>
<td>2006</td>
<td>11.60 %</td>
<td>-21.62 %</td>
</tr>
<tr>
<td>2007</td>
<td>8.70 %</td>
<td>-25.00 %</td>
</tr>
<tr>
<td>2008</td>
<td>8.50 %</td>
<td>-2.30 %</td>
</tr>
<tr>
<td>2009</td>
<td>7.90 %</td>
<td>-7.06 %</td>
</tr>
<tr>
<td>2010</td>
<td>8.70 %</td>
<td>10.13 %</td>
</tr>
</tbody>
</table>

The data in Table 4 is based on private estimates; official estimates put unemployment at 8.4 per cent in 2009 and 7.3 per cent in 2008, but the official
figures lack credibility, according to the CIA, as the polls were carried out by the National Institute of Statistics and Census, abbreviated INDEC in Spanish (an Argentine government agency). To furnish a comparison, Table 5 displays the equivalent data provided by the Argentine Government and the IMF. Some variations in the yearly rates can be seen. As the Argentine records can be traced back to the 1980s, I have decided to display all the available data in order to demonstrate changes in the reported unemployment rate between 1980 and 2010.

**TABLE 5 - EQUIVALENT UNEMPLOYMENT RATES** (adapted using data from the International Monetary Fund 2010, the CIA World Economic Outlook 2010 and INDEC 2010).

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment rate</th>
<th>Per Cent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>5</td>
<td>66.67 %</td>
</tr>
<tr>
<td>1982</td>
<td>4.5</td>
<td>-10.00 %</td>
</tr>
<tr>
<td>1983</td>
<td>5</td>
<td>11.11 %</td>
</tr>
<tr>
<td>1984</td>
<td>5</td>
<td>0.00 %</td>
</tr>
<tr>
<td>1985</td>
<td>6.25</td>
<td>25.00 %</td>
</tr>
<tr>
<td>1986</td>
<td>6.3</td>
<td>0.80 %</td>
</tr>
<tr>
<td>1987</td>
<td>6</td>
<td>-4.76 %</td>
</tr>
<tr>
<td>1988</td>
<td>6.5</td>
<td>8.33 %</td>
</tr>
<tr>
<td>1989</td>
<td>8</td>
<td>23.08 %</td>
</tr>
<tr>
<td>Year</td>
<td>Value</td>
<td>Percentage</td>
</tr>
<tr>
<td>------</td>
<td>--------</td>
<td>------------</td>
</tr>
<tr>
<td>1990</td>
<td>7.6</td>
<td>-5.00 %</td>
</tr>
<tr>
<td>1991</td>
<td>6.48</td>
<td>-14.74 %</td>
</tr>
<tr>
<td>1992</td>
<td>7.112</td>
<td>9.75 %</td>
</tr>
<tr>
<td>1993</td>
<td>11.724</td>
<td>64.85 %</td>
</tr>
<tr>
<td>1994</td>
<td>14.41</td>
<td>22.91 %</td>
</tr>
<tr>
<td>1995</td>
<td>18.854</td>
<td>30.84 %</td>
</tr>
<tr>
<td>1996</td>
<td>19.12</td>
<td>1.41 %</td>
</tr>
<tr>
<td>1997</td>
<td>15.948</td>
<td>-16.59 %</td>
</tr>
<tr>
<td>1998</td>
<td>14.695</td>
<td>-7.86 %</td>
</tr>
<tr>
<td>1999</td>
<td>16.204</td>
<td>10.27 %</td>
</tr>
<tr>
<td>2000</td>
<td>17.386</td>
<td>7.29 %</td>
</tr>
<tr>
<td>2001</td>
<td>20.705</td>
<td>19.09 %</td>
</tr>
<tr>
<td>2002</td>
<td>20.8</td>
<td>0.46 %</td>
</tr>
<tr>
<td>2003</td>
<td>14.5</td>
<td>-30.29 %</td>
</tr>
<tr>
<td>2004</td>
<td>12.1</td>
<td>-16.55 %</td>
</tr>
<tr>
<td>2005</td>
<td>10.1</td>
<td>-16.53 %</td>
</tr>
<tr>
<td>2006</td>
<td>8.7</td>
<td>-13.86 %</td>
</tr>
<tr>
<td>2007</td>
<td>7.5</td>
<td>-13.79 %</td>
</tr>
<tr>
<td>Year</td>
<td>Unemployment Rate</td>
<td>Variance</td>
</tr>
<tr>
<td>------</td>
<td>-------------------</td>
<td>----------</td>
</tr>
<tr>
<td>2008</td>
<td>7.3</td>
<td>-2.67 %</td>
</tr>
<tr>
<td>2009</td>
<td>8.4</td>
<td>15.07 %</td>
</tr>
<tr>
<td>2010</td>
<td>8</td>
<td>-4.76 %</td>
</tr>
</tbody>
</table>

An analysis of changes to the unemployment rate reveals substantial increases between 1980 and 2002, when it reached its peak, according to the available data. In addition, variations can be noted when comparing different sources, particularly between 2003 and 2006 (the percentage of variance decreases between 2007 and 2010). It is difficult to state which source is more accurate, but the Government rates offer a less dramatic view of the situation. If the rates were, in fact, manipulated, this might have been part of a political strategy to achieve new loans and economic stability. It should be taken into account that when the Argentine Government declared itself unable to pay its debts in December 2001, the world witnessed the largest sovereign default in history, which affected such rates, as well as the country’s lending capacity (Helleiner 2005). Hence, a manipulation of rates may have been used as a means to alter the external perception of the crisis.

In this state of emergency, the Government had to act quickly as an employer of last resort. Between 2001 and 2003, national political leaders tried to regain social support by expanding social protection. The demand for a poverty-alleviation policy based on income distribution had already been made apparent through 1) the significant participation of the *Piqueteros de La Matanza* in the national roadblocks of July and August 2001 against the ‘zero deficit’ plan implemented
by Cavallo, and 2) the involvement of the Central de Trabajadores de la Argentina, or CTA [Confederation of Workers of Argentina] in the creation of the Frente Nacional contra la Pobreza, also known as FRENAP [National Front against Poverty] in 2001. In the popular referendum launched by the CTA and the FRENAP five days before the crisis broke out, two and a half million out of three million people spontaneously voted in favour of the implementation of a universal unemployment benefit of US $114, or 380 Argentinean pesos per month, for all heads of household. The FRENAP proposal entailed a comprehensive political strategy of income distribution (Dinerstein 2003) and may be considered the basis of the design for the Plan Jefes y Jefas de Hogar Desocupados (PJJHD). This cash-transfer programme was adopted as part of the Argentinean social protection system and sought to tackle poverty, following a period of crisis.46 However, as previously explained, similar programmes had been implemented in the region and the country before: two key regional examples are the Mexican programme PROGRESA, later named Oportunidades and now rebranded as Prospera, and the Brazilian programme Bolsa Familia (although it is not the purpose of this chapter or study to analyse such programmes). As explained in Section 3.1, in Argentina, cash-transfer programmes were first introduced in 1995, when the country was facing a harsh economic recession after the fall of the Mexican economy. Back then, the Plan Trabajar was implemented as a Conditional Cash Transfer (CCT) programme that provided temporary jobs for poor unemployed households. It was designed as an emergency programme that, soon after, was cancelled (Roca and Moreno 1998), though, according to available data, it reached 200,000 beneficiaries (Cruces and

46 This issue is analysed further in Chapter 4.
Rovner 2008). In the following section, I explain how social protection was expanded through cash-transfer programmes. This will help illustrate my argument that the 2001 crisis was a critical juncture in terms of the historical evolution of social protection in the country. This issue is related to my main research question ‘What political forces and processes have influenced and shaped the adoption and implementation of social policy interventions targeted at poverty alleviation in Argentina in the post-2001 period?

3.2.4 SOCIAL PROTECTION AS A RESPONSE TO THE CRISIS

After the crisis, the Government opted to introduce new income support programmes, which constitute a common social policy response to economic crisis. While the aims of the Government may have varied in practice, the common goal was to protect the living standards of those families affected most adversely by the crisis (Alperin 2009). The Argentine Government aimed to create a programme that targeted specific areas via a child allowance that would be offered to the poor (Kostzer (2008)

On 3rd April 2001, Duhalde’s government announced that two programmes would be put in place: 1) the Programa de Emergencia Alimentaria, which targeted poor families and 2) the Plan Jefes y Jefas de Hogar Desocupados, which sought to provide direct income support to householders made redundant as a consequence of the crisis. This was a social assistance policy targeting the poor (Boris and Tittor 2006) and, as such, represents a critical juncture in the history of the Argentine social protection system, which influenced future social policy interventions. The Plan Jefes y Jefas de Hogar Desocupados is considered to have
been the main public safety-based response to the severe economic and political crisis that Argentina faced at that time (World Bank 2003).

Unlike *Plan Trabajar*, this programme was proposed as a Conditional Cash Transfer (CCT) programme and followed a principle of universality, aiming to reach all members of the population and avoid the process of targeting. The programme would be managed by the *Ministerio del Trabajo* and introduced rapidly. Authors such as Cruces and Gasparini (2010) argued that there were problems inherent in its design and implementation, however, due to the celerity with which the state had to react; it was not clear, for example, how the posterior counter obligation of work and school attendance would be verified in the context of the crisis.

Later on, Néstor Kirchner’s government looked to expand social assistance through income support in the form of cash transfers. At the time of his inauguration in May 2003, Kirchner advocated a ‘national capitalism’, making it clear that he would prioritise Argentina’s domestic needs over those of foreign creditors.\(^\text{47}\) As he put it at the time, ‘it’s not that we want to not comply, to not

\(^{47}\) ‘During negotiations with the IMF, President Néstor Kirchner had, in fact shown his willingness to default to the IMF if tougher conditions were imposed; one day before the deal was reached, his government chose to withhold a $2.9 billion scheduled repayment to the Fund…. During the election campaign Kirchner had deliberately distanced himself from Argentina's pro-US policy of the 1990s and indicated his desire to build closer ties with other Latin American leaders on the left such as Lula. US policy makers responded to his election by actively trying to cultivate the support of this new leader. He was, for example, surprised to receive an invitation to the White House in July, at which he reported that Bush made a “clear, concrete commitment” to support Argentina in its negotiations with the IMF. When the Bush administration carried through on this commitment at the time of the controversial September 2003 IMF agreement and Argentine debt offer, analysts noted that this support continued to be linked partly to the fact that “the Bush administration did not want to risk Kirchner going it alone and perhaps becoming another Hugo Chavez”…. Argentina’s position was particularly important because Kirchner was flirting with a strategy of co-ordinating his country’s trade policy somewhat with Brazil’s, a strategy he did eventually endorse in mid-October. After a much watered-down version of the FTAA (Free Trade of the Americas) deal was agreed in November, analysts continued to argue at the time of the first review
pay..., but neither can we pay at the expense of seeing more and more Argentines postponing their access to proper housing, a safe job, education for the children, and health services…. Poverty alleviation is more important than honouring debt’ (Haskel 2003, cited in Helleiner 2005: 954). He was able to rebuild law and order by gaining the support of public and business circles through a return to Peronist measures such as price-fixing for electricity, water and basic foodstuffs (Petras 2004; Levitsky 2001).

As the PJJHD programme had been designed as an emergency social-protection policy when the Argentine economy started to recover, the national Government proposed the creation of two exit programmes, with the aim of encouraging the reintegration of unemployed heads of households into the market. These programmes would eventually facilitate the winding up of the PJJHD. In 2005, under Kirchner’s rule, the Seguro de Capacitación y Empleo (SCyE) and the Programa Familias por la Inclusión Social (commonly referred to as the Plan Familias) were proposed as means of transition for beneficiaries of the PJJHD.48 Regrettably, the recently impoverished and those who were not part of the PJJHD would remain excluded (Cruces and Gasparini 2010). In this regard, it could be argued that the adoption of the PJJHD became a policy legacy for future social policy interventions, setting a bounded trajectory for the expansion of social assistance.49

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of the IMF programme in January 2004 that US policy towards Argentina was being influenced by its “need to hang on to allies in the region” … The Argentine government’s stance culminated in early 2005 in the most dramatic private debt restructuring of recent years, under which investors took a cut on the value of their bond holdings’ (Helleiner 2005: 951-953).

48 This issue is discussed further in Chapters 5 and 6.
49 This issue is tackled in more detail in Chapter 4.
Plan Familias and the SCyE retained the income support element of the PJJHD scheme, though they also incorporated different variables. The SCyE would be managed by the Ministry of Work and run by the municipalities. It provided its beneficiaries with cash transfers of $225 (US $67.5) Argentine pesos but, unlike the PJJHD, it also offered training and aimed to reintegrate people into the formal market through liaison with work agencies. During the transition from the PJJHD to the SCyE, a beneficiary would receive a cash transfer for up to two years. The transition from one programme to another was voluntary. To encourage this transition, two features were included in the programme: 1) the time that the beneficiary spent in the SCyE programme would be taken into account at retirement and 2) the beneficiary would be allowed to continue to receive the cash transfer after finding a job for between 6 months (if the new job was within the private sector) and one year (if the job was within the public sector) (World Bank 2005). In contrast, the Plan Familias provided an initial cash transfer of US $46.50 (155 Argentinean pesos) and an additional benefit of US $9 (30 pesos) per child, up to a limit of US $91.5 (305 pesos) in the case of households with 6 or more children. Unlike the SCyE, no labour-related counter obligation was established as part of the Plan Familias; the benefit could be claimed regardless of the household’s labour status. The only restriction was that the family income has to be inferior to the minimum wage, and the head of household had to have been enrolled previously in the PJJHD programme.

To summarise, I argue that the macroeconomic policy that the Argentine Government followed after 2002 was related closely to the task of poverty alleviation and represents a critical juncture in the development of its social
The income support offered through cash-transfer programmes such as the PJJHD played an important role in economic recovery, although another important aspect was the introduction of corrections to the pension system between 2003 and 2007.

When the crisis hit the country, the pensions of over 1.4 million people were affected (Lewis 2002). The crisis therefore had serious implications not only for poverty and unemployment, but also for the pension system. Furthermore, the nominal devaluation in 2002 made this problem much worse due to the exchange rate being overshot (as explained, the peso was devalued at a rate of 4 to 1 in relation to the US dollar) and the payments system being disrupted due to the deposit freeze (in which bank accounts were frozen almost completely and withdrawals from US-denominated bank accounts were forbidden). This exposed Pension Funds to increasing Government risk. As the Government had managed to develop a strategy of poverty alleviation that tackled unemployment and investment in human capital, the next task was to reform the social security system.

In 2005, the Plan de Inclusión Previsional (PIP) was created by Decree 1556.\(^{50}\) The plan aimed to tackle poverty by extending coverage of the retirement scheme. Accordingly, men aged over 65 and women aged over 60, who had become unemployed or worked on the informal market during the 1980s and the 1990s and, as a consequence, had been unable to pay full contributions, were still able to access a pension (Bodou et al. 2007). Similarly, men under 65 or women under 60

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\(^{50}\) This particular programme is analysed in Chapter 4.
who had paid 30 years of contributions but had difficulties finding work due to their age could access the scheme. According to Bodou (2007), this programme encouraged a rapid increase in the coverage of the pension system, from 47.3 per cent in 2005 to 70.5 per cent in 2007. According to the World Bank (2005), the impact of this reform, along with the implementation of the cash-transfer programmes described above, seems positive, as poverty rates fell between 2003 and 2007 – although it should be noted that the economic recovery started in 2003 was fuelled by domestic consumption and export earnings. Further analysis is needed, and in Chapters 4 to 6, I extend the discussion regarding the aforementioned programmes and the reform of the social pension system.

CONCLUSIONS

Undoubtedly, Argentina has a strong history of social protection, but only within the formal employment sector. As analysed in Chapter 2, the programmes implemented were always connected to the design and use of labour policies, being mechanisms of co-optation for the Government and the labour movements. This resulted in contributory programmes that, in the main, covered basic services and social insurance – particularly pensions. As the 1980s crisis unfolded, the limitations of such programmes were made evident both in Argentina and across the region. Soon after the end of the authoritarian Government, democratically elected presidents started a series of reform processes that altered this historical pattern.

The emergence of democracy was accompanied by a definite shift towards economic liberalisation. From 1983, democratic/neoliberal governments
(particularly Menem’s) aimed to reduce state intervention, promoting a series of privatisation processes for state-owned enterprises and social security. On this subject, I argue that the emergence of democracy/neoliberalism represents a critical juncture in terms of the evolution of social protection; social security was partially privatized and a different form of social policy intervention, based on the idea of targeting, was introduced.

Institutions and programmes that aimed to tackle poverty were created during this time, with the *Plan Trabajar* being the most important during Menem’s government. Nevertheless, during the 1990s, the introduction of poverty-alleviation policies was accompanied by institutional fragmentation. This, I argue, was an issue related to the legacy of institutional weakness. On the other hand, Menem’s close relationship with the private sector represented a feedback process in terms of the historical evolution of *Peronismo*, in which the main source of support was the working class. In this respect, the historical union/party tie seemed to be affected, as the interests of the working class were relegated from the *Partido Justicialista* political agenda in favour of a close relationship with the private sector. In this respect, the bargaining power of unions seemed to diminish. Ultimately, by the end of Menem’s second period in office, the economic system had entered a dramatic crisis, with the *Plan de Convertibilidad* being one of the causes. On this subject, we can observe how, in the history of Argentina, the seeds of recurrent crisis have been planted too often by the imprudent behaviour of its rulers. Recession started in 1998, fostering social and political instability. The following year, in December 1999, Fernando de la Rúa arrived in office. In subsequent months, rising prices and unemployment fuelled social protests.
Argentina defaulted on its foreign debt and social turmoil reached its peak, a situation that led to de la Rúa’s resignation on 20th December, 2001.

The 2001 crisis had a profound political and social impact. Between October 2000 and August 2002, there were five cabinet crises, two presidential resignations, one Senate crisis, and five ministers of the economy also resigned (Corrales 2002). This revealed to the public the extent of the internal political crisis, which had been brewing for over a decade. Spending was cut across the board, extreme poverty levels were reached and unemployment rates rose sharply. In the following years, as Grueguel and Riggiorozzi (2007: 3) explain, ‘the crisis was taken to confirm the comprehensive failure of neoliberalism’. Thus, I argue that this moment constituted a critical juncture, a turning point in the historical trajectory of Argentinian political economy as it entirely delegitimised the neoliberal approach that Menem had followed.

After the arrival of President Duhalde in January 2002, the Government had to act quickly as an employer of last resort. It aimed to implement a poverty-alleviation programme, opting for an income support strategy that used cash transfers. This, I contend, represents a critical juncture in the evolution of social protection. Aimed at tackling poverty and unemployment, social assistance was extended via the Plan Jefes y Jefas de Hogar Desocupados. This programme is considered to have been the strongest Argentine poverty-alleviation strategy in the history of the country (World Bank 2005). It was based on increasing state expenditure in order to provide direct income support to families where the head of household had become unemployed as a consequence of the 2001 crisis. The adoption of this
programme represented a shift in the nature of social policy interventions. Income support continued to increase after economic recovery started in 2003, with various social assistance and social insurance programmes being implemented. *The Seguro de Capacitación y Empleo* was created in 2004 under Kirchner’s rule to complement the *Plan Jefes y Jefas de Hogar Desocupados*. It was based on a strategy of capacity building that targeted those unemployed workers who were receiving benefits through the PJJHD. The aim was to help them to find employment so that they would no longer depend on the governmental income support. Furthermore, the *Plan de Inclusión Previsional* expanded pension coverage for the elderly.

The aforementioned programmes shared a basic element: they were income support programmes implemented via cash transfers. Going back to the classifications previously given in the methodological section (Table 1), the PJJHD was, in essence, a Conditional Cash Transfer programme, but it integrated elements of all three categories:\(^5^1\) it concerned unemployment and the provision of cash assistance to the poor (or those at risk of falling into poverty in the absence of the transfer); it was meant to protect the incomes of vulnerable households; it promoted the accumulation of human capital and it was created to counter an economic shock. The *Seguro de Capacitación y Empleo* was also a Conditional Cash Transfer programme, in which the provision of cash assistance was a means to promote the accumulation of human capital. The *Plan de Inclusión Previsional* was an Unconditional Cash Transfer in the form of a social pension.

\(^{51}\) Unconditional, Conditional and Public Works programmes.
Further analysis is needed of the process that surrounded the adoption and implementation of these programmes. In the following chapter, I examine the context within which the Plan Jefes y Jefas de Hogar Desocupados was created. This analysis is extremely relevant in terms of understanding the approach of the Argentine Government to poverty-alleviation policies after the 2001 crisis.

Other questions also remain open. What political forces and processes have influenced and shaped the adoption and implementation of social policy interventions targeting poverty alleviation in Argentina during the post-2001 period? Are policy legacies related to contemporary social policy interventions designed to tackle poverty? I aim to answer these questions within the following chapters.
CHAPTER 4. THE PLAN JEFES Y JEFAS DE HOGAR DESOCUPADOS

INTRODUCTION

In the last chapter, I examined the consequences of the 1980s debt crisis, the arrival of democratic/neoliberal governments and the impact of the 2001 crisis on the social protection system. As explained previously, the 2001 crisis can be considered a critical juncture for Argentina’s political and social protection systems. The country faced a political and economic breakdown that discredited the status quo. Deep political and financial crisis prompted President de la Rúa to resign in December 2001 and led to the installation of Eduardo Duhalde (a member of the Partido Justicialista) as the interim President (Garay 2007). Economic and political institutions lost credibility, and there were sudden increases in poverty, unemployment rates and social unrest. In the months to follow, this critical juncture opened up the political space and allowed the reorientation of the political agenda. In this context, social protection was reformed, altering its historical pattern. Argentina’s 2001 crisis was seen as evidence of the failure of neoliberalism in the developing world. In the following

52 In order to offer some of the key statistics that illustrate the impact on social indicators, I return to data presented earlier. According to Julio César Neffa (2008), by October 2001, unemployment was affecting around 18.4 per cent of the EAP in the Gran Buenos Aires area. Over the four-year period from 1990 to 2002, Gross Domestic Product (GDP) fell by over 20 per cent and by October 2002, the urban poverty rate had reached 57.2 per cent, indicating that poverty and extreme poverty rapidly become prevalent during the crisis (Neffa 2008). The official poverty rate showed that 53 per cent of the population was poor in May 2002, which represented an increase of nearly 36 per cent, compared with the year before. Additionally, the indigence rate rose from 11.6 per cent to 24.8 per cent during the same period (Fernández 2005). According to Lewis (2002), the pensions of over 1.4 million people were affected. This increasing instability led to the decomposition of Fernando de la Rúa’s government in December 2001. This decomposition was accompanied by a political crisis; over the eleven days from 20th to 31st December, the country had four presidents: de la Rúa, Ramón Puerta, Adolfo Rodriguez Saa, and Eduardo Duhalde. As explained previously, in this situation, the Frente Nacional Contra la Pobreza (FRENAPO) proposed an unemployment insurance programme. This proposal was, in a way, the basis for the Plan Jefes y Jefas de Hogar Desocupados that was established by the government of Eduardo Duhalde (successor to de la Rúa) as a strategy to tackle poverty and unemployment.
months and years a new policy frame started to emerge and the state became more active in the promotion of growth (Gruegel and Rigirozzi 2007).

In this chapter, I analyse the policy process for the *Plan Jefes y Jefas de Hogar Desocupados*. I aim to identify the political forces and processes, as well as the configuration of actors that influenced its adoption and implementation. Furthermore, I examine the ways in which earlier critical junctures and policy legacies are related to this process, thus addressing the following research questions: ‘What political forces and processes have influenced and shaped the adoption and implementation of social policy interventions targeting poverty alleviation in Argentina during the post-2001 period?’, ‘Are policy legacies related to contemporary social policy interventions designed to tackle poverty?’.

While the focus of this thesis and chapter is on Argentina, the results of this analysis are relevant to wider debates regarding the importance of previous policy choices as sources of political change and continuity. In this regard, social policy is extremely relevant to the manner in which households respond to economic shocks, and the particular role and effectiveness of government responses to such shocks is an important public-policy concern.

The chapter is divided as follows: Sections 4.1.1 and 4.1.2 concern with the policy process for the *Plan Jefes y Jefas de Hogar Desocupados* programme. In these sections, I examine how the policy process started to develop and discuss the configuration of actors involved in its adoption. Furthermore, I provide an analysis of how the Government reached its decision and explain the implications.
of the programme’s implementation. Particular emphasis is placed on how the introduction of this policy constituted a challenge in terms of institutional design, as well as a change of direction for the historical pattern of social protection in the country. Section 4.1.3 is examination of the political and administrative implications attached to cash-transfer programmes. Here, I analyse the ways in which the features of Argentine politics affected social policy interventions.

4.1 THE PLAN JEFES Y JEFAS DE HOGAR DESOCUPADOS: THE POLICY PROCESS

The Argentine Government’s key institutional response to the 2001 crisis was to tackle the increase in poverty and unemployment, which was effected via the launch of the Plan Jefas y Jefes de Hogar Desocupados, or PJJHD. A number of studies have analysed various aspects of the PJJHD. For example, Roca et al. (2003), Galasso and Ravallion (2003), and Franceschelli (2005) examine the targeting aspects of the programme, as well as its impact on poverty alleviation, while McKenzie (2004) analyses the effect of the PJJHD on household incomes. Despite some differences in the ways that the results are presented, these papers confirm that the policy did target the least-skilled and the poor, and that it protected individuals against poverty and homelessness.

In this section, I offer an examination of the policy process behind the adoption and implementation of the PJJHD programme using a policy-centred approach (Pieson 1993; Mahoney 2000). After the convertibility crisis in 1998, unemployed and informal workers started to unite, taking forms of collective action, as seen in the case of the Piqueteros. These groups pressurised the Government, demanding employment, improvements to health services and education, and other changes
(Neffà 2008). During Menem and de la Rúa’s governments, the Piqueteros began assembling in a more organised fashion and soon became affiliated with the Central de Trabajadores Argentinos, or CTA (Burdman 2002).

In 2001, the CTA prompted the creation of The Frente Nacional Contra la Pobreza (FRENAPO) as its political front. Development of the FRENAPO was led by a group of social and workers’ organisations that included Piqueteros leaders such as Luis D’Ellia. In July 2001, the FRENAPO proposed the creation of a poverty-alleviation programme to address the crisis. This proposal was supported by a number of organisations, ranging from human-rights defence groups to religious institutions. The FRENAPO proposed a programme under which insurance payouts would be made to the unemployed, consisting of a monthly contribution of US $114 (380 Argentinean pesos) to unemployed heads of household, plus US $18 (60 pesos) per child and US $45 (150 pesos) for those over 65 years old without any kind of pension (Neffà 2008). This proposal won the popular vote in a public referendum but, as the crisis unfolded, it was not possible to bring the project to de la Rúa. Nevertheless, it became relevant as, later, it formed part of the analysis in the Mesa del Dialogo Argentino, or Argentine Dialogue Table (this issue will be discussed further in the next section).

4.1.1 THE MESA DEL DIALOGO ARGENTINO AND THE ADOPTION PROCESS

As explained previously, in the early days of 2001, the legislative assembly appointed Eduardo Duhalde as president. Duhalde declared a state of emergency in relation to employment and food, with the purpose of giving priority to the allocation of fiscal resources to alleviate the suffering of a large part of the
population. He called for a multi-sectorial dialogue to be held, seeking to achieve political support and generate consensus in a fragmented society, which earned the distrust of politicians as this was an unusual strategy undertaken at a time of high political uncertainty. This was the beginning of the policy process for the Plan Jefes y Jefas de Hogar Desocupados. Duhalde called for moral support from the Catholic Church and the technical assistance of the United Nations Development Programme (UNDP), which, together with the Government, set up the Mesa del Diálogo Argentino: the Argentine Dialogue Table (Braun et al. 2010). The aim was to generate a consensus between the Church, the United Nations, political parties, unions, entrepreneurs and the Piqueteros movement. One of its most significant initiatives was to push for the adoption of state policies that would foster social inclusion. In this respect, when Duhalde decided to include leaders of unemployed organisations such as the aforesaid Piqueteros into the Mesa del Diálogo Argentino, he enforced a degree of state control over such groups. This could be understood as a type of neo-Peronism (for further discussion of this issue, see Levitsky 2001; Levitsky 2003; Godio 2004; Flic 2011). The return of such clientelist practices was, I argue, related to policy legacies that were linked to Peronismo and its party, the Partido Justicialista. Furthermore, I contend that this was possible as there was a general loss of faith in the previous (neoliberal) model (Panizza 2005). On this subject Gruegel and Rigirozzi explain:

Duhalde sought, above all, to restore traditional forms of governance and stability. The new government saw it as imperative to take control of the new sources of production and to re-integrate the new social actors into the formal channels of state-society networks…Duhalde turned to old ideas and the residual legitimacy of the national development project which had been overturned in the 1980 and 1990s and his instinctive and tentative
policy response has come to be seen as a critical break with neoliberalism (2007: 95)

In this respect the crisis was a critical juncture that delegitimised the previous approach allowing for the emergence of a sort of Post-neo-liberalism\textsuperscript{53}. According to Gruegel and Riggirozzi (2007) President Duhalde social inclusion strategy was part of the search for post-crisis governance. According to Marcela Masnatta of the UNDP (a founder member of the \textit{Mesa}):

The most important achievement … was that we were able to agree … on a programme of Citizen Income, which was discussed as a universal right, a form of social inclusion. The recommendation from the Mesa was that the state should guarantee a minimum income to all citizens (Gruegel and Riggirozzi, 2007: 35).

From the beginning of the bargaining process, there were two main aims: 1) to secure funding for the programme and 2) to arrange its control through a social audit system (Blanco et al. 2005). \textit{The Mesa para el Dialogo} analysed a series of proposals elaborated by think thanks and social policy experts – in particular: 1) \textit{Ingreso Ciudadano} from the \textit{Centro Interdisciplinario para el Estudio de Políticas Públicas}, 2) \textit{Ingreso para el Desarrollo Humano} from Irene Novacovsky and Claudia Sobrón, 3) \textit{Ingreso de Desarrollo Humano} from Grupo Sophia and 4) \textit{Seguro de Desempleo y Formación para Jefes y Jefás de Familia Desocupados} from the FRENAPRO (Uña et al. 2009). All these proposals outlined social safety-net programmes, though their approaches varied with regard to coverage and the inclusion or absence of conditionalities.

\textsuperscript{53} Post-neo-liberalism should be understood as part of the regional debate that proposes a more dynamic role of the state in the pursuit of growth and social stability. The emergence of the new left in Latin America thus takes inspiration from a genuine revision of old state-led growth of the 1940s-1960s shifting away from the high period of neo-liberalism in the region, yet, without returning to autarchic policies to the past (Riggirozzi, 2010: 71)
After analysing the aforementioned proposals, the Mesa del Dialogo achieved a consensus. A summary of the general consensus was presented in the Bases para la Reforma [Basis for the Reform], a document divided into three chapters. Below, I offer a brief synopsis of the main points of each chapter:

1) The unprecedented crisis in Argentina that had eroded the public and private legitimacy was so serious that the democracy was under serious threat. The crisis included four years of recession, unprecedented unemployment, rapid increases in poverty and homelessness rates, an extended break in legal security, and the complete loss of a sense of public welfare. The severity of the situation required urgent and in-depth solutions, based on a long-term vision and coherent policies to overcome the past. With respect to the National Constitution, this could be understood as a period of transition.

2) It was seen as possible to reach a solution, but it had to be constructed on the basis of common values: regaining the trust, credibility, honesty and transparency of each actor involved, understanding solidarity as the expression of a distributive justice and reinforcing a national identity with a shared commitment to building a new project for the country. The transition to this new age was a process that demanded everybody’s participation – especially the case for political, financial, union and business leaders. These leaders needed to show behaviour changes. The transition had to be built on good decision-making to renew our institutions and reshape public behaviour.
3) In this context, based in the logic of reciprocity, civil-society organisations expressed a wish for cooperation between citizens and social movements, with a view to facing the crisis from a position of unity. Therefore, the Mesa del Diálogo embraced the consensus achieved in the Bases para el Diálogo Argentino [Basis for the Argentine Dialogue] on 30th January, 2002 and the document entitled Construir la Transición [To Build the Transition] (28th February, 2002). This consensus was presented to the President on 28th February and the central ideas can be summarised as follows:

I. To build a fair society
   1. Achieve equity in the costs of the crisis
   2. Provide priority and renew attention to the social emergency
   3. Embrace health as an inalienable right
   4. Support education as state policy
   5. See housing as a sphere of human development

II. Rebuild a state for the service of citizens and reinforce democracy
   6. Reform the political and representation systems
   7. Reform the legal system
   8. Transform and improve the security system
   9. Prioritise the finances of the country and its provinces
  10. Reform the state and create creditworthy public finance
  11. Install a new tax system

III. An economy for the service of the people and globally integrated
   12. Create a model of balanced and harmonious economic growth
   13. Foster monetary stability, encouraging savings and reconstructing the financial system
14. Insert Argentina into the world

IV. The instruments of the transition
   15. Institutionalisation of the dialogue
   16. Monitoring of reforms
   17. True media
   18. Renewal of the institution

Based on this consensus, the *Mesa del Dialogo Argentino* agreed to pursue a ‘citizen income’ programme; the document containing the proposal for the *Plan Derecho Familiar de Incusión Social* was delivered to President Duhalde on 28th February, 2002. This proposal mirrored the FRENAPO’s *Seguro de Desempleo y Formación para Jefes y Jefas de Familia Desocupados* as it was based on the idea of universal social inclusion and targeted the unemployed. The proposal involved three main components:

a) Labour re-insertion component: this sought to incorporate the unemployed workers who were beneficiaries of this plan into the private sector.

b) Training component: this was aimed at improving employment training for adults, whether they were beneficiaries of the plan or not.

c) Material component: through this, the state would make economic contributions to cover the costs of the materials needed to carry out infrastructure projects for communities.

The following month, on 3rd April, when the nation was experiencing record protest levels, President Duhalde made two crucial decisions. Firstly, despite dramatic austerity, he passed (by Decree 565) the *Plan Derecho Familiar de Inclusión Social: Plan Jefes y Jefas de Hogar Desocupados* (hereafter the PJJHD). Secondly, he unified several targeted social schemes into two large food
programmes that were implemented through community associations. The PJJHD programme focused on less-skilled, unemployed workers and its objective was to provide a short-term safety net, while, at the same time, increasing employability through capacity-building and training activities. To ensure self-targeting, the benefits were set below the minimum wage and it was decided that all participants would receive the same amount: US $45 (150 pesos) a month, which was three-quarters of the minimum wage at the time and corresponded to the cost of a basket of basic goods for an adult (Alperín 2009). There was no limit placed on the length of time for which people could claim for the money.

Next, President Duhalde created informal and formal arenas for negotiation with organisations for the unemployed – especially the Piqueteros. Specifically, the Government set up policy councils in several municipalities and gave seats to their leaders on the PJJHD advisory council, which was in charge of supervising the implementation of the programme (Garay 2007). This, I argue, was a critical juncture in the pattern of the relationship between political leaders and labour-market outsiders. As analysed in Chapter 2, working-class organisations had been the main source of collective action linked to partisan politics. This situation changed with the 2001 crisis, as unemployed and informal workers were able to organise and exert some influence on policy; just as President Duhalde sought to integrate their leaders into public office, these groups started to be part of partisan politics. This, I contend, represents an adjustment to the Peronist policy legacy, where coalitions were made with labour-based organisations. In this regard it could be argued that after the loss of faith in neoliberalism to deliver growth President Duhalde implementation of state-led social policy illustrates a sort of
transition from old clientelism and populism to a new welfare state. In this ‘new welfare state’ exclusion, poverty and inequality were tackled implementing cash transfers.

With regard to social protection provision, the PJJHD represented a massive expansion, although the adoption of such measures was not just a social and political necessity; there was also pressure from the World Bank for Argentina to implement a poverty-alleviation policy due to concerns about growing poverty and unemployment rates. Consequently, I argue that, to some extent, the plan was designed not only as a social policy, but also as an instrument through which the political crisis that was jeopardising the continuation of the political system could be managed. Thus, I contend that 2001 constituted a critical juncture that allowed for the return of (leftist) clientelist practices, which became manifest during President Duhalde’s term in office. In particular, the implementation, by presidential decree, of the Plan Jefes y Jefas de Hogar Desocupados (a key poverty-alleviation programme that offered income support to those outside the formal labour market) altered the exclusionary pattern of the history of Argentine social protection. It also reinforced the President’s role as the main policy-maker and veto-player in the country. Furthermore, it provided the left with new political capital, as organisations for informal workers and the unemployed became sources of leftist support, thus generating a sort of neo-Peronism.

In this way, the crisis, along with the posterior implementation of the Plan Jefes y Jefas de Hogar Desocupados, provided a point of punctuation. The PJJHD, which was established specifically to address a state of emergency, benefited formal-
labour outsiders, allowing a new welfare state to emerge. The PJJHD programme was enacted in April 2002, and between 4th April and 17th May, individuals were able to apply and register for the programme.

The political legitimacy of President Duhalde’s actions was questioned by members of the UCR as he had enacted the decree without validation by a National Congress Law. I have already argued that the use of decrees and discretionary powers to influence policy is a policy legacy rooted in the country’s history. On this point, Rafael Rofman\textsuperscript{54} states:

In the policy process in Argentina, everything is in the game (the economy, the political parties, etc.) but it is clear how the process is driven by individual forces; in this case, the executive. Most of the decisions taken in Argentina regarding the policy process of poverty alleviation and or social protection policies have been taken at the federal level. In this regard the municipalities are irrelevant. There is only 15 minutes between the policy-making process and the decision-making. In this country, decisions are taken when needed and if there is no need, there is no policy-making and, therefore, no decision-making. There is not a process that we could call ‘technical’, going from the identification of a necessity or problem to diagnosis, proposals and debates; it is not like that. There is always somebody saying, ‘This has to be done, OK?’; ‘OK, go’. There is not a rational process behind it. If there is any re-evaluation of the policies, it is always after the decision is taken by the political elite.

Furthermore, Tomás Raffö adds:\textsuperscript{55}

In my opinion, the policy process of poverty-alleviation policies is strictly attached to the country’s politics. Is a highly discretionary process … In Argentina, there are no rational stages; there is no deep analysis in terms of the problem and possible solution. That is one of the reasons why social policies are created by a presidential decree.

\textsuperscript{54} Interviewed on 21st October, 2010 at the World Bank offices in Buenos Aires, Argentina.

\textsuperscript{55} Interviewed in Buenos Aires on 26th October, 2010.
In relation to this subject, Spiller and Tomassi (2007), Graham (1998), Palanza (2002), Uña et al. (2009), Negretto (2004) and Stepan (2004) explain that in Argentina, presidents tend to have excessive leeway to enact or change policy via discretionary powers, except when they face fierce opposition from provincial governors. As I have explained in previous chapters, the historical concentration of governmental authority through constitutional and partisan power allows Presidents to influence or pursue policy and makes them veto players. These routinized patterns of interaction affect political behaviour and the functioning of formal institutions. Furthermore, these scholars point out that there are few incentives to invest in long-term policy-making capabilities and that Argentina lacks the institutional arrangements, such as a professional bureaucracy or an independent judiciary that would facilitate the enforcement of agreements. These characteristics correspond to an environment of institutional weakness where little enforcement of the rules or a broad de facto discretion with respect to their application exist (Levitsky and Murillo 2013). Spiller and Tomassi (2007) describe such context as a policy-making environment that is not conducive to cooperation. A non-cooperative policymaking environment can lead to policy volatility, rigid rules, incapability to instrument efficient policy changes, and underinvestment in capacities, all leading to low-quality policies.

An analysis of the evolution of social protection in the country illustrates the non-cooperative policy-making environment. As discussed in Chapter 2, over the course of Argentina’s history, institutions and programmes related to social protection have been created by executive decree, rather than by law (as was the

56 See Blofield (2011) for further discussion on how inequalities reinforce elite influence over public policies in other Latin American countries.
57 Previous discussions on this subject were developed in the methodology section.
case with the PJJHD). Congressional actors are not mentioned in any descriptions of social policy creation. It could be argued, therefore, that, as a result, short-term political criteria and lack of transparency seem to taint most of the actions and decisions of Argentine governments with regard to social policy (see Palanza 2002). On this subject recent scholarship contends that – as I have previously argued, in the case of social policy and welfare reform in areas such as social security policy-change is influenced by the Executive’s control of the legislature (Brooks 2002; Castiglioni 2001; Madrid 1999; Madrid 2002, Palanza (2002). On this issue, Laura Goldbert\textsuperscript{58} states:

One of the main problems when trying to analyse the policy process of social policies in this country is that, unfortunately, there are no substantial documents to do it with, as there are a lack of evaluation or accountability mechanisms. Political elites and public policy are intrinsically and historically related.

On the same subject, Jones et al. (2002) and Levitsky and Murillo (2005) argue that in Argentina, crucial political and policy bargains are struck in a less-institutionalised manner than in other countries, away from national legislature. Key policy decisions take place in executive quarters (between the President, a key minister, advisers and a few businesspeople), in meetings between the President and governors, or within other closed groups. Not only are those arenas not transparent, they also lack the required institutional strength to enforce bargains over time. As the programmes defined unilaterally by the executive do not include clear and enforceable criteria for the allocation of resources in the different jurisdictions, the political appointee in charge has a high level of freedom to distribute them. In summary, the combination of the lack of legislative

\textsuperscript{58} Interviewed in Buenos Aires on 13\textsuperscript{th} October, 2010.
incentives and the ability of the executive to act unilaterally has moved crucial political and policy bargaining away from the realm of national legislature and into other arenas (Palanza 2002).

With reference to this issue, Spiller and Tomassi (2007) argue that the fact that the Argentine Congress is not an important policy arena is the result of a number of factors, including: 1) electoral rules and political practices that make legislators weak political actors, who, in the main, are uninterested in public policy; 2) constitutional rules and historical/equilibrium practices that give the executive broad policy-making leeway, 3) the lack of judicial enforcement regarding policy agreements; and (4) the absence of a competent professional bureaucracy to which the implementation of policy agreements could be delegated. I argue that this situation is a clear sign of the country’s policy legacy of institutional weakness (particularly point 2), which developed throughout Argentinean history and led to rigidities existing in future policies – for example, in the case of social protection, with its persistently exclusionary character.

In the case of the PJJHD, as the programme was adopted amidst political and economic turmoil, its design and the bargaining process behind it were not made clear after the Mesa del Dialogo proposal was received. Apparently, the implementation of such measures was taken without any kind of viability study being undertaken (Uña et al. 2009). On this subject, Laura Goldbert states:

Unfortunately, the policy process of social policies in Argentina is quite a perverse game, highly constrained by bargaining

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59 Argentine legislators are transitory visitors, averaging only one term in office. They do not specialise; they belong to multiple committees and do not play active roles in the policy process.
60 Part of the interview conducted on 13th October, 2010.
processes between elites. This involves the President and one or two Ministers. Each decision is made within the context of that time.

Rubén Lo Vuolo adds: ‘In the case of the Plan Jefes y Jefas de Hogar Desocupados programme, the policy process was merely a political process, never a technical one’. In relation to the critical situation that the country was facing, then, the PJJHD programme could be seen as an improvised solution. It was clearly an instrument for managing the political crisis that was jeopardising the continuation of the political system. According to Kostzer (2008), the state had to act as an employer of last resort as 42 per cent of the population had fallen into poverty. This process illustrates both the lack of a strong institutionalised environment for political exchange and the fact that the executive tended to have substantial leeway to take unilateral policy action in the country. In the following section, I analyse the implementation process for the PJJHD.

4.1.2 PJJHD IMPLEMENTATION PROCESS

Decree 565 was the PJJHD programme’s legal basis; it stated the eligibility requirements for beneficiaries, it established the role of the provinces and municipalities in executing the programme and it stipulated the need for advisory councils to be created in every neighbourhood (these councils would be comprised of workers’ representatives, entrepreneurs, faith-based organisations (FBO) and social organisations, as well as members of the Government).

The Ministerio del Trabajo y Seguridad Social [Ministry of Labour and Social

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61 Interviewed in Buenos Aires on 18th October, 2010.
Security] was in charge of the programme’s implementation; the decree empowered it to establish rules and administrative procedures for the registration, enrolment and payment of benefits. Through the *Gerencia de Empleo y Capacitación Laboral* (GECAL) [Central Executive Branch of the Office of Management of Employment and Labour Qualification], the Ministry informed and advised the municipalities and communities on all aspects of the programme, while the *Asociación Nacional de la Seguridad Social* (ANSES) [National Administration of Social Security] was in charge of the *Registro Nacional de Beneficiarios de Planes Sociales* [National Registry of Beneficiaries of Social Programmes] (Kostzer 2008).

One of the most distinguishing features of the programme’s institutional design was its decentralised model of administration. Three advisory councils interacted to administer the programme: the national, provincial and municipal councils. They were the institutional key behind the management of the programme, being responsible for the control and enforcement of the policies related to it. The *Consejo Nacional de Administración y Control* [National Council of Administration, Execution and Control] aimed to develop, evaluate and adopt policies linked to the implementation of the programme, and to supervise the use of funds and their availability, among other tasks. Its work commenced on 13th May 2002. This council was ruled by the Ministry of Labour and Social Security and was presented as a multi-sectorial space, in which representatives from the national Government, labour organisations, several religious organisations and NGOs were integrated (each organisation could have three representatives). Here, *Piqueteros* leaders were also offered a place – in this respect, it could be argued
that by including such leaders in the adoption and implementation process of the PJJHD, President Duhalde used the programme in a clientelistic way that gave him control over the unemployed, which could be understood as a type of neo-Peronism (for further discussion of this issue, see Levitsky 2001; Levitsky 2003; Godio 2004; Gruegel and Riggirozzi 2009; Flic 2011).

The objectives of the Council were:

- To ensure the control, transparency and effective execution of the programme.
- To adopt policies to assist the implementation process.
- To keep the register of the beneficiaries updated, to supervise the management of the programme’s resources and to propose methods of payment.
- To keep track of training and formation policies, and evaluate them continuously.
- To propose criteria for the generation of work for the beneficiaries.
- To organise external evaluation of the programme by national universities and/or public-rights-control institutions (Neffa 2008).

The sheer size of the Council, as well as its promotion of civil-society participation through representatives that had an informative and advisory function, was intended to improve control and transparency within policy execution (Garcia and Langieri 2003). However, despite the federal Government’s role as head of management and resource allocation, individuals linked to local governments and NGOs held more power to decide who participated in the programme and who did not and became sources of leftist support. This, I argue illustrates the return of (leftist) clientelist practices and a sort of neo-Peronism.
To receive benefits via the PJJHD programme, it was necessary to fill in a form within the local municipality. In this way, municipalities were responsible for the registration process. The applications were then sent to the Ministry of Labour and a decision was made on each case, before the municipalities informed the candidates of the results. The requirements for qualification, as established by decree, were as follows:

- To be an unemployed head of household, by signed declaration.
- To declare the number of dependants, presenting the birth certificate of each one. In the case of being pregnant, a certificate from a municipal, provincial or national health centre should be presented.
- To provide proof of attendance at school for those dependants under 18 years of age.
- To provide proof of sanitary control regarding vaccination of those dependants under 18 years of age by showing the sanitary notebook provided by a municipal, provincial or national health centre.
- In the case of foreign citizens, to provide proof of permanent residency in the country by showing the Argentinean National Document of Identity.
- In the case of young people, to express their condition as unemployed by signed declaration (Decree 565-2002.4).

Each candidate, without exception, should present his/her National Identity Document, as well as a certificate containing his/her Unique Identification Code of Labour. For people over 70 years of age, their condition as unemployed could be justified by a signed declaration stating that no access to other benefits had been granted at the time.

At the beginning, the deadline for applications was given as 17th May, 2002. This restriction was not established in the decree but was stated verbally by the Ministry of Labour. This implied that it was impossible to become a beneficiary
after that period. After the programme’s validity period was extended by presidential decree, this restriction remained an impediment to the inclusion of new beneficiaries (Pautassi et al. 2004); for the most part, individuals who did not register by 17\textsuperscript{th} May were unable to join the programme. Individuals who met the eligibility conditions were issued with social security cards and were recorded in the National Registry of Beneficiaries of Social Programmes (for more details, see Tcherneva and Wray 2005).

There was a counter-obligation involved in the PJJHD programme, which stated that each beneficiary should work between 4 and 6 hours per day. This labour or counterpart work requirement was introduced, firstly, to ensure self-targeting and, secondly, because the World Bank insisted that the vast majority of PJJHD beneficiaries (a 90 per cent target) should do some kind of work as a condition of the programme (Galasso and Ravallion 2003). To fulfil this requirement, the beneficiaries had to participate in training or community-based activities as a way of ‘paying’ for the benefits received. On this account, community activities and/or capacity-building and training activities had to be approved by the ruling figure in each municipality and the Municipal, Communal or Neighbourhood Advisory Council (Pautassi et al. 2004).

The Consejo Consultivo Municipal CCM [Municipal Consultative Council] and the municipality were responsible for the completion of community assessments, identifying social needs and available resources. The municipality, in conjunction with the CCM, informed the governmental agencies and NGOs of possibilities to develop projects or activities that required the participation of programme
beneficiaries. After diagnosing a community’s needs, various organisations (governmental and otherwise) designed project proposals, which were then presented to the municipality and the CCM. The CCM evaluated the submitted proposals and ruled on whether they should be authorised or rejected. Depending on the ruling, the municipality either approved or rejected the proposals. In either case, the decision was filed in an archive, making the ruling available for future audits.

This measure aimed to improve the process’s transparency. It should be remembered that in the past, a lack of transparency had been common within social protection programmes, as was the case with the allocation of benefits via ‘favour-for-vote’ practices. With the PJJHD, the municipality in question informed the organisations executing a project of the approval or rejection of a proposal and, in the former case, assigned appropriate beneficiaries. A summary of the activities and beneficiaries under the municipality’s jurisdiction was then sent to GECAL. The municipality published the list of approved projects, then the project-executing organisation would contact the beneficiaries, informing them of the place and schedule for the work assigned. The CCM would then oversee the completion of these tasks and evaluate the outcomes of the projects, reporting back to the Consejo Consultivo Provincial CCP [Provincial Consultative Council] and GECAL (Tcherneva and Wray 2005). This whole process sought to ensure that the allocation of benefits would not depend on a single administrative unit, and that eligibility criteria would be taken into consideration.
In summary, individuals enrolled in the PJJHD programme were expected to search for jobs while, at the same time, being expected to carry out one or more of the following activities: 1) completing formal education or engaging in training activities; 2) providing a labour contribution (counterpart work) of up to 20 hours a week for community activities, such as maintenance and construction of social infrastructure, cleaning of public spaces, sanitary- and health-supporting activities, and childcare (Roca et al. 2003); 3) performing administrative tasks at local agencies or working at enterprises associated with the PJJHD (Iturriza et al. 2007).

As the programme was based on the idea of universal social inclusion, the designing of a targeting strategy was not considered; therefore, the PJJHD’s implementation occurred quickly. Indeed, by 2003, over two million people were receiving benefits via the programme62 (Blanco et al. 2005). After May 2003, the programme’s life was extended to December, a procedure that was repeated each year until 2007.

Initially, the resources for financing the programme were taken from the national treasury and the social policy budget (Pautassi et. al. 2004). Article 15 of Decree 565 stated that the programme would be implemented via the budget assigned to it, although it did not clarify where the funds would come from (loans, general revenue, etc.). Indeed, during 2002, there was a shortage of funding available for the programme; funds reached only 110,300 million beneficiaries out of the 2,062,071 people enrolled (Blanco et al. 2005). To overcome this situation, the

Government incorporated new sources of funding, taking advantage of export revenues. Jorge Remes Lenicov, the Minister of Economy, adopted this measure. Later, in August 2002, Graciela Camaño, the Minister for Labour, stated that an increment in taxes was needed in order to allow the programme to progress. By December, the Government was facing difficulties in balancing the budget for 2003. Here, Roberto Lavagna, the new Minister of Economy, retained the measure of funding of the programme via export revenues.

From the beginning of the programme until January 2003, 2,514 million Argentine pesos (or US $754 million) per year were pumped into the programme. In the months that followed, this budget was increased to 3,775 million pesos (US $1132.5 million). It is important to mention that on 28th January 2003, the World Bank unanimously approved a US $600 million credit to fund the programme, with the condition that it should include only 1.7 million beneficiaries. By that time, the programme had 2,062,071 registered beneficiaries, so in order to comply with the World Bank’s conditions, the Minister of Labour stated that the number of beneficiaries could be reduced through employment recovery and encouraged 400,000 beneficiaries to leave the programme. By 2003, then, the resources to fund the programme were coming from the national treasury and the World Bank loan. Almost all of the World Bank’s contributions were used to pay benefits to the programme’s participants. It was estimated that the World Bank would finance about 60 per cent of the total number of participants over the life of the programme (Tcherneva and Wright 2005).
In summary, the *Jefes y Jefas de Hogar Desocupados* programme was implemented during a political, social and economic crisis and in a mixture of centralised and decentralised ways, overseen by the Ministry of Labour and Social Security. The Ministry was responsible for direct payments, but the projects were defined at a local level, as were the beneficiaries. The legal instrument of the PJJHD programme was the Decree of the National Government 565/2002, of April 2002. The programme constituted a major effort by the Argentine Government to extend social protection to more people through social assistance. This issue, I argue, is closely related to the fact that the programme was created not only as a social policy, but also (and mainly) as a conflict resolution instrument during a very difficult time, when the continuity of the political system was in jeopardy. Therefore, the programme itself became a major instrument of the transitional government for containing social unrest. In this regard, Tomás Raffo\(^63\) suggests:

> The PJJHD was the result of a political process that evolved from the problems with the Convertibility Plan until the explosion of the 2001 crisis. It was a direct outcome of the social instability of the moment. In this context, it worked as a policy to reduce social unrest.

Laura Goldbert\(^64\) adds: ‘In my opinion, the biggest achievement of the programme, particularly at the beginning, was the pacification of society’. On this subject, recent scholarship confirms that the PJJHD did target the least-skilled and the poor, protecting people from poverty and homelessness (Roca et al. 2003; Galasso and Ravallion 2003; Franceschelli 2005; and McKenzie 2004). Hence, it could be argued that the PJJHD did help to pacify society, as Goldbert asserts.

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\(^63\) Interviewed in Buenos Aires on 26\(^{th}\) October, 2010.

\(^64\) Part of the interview conducted on 13\(^{th}\) October, 2010.
Even so, the programme was adopted in a climate of political and economic turmoil; thus, it is necessary to ask why a cash-transfer programme was chosen as the answer to alleviate poverty, given that there was a shortage in the amount of funds available to the extent that the country defaulted on its foreign debts. As I have argued above, the Government had to respond quickly to prevent further increases in poverty and unemployment rates. Thus, the policy that was chosen had to be one that could be implemented rapidly and could reach those most in need. In the following section, I examine the implications of implementing a cash-transfer programme.

4.1.3 CASH TRANSFERS: POLITICAL AND ADMINISTRATIVE CONSTRAINTS

In designing social safety nets (SSNs), the governments of developing countries are faced with a choice between cash and in-kind transfers. A range of economic, administrative and political considerations can influence this choice (Grosh 1994; Jimenez 1993). From the perspective of macroeconomic management, cash-transfer programmes are generally deemed to be superior to in-kind transfer programmes because they increase the predictability of public outlays and can automatically stabilise the economy over the course of the business cycle (in other words, increasing when the economy improves and falling when the economy slows down). The main disadvantages of cash-transfer programmes are that they reduce scope for discretionary fiscal management and may be subject to expenditure creep (Tabor 2002).

The logistics of moving cash from one point to another are fairly straightforward, compared with moving large quantities of a subsidised commodity. From an
administrative point of view, cash payments are less costly to the recipient because cash is universally accepted. Furthermore, unlike with in-kind subsidies such as food stamps, there is no stigma attached to the use of cash (Ranney and Kushman 1987). The principle administrative disadvantage of any form of Cash Transfer is the fact that cash cannot be self-targeted; unlike basic foodstuffs or housing services, an ‘inferior’ type of cash cannot be created to ration access to the needy. Criteria for programme eligibility must be established, cash must be provided only to those whose eligibility can be verified, and their eligibility must be periodically reconfirmed. This imposes a significant administrative burden, even in the case of the simplest cash-transfer scheme (Blackorby and Donaldson 1988).

The automatic\textsuperscript{65} stabilising effects of cash-based entitlements also contribute to a certain loss of fiscal control. Cash-transfer programmes are generally established under legal statutes, outside of the annual budget framework, as happened in Argentina in 2002, with Decree 565. Segregated payroll taxes or other taxes are commonly earmarked to finance them. The fact that cash-based transfers are typically governed outside of the annual budget process and may be financed in part by segregated taxes reduces their short-term fiscal flexibility. As they stand outside the budget, social assistance and social insurance programmes are also less likely than on-budget expenditures to be subject to annual public expenditure priority-setting and performance scrutiny (Tabor 2002).

As explained in Chapter 3, during the Argentine crisis, the number of poor

\textsuperscript{65} Here, although ‘automatic’ means ‘consequential’, it does not have the connotation of ‘immediate’, as it will always take some time to achieve stability after such a crisis.
households increased rapidly. Faced with the need to distribute assistance quickly in the wake of the shock, the Government ‘avoided’ the problem of targeting by basing the programme on the idea of universal social inclusion and setting remunerations below the minimum wage. However, as Decree 565 highlights, beneficiary screening had to be *ad hoc*, with limited coordination, due to the celerity of the process. Examples across several developing countries suggest that the perceived fairness of both targeting criteria and decision-making processes have a critical influence on beneficiaries’ compliance with regulations and, moreover, on a programme’s effectiveness (Pritchett 2000). The poor may be excluded from programmes if the criteria are too complex or demanding. If the criteria are not widely understood, eligible poor people may not apply for a scheme, and the better-off (and better-informed) households may lobby to become eligible. Additionally, where local communities are excluded from the decision-making process regarding eligibility criteria, local officials may choose to exercise excessive discretion in implementing eligibility guidelines.

One way of overcoming the high information cost of cash-transfer programmes is to design a scheme that either provides universal benefits or involves easy-to-verify criteria for the identification of beneficiaries; this happened in the case of Argentina. The main advantage of such a design is that eligibility is relatively easy to understand and check, although it is a significant disadvantage that some portion of the programme’s benefits is bound to leak to the less needy (Lanjou and Ravallion 1995; Atkinson 1995). Another way in which cash transfers can target specific groups is via community-based assessment, which the Argentine programme embraced to face the targeting issue. With community-based
assessments, a local authority or committee is empowered to make decisions about who should receive benefits. The main advantage here is that people who are familiar with the community can identify those who are truly needy. The key disadvantage of this approach is the risk that local elite groups will claim programme resources for themselves. The targeting of cash transfers can also be achieved by linking their receipt to school attendance, energy consumption, or attendance at health clinics or nutrition centres (Tabor 2002). This can be achieved through the use of Conditional Cash Transfers (CCTs) – the third and final element that the Argentine programme utilised.

CCTs have the dual benefits of involving the agencies that deliver public services (in other words, schools, clinics or utilities) in targeting, while encouraging recipients to behave in ways that reduce the risk of them falling into poverty in the future. Throughout Latin America, there are a number of programmes that provide cash grants to low-income families with young children, on the condition that the families visit health centres and/or keep their children in school, as in the case of the aforementioned Bolsa Familia in Brazil and Oportunidades in Mexico (now rebranded Prospera). The underlying concept of cash-grants programmes is similar to that of conditional transfer programmes; in other words, cash grants are given to the poor on condition that they behave in ways that help to reduce child labour and lead to long-term improvements in their children’s human capital. These programmes provide a modest safety net that helps to reduce a household’s current poverty level, while increasing the educational attainment and/or health outcomes of its members. Such programmes also seek to reduce child labour by requiring a minimum level of attendance at school. Some of these programmes
also support the upgrading of the schools and health facilities used by the poor (Sedlacek et al. 2000).

Thus, we can see that no single set of cash-transfer programmes is suitable for all poor households across all countries. Programmes should be tailored carefully to the needs of different categories of poor people, in terms of income assistance and contingency management. Cash-transfer programmes that are simple in design are often easiest to establish and implement; family allowance and social pension programmes tend to be less complex than other forms of social assistance (Tabor 2002). Such measures can make a significant contribution to the social safety net, especially where the poor have larger families than the non-poor and where the aged poor have no access to savings or private transfers (this issue is related to the adoption of the Plan de Inclusión Previsional, which I analyse in Chapter 6).

The main economic advantage of cash transfers, compared with other forms of social safety-net programmes, is that they do not distort prices directly. This has important economic-efficiency implications as the issue of designating the right amount of subsides to certain products is avoided. A second advantage is that cash-transfer payments can help to stabilise the macro-economy by managing the issue of unemployment to a certain extent. Moreover, once the administrative infrastructure is in place, the cost of operating cash transfer programmes is often far lower than the cost of providing assistance in kind.

Nonetheless, in developing nations, the International Labour Organization (ILO) has found several common institutional problems in the administration of cash
assistance and cash insurance programmes. These include political interference in staffing and investment policies, fragmentation in policy-making and administration, excessive administration costs and poor terms of service for staff, as well as neglect of compliance, enforcement and policy research functions; difficulties in maintaining records; excessively complex procedures; delays in processing benefit claims; and a failure to ensure that contributors and beneficiaries understand the principles and requirements of the schemes (ILO 2000). Fiscal pressures to contain staff growth have also limited the ability of social security offices to reach eligible beneficiaries and to offer adequate counselling and employment-hunting services to recipients.

According to Arnold et al. (2011), Skoufias et al. (2001), Lagarde et al. (2007) and Tabor (2002), limited institutional capacity is one of the main barriers to managing cash-transfer programmes effectively. The approaches that have been adopted to improve the administration of cash-transfer programmes in developing countries in recent years include the introduction of new technologies related to implementation, costs, etc.; the use of modern cash-dispenser technology; better recordkeeping; the consolidation of programme management responsibilities; and the contracting out of functions that can be undertaken more effectively by the private sector. In industrialised nations, governments have built an institutional capacity to implement cash-transfer programmes by separating policy-making for programmes from administration (here, think thanks play a key role), introducing programme performance charters, introducing regular monitoring of a programme’s performance, consulting with stakeholders, taking active measures to combat programme fraud and using research to guide programme reform
If limited institutional capacity is one of the main barriers to managing cash-transfer programmes effectively, it could be argued that a strong and capable bureaucracy might lead to better management of such programmes and, indeed, other public policies. On one hand, there is the obvious direct effect of the standard of the bureaucracy on the quality of policy adoption and implementation. On the other, Spiller and Thomassi (2007) emphasise that political agreements leading to effective public policies are more likely to be obtained in environments in which it is more feasible to delegate policy implementation to a quality bureaucracy. Hence, it can be suggested that the standard of the bureaucracy is an important component of a country’s institutional capacity and its environment for political transactions, such as the adoption and implementation of social policy interventions.

Based on the analysis presented in Chapters 2 and 3, it could be argued that Argentina suffered throughout its history from an environment characterised by limited institutional capacity and a lack of quality bureaucracy in terms of social policy. As I have illustrated in the aforementioned chapters, the use of discretionary powers allowed central authority to develop in authoritarian governments, to the detriment of other institutions such as the Congress. This generated an environment of institutional weakness, where decision-making was highly dependent on presidential action. On several occasions, Argentine presidents have acted as both the main decision-makers and veto-players in the
country. On this matter, Graham (1997: 221-22) asserts, via a comparison of three South American bureaucracies, that Argentina was once:

one of the clearest instances on record of an institutionalized, non-performance-oriented bureaucracy in a society with ample numbers of skilled human resources in which the primary interest within the state apparatus is survival, through securing one’s future through a limited but sufficient salary to live on.

This issue, I posit, fostered political and economic crises, as well as social conflict. In this respect, it could be said that limited institutional capacity or institutional weakness seems to affect social protection in Argentina. As previously explained, broadly speaking, social protection programmes had been defined unilaterally by the executive, and the political appointee in charge had a high level of freedom to distribute them (see Palanza 2002).

On this topic, recent scholarship has demonstrated that poverty-alleviation programmes have been particularly vulnerable to political manipulation in countries like Mexico and Peru (Fox 1994; Shady 2000; Magaloni et al. 2006). These studies show that the rollout of the aforementioned Oportunidades programme was influenced by electoral cycles and partisan identity. In the case of Argentina, evaluations of the PJJHD conducted by the World Bank confirm that some of the abovementioned irregularities existed; for example, it was found that one-third of the beneficiaries did not satisfy the eligibility criteria (Ravallion 2003). In this respect, I argue that, historically, partisan politics (a legacy from Peronismo) have affected Argentine public policies regarding social protection. This is the outcome of a path of institutional weakness, where the key policy-makers and veto-players were the presidents, partisan politics were the norm and
few incentives to cooperate with other institutions such as the Congress seemed to exist. This pattern, I contend, has informed and constrained policy choices in the country. Argentina has thus been unable to steer a consistent path in crucial areas such as economic and social strategies.

Nonetheless, as previously stated, Roca et al. (2003), Galasso and Ravallion (2003), Franceschelli (2005), and McKenzie (2004) argue that the PJJHD programme did help the least-skilled and the poor. It should be noted, however, that, as the programme was being implemented in 2002, economic activity started to rebound due to the increased prices of Argentine exports (particularly raw materials). This had positive effects on the economy, lowering the inflation rate to 3.8 per cent and enabling economic growth of around 8.7 per cent. This change of fortune reduced political uncertainty, meaning that President Duhalde managed to stay in office to call for new elections. The 2003 electoral process would be essential to the safeguarding of this nascent stability.

As explained in the previous chapter, the Partido Justicialista led the electoral process, as the Union Civica Radical was not in a strong enough position to regain political ground. Ultimately, Kirchner was elected president and his administration, I argue, was key to the continued post-crisis expansion of social protection. In the following chapter, I will analyse this process by examining the adoption and implementation of the Seguro de Capacitación y Empleo.

CONCLUSIONS

In summary, the PJJHD was adopted in the midst of yet another cycle of
economic crisis, social conflict and institutional weakness. In accordance with Decree 565, the Argentine federal Government provided funding for the programme, as well as general guidelines for the execution of work projects and some auxiliary services for the programme’s management, including the maintenance of a national registry of programme beneficiaries. Set up in April 2002, initially with funds from export tax revenues, which were supplemented after January 2003 with World Bank loans, the PJJHD was a social assistance programme focused on unemployed heads of households with dependents who were under the age of 18 or disabled. In order to achieve its social objectives, a cash transfer of US $45 (150 pesos) a month was given to each beneficiary (Alperín 2009).

The adoption and implementation of the PJJHD required a complex decentralised administrative structure, with multiple levels of operation and centralised political management. The institutional design of the PJJHD programme included three main partners. Firstly, national and local institutions provided the broad guidelines for the organisation and execution of the programme. The national institutions involved included the Ministerio del Trabajo y Seguridad Social and GECAL, while the local institutions were the municipalities and the CCM, which administered the programme. The municipalities were responsible for assessing the needs and resources in their communities, and for evaluating the projects proposed by local organisations or NGOs (Tcherneva and Wray, 2005). Secondly, the project-executing organisations included the various governmental, non-governmental and non-profit organisations where the work was performed. Finally, there were the beneficiaries of the programme: the unemployed. The
beneficiaries participated in projects such as community service, construction, school maintenance, the rebuilding of health facilities, roadworks, communal kitchen building, house building and other projects that constituted counter-obligations within the regulations of the PJJHD.

The Plan Jefas y Jefes y Jefas de Hogar Desocupados programme broke the traditional link between welfare, employment and the trade unions as it allowed for the inclusion and participation of organisations for informal workers and the unemployed. This, I argue, was a critical juncture in the evolution of social protection in the country. The expansion of social protection through the adoption of the programme reflected the fact that the casualisation of labour in the 1990s had already created a large pool of low-paid workers who were ‘organically disconnected from union activities and whose interests were not easily articulable with those of wage workers’, a problem that was exacerbated by the vast numbers of those suddenly without jobs or income after the crisis (Gruegel and Riggirozzi 2009).

The implementation, by presidential decree, of the Plan Jefes y Jefas de Hogar Desocupados altered the exclusionary pattern of the history of Argentine social protection. It also reinforced the President’s role as the main policy-maker and veto-player in the country. Furthermore, it provided the left with new political capital, as organisations for informal workers and the unemployed became sources of leftist support.
Consequently, working-class concerns were no longer limited to wages and employment. The PJJHD quickly came to incorporate around two million people. In the process, it became part of traditionally clientelist networks of welfare distribution, creating a degree of state control over the unemployed, including the *Piqueteros*, as their leaders were included in the adoption and implementation process. This could be understood as a type of neo-Peronism (for further discussion on this issue, see Levitsky 2001; Levitsky 2003; Godio 2004; Gruegel and Riggirozzi 2009; Flic 2011). The return of clientelist practices was, I argue, related to policy legacies that were linked to *Peronismo* and its party, the *Partido Justicialista*

The adoption of the PJJHD programme helps to illustrate the fact that, historically, the national policy-making environment had been dominated by executives who tended to have too much leeway to pursue whatever policies they preferred. The Argentine Congress was not an arena where key policies were negotiated. Furthermore, in Argentina, there is no policy delegation to well-staffed, independent, professional agencies. These are the reasons why the Argentine president often acted as the main policy-maker and veto-player.

Each of these peculiar features of Argentine politics constitutes, in game-theoretical jargon, the ‘equilibrium behavior’ of political actors (Spiller and Thomassi 2007). Following Skocpol and Amenta (1986), I argue that the configuration of actors and causes that influenced social policy can be identified here: i.e. a mighty central authority that via discretionary powers has excessive leeway to pursue policies coupled with institutional weakness. Furthermore, I
argue that this ‘equilibrium behavior’ developed over time, being the outcome of past events and policy choices. It is because of these characteristics that, following Pierson (1993, 2000a, 2000b), I argue that past policy choices inform, and in some cases constrain future action (such as policy creation and political change) through a feedback or legacy effect. In this respect past policy choices act as institutions and as such are hard to ‘dismantle’. In the case of Argentina once policy choices and institutions related to social protection were established followed a rigid, bounded trajectory that could not be altered until the 2001 critical juncture.

Military dictators contributed to the evolution of a mighty central authority. Perón benefited from such a feature, ruling by decree and installing welfare politics, thus providing social protection for work-related organisations and engendering ‘favour-for-vote’ practices. This, in turn, limited access to social protection for informal workers and the unemployed, until the aforesaid event. Although many of these issues did not contribute to the inducement of a national consensus (as they fostered social conflict and institutional weakness) or the generation of high-quality public policies, they provided substantial benefits to entrenched political actors. As a consequence, these rules, actors and policies were resistant to change.

Therefore, I argue that an analysis of the policy process related to social policy in general and to social protection in Argentina more specifically (or any other country sharing the characteristics of its bureaucracy and institutional design) should take into account the development of its national administration and
political economy, as public policies are the outcome of political transactions that occur over time.
CHAPTER 5. THE SEGURO DE CAPACITACIÓN Y EMPLEO

INTRODUCTION

The previous chapter analysed the policy process for the Plan Jefes y Jefas de Hogar Desocupados programme, which aimed to tackle poverty after the 2001 crisis. As explained earlier, I argue that the 2001 crisis was a critical juncture for the evolution of social protection because in the aftermath, the Government expanded social protection by offering social assistance (in the form of income support) to informal workers and the unemployed. This altered the exclusionary pattern that, historically, social protection had followed for labour-outsiders. Thus, I contend that the Plan Jefes y Jefas de Hogar Desocupados programme, once in place, established a new trajectory for social protection, as social assistance continued to expand after economic recovery started.

In this chapter, I focus on the Seguro de Capacitación y Empleo: an income support programme that was adopted after the crisis as an employment insurance and training programme, which aimed to offer an exit path from the Plan Jefes y Jefas de Hogar Desocupados. Here, I will identify the processes and forces that influenced its adoption and implementation using a policy-centred approach (Pierson 1993; Mahoney 2000), with a view to answering the following research questions: 1) ‘What political forces and processes have influenced and shaped the adoption and implementation of social policy interventions targeted at poverty-alleviation in Argentina in the post-2001 period?’, 2) ‘Are policy legacies related to contemporary social policy interventions that target poverty?’.
I will examine the trajectory of employment and unemployment rates in order to provide an overview of the labour market, a field that influences the social atmosphere. On this subject, I will concentrate on the following points: 1) how economic reforms affected the labour market and how this can be related to the generation of new social protection programmes, 2) what features characterised the official labour market policy of promoting employment and social cohesion in the post-2001 period, 3) how employment was placed at the centre of the political agenda, iv) how new spaces for dialogue and consultation between the Government and productive sectors were created as the social and economic situation began to improve after 2001 through the Seguro de Capacitacion y Empleo, v) how the Seguro de Capacitacion y Empleo was designed to prevent poverty from spreading even further and VI) how this programme was related to the Plan Jefes y Jefas de Hogar Desocupados.

The chapter will therefore contribute to the wider analysis in this thesis of the policy process undertaken with respect to social policy interventions that targeted poverty alleviation in the post-2001 period in Argentina. The chapter is divided into the following sections: Section 5.1 concerns employment and social protection in Argentina. I will analyse the ways in which employment gained a place within the social protection agenda following a series of economic problems, as well as how this issue affected the labour market and led, eventually, to the implementation of employment-generation programmes. Section 5.2 examines market employment problems and the policies pursued post-devaluation. Firstly, I will scrutinise the official diagnosis that was made in relation to the crisis in the employment market, before exploring how the
Government placed employment at the centre of the political agenda through new public policies that targeted rising unemployment, which can be seen as a strategy for consolidating economic recovery post-2001. Section 5.3 is a study of the policy process implemented in relation to the Seguro de Capacitacion y Empleo. I explain how the programme was created as a means to end the Plan Jefes y Jefas de Hogar Desocupados, placing emphasis on the concept of employability. The legal framework, objectives, strengths and challenges associated with the programme will be discussed.

5.1 EMPLOYMENT AND SOCIAL PROTECTION IN ARGENTINA

During the 1990s, Argentina implemented a series of economic reforms that affected how the labour market was ruled. More flexibility and less protection led to the expansion of the informal market. Across the region, most countries underwent similar processes. In Argentina, Government policies were focused on fiscal adjustment, as the growing debt and overvaluation of the peso gave way to a new set of priorities regarding the labour market (Lanari 2004).

Employment generation programmes had been established at the beginning of the 1990s with the enactment of the Ley Nacional de Empleo No. 24.013/91. These programmes targeted those members of the population facing difficulties in the search for a job (according to the law, the target population comprised unemployed heads of households and those who were located in regions in crisis). During this period, following the nineties logic of the free market economy,

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66 A regional overview of this issue was presented in Chapter 1.
67 Transitional employment programmes implemented by the Ministry of Labour.
employment programmes were seen as a complement to the economic model (Guerra Aragone 2004).

Between 1998 and 2000, the unemployment rate increased by 2.3 per cent, which meant that 415,000 more people joined the ranks of the unemployed. Next, of course, in 2001 and 2002, Argentina experienced one of the greatest crises in its history in financial, social and political terms. The country’s reserves fell and GDP dropped by 12-15 per cent. After the convertibility crisis, the liberalisation of the exchange rate affected many of the contractual relations that had existed previously within the economy; private contractual relations had adapted to the convertibility regime (with dollar-denominated contracts and loans), but with the introduction of a floating regime, the peso lost a third of its value against the US dollar, exposing the financial vulnerability of firms and paralysing investments. The financial market suffered a large blow when the Argentine Government decided to abandon the fixed exchange rate policy, which paved the way for a maxi-devaluation. With this maxi-devaluation, the price of the US dollar increased by 270 per cent. Later, the exchange rate stabilised at a lower value, but the reduced figure still represented an increase of 200 per cent in relation to the price fixed by the Convertibility Plan (Zuazua 2006).

As a result of the crisis, unemployment rose to 17.4 per cent in 2001. By that time, the number of employees employed outside the legal framework had grown

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68 As analysed in Chapter 3, among the causes that triggered this crisis were the restricted availability of funds in the financial system, the suspension of external debt payments and the removal of deposits from banks.
by around 15 per cent, in comparison with the rate in 1990.\textsuperscript{69} Wages were also affected by the downward trend in the economy. If one takes 1995 as a base year, the average real wage fell by 30 percentage points. In fact, between December 2001 and the first months of 2002, the lowest rate of employment and highest rate of unemployment in Argentina’s history were registered, leading to the largest fall in Gross Domestic Product. In October 2001, the employment rate fell to 34.5 per cent and the unemployment rate stood at 18 per cent. These shocking values were comparable only with those recorded in May 1996, at a time of recession generated by the so-called ‘Tequila effect’ of the Mexican crisis, when the employment rate fell to 34 per cent and unemployment stood at 17 per cent. Moreover, in the first quarter of 2002, the Gross Domestic Product measured in constant values (inflation-adjusted GDP) was reduced by 16 per cent over the first quarter of 2001 (Lanara 2004; Zuazua 2006).

In the first months of 2002, the consequences of the economic and financial crisis were still present. The social situation worsened as unemployment rose to more than 20 per cent in the first months of the year – a 5 per cent rise on the previous year – with it increasing further, to 21 per cent in the following months; the highest figure since the early 1990s. However, in mid-2002, the first indicators of recovery were recorded: between then and the first quarter of 2003, the GDP increased for three consecutive quarters (Tomada et al. 2007). This rise can be explained by the development of net exports (soy bean, oil and copper exports boomed) and import-substitution (domestic production of information technology-related products, major appliances, farm machinery and footwear grew). Payments

\textsuperscript{69} According to the data from the Ministry of Labour, by 1990, 26 per cent of the population was part of the informal market; by 2002, that rate had risen to 41 per cent.
to international organisations resumed and tax collection figures improved. Nonetheless, the improvement remained limited in the national labour market. Between December 2001 and December 2002, average real wages fell 24 per cent and poverty spread to 55 per cent of the population, as shown in the following tables.

**TABLE 6 - REAL WAGES 1990-2002 (EPH-INDEC data)**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AVERAGE REAL WAGE 1995=100</th>
<th>PRIVATE SALARY</th>
<th>PUBLIC SALARY</th>
<th>REAL MINIMUM WAGE 1995=100</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>89.4</td>
<td>-</td>
<td>-</td>
<td>88.2</td>
</tr>
<tr>
<td>1991</td>
<td>95.8</td>
<td>-</td>
<td>-</td>
<td>64.2</td>
</tr>
<tr>
<td>1992</td>
<td>100.5</td>
<td>-</td>
<td>-</td>
<td>54.9</td>
</tr>
<tr>
<td>1993</td>
<td>106.5</td>
<td>-</td>
<td>-</td>
<td>105.5</td>
</tr>
<tr>
<td>1994</td>
<td>107.5</td>
<td>114.4</td>
<td>120.8</td>
<td>101.6</td>
</tr>
<tr>
<td>1995</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>1996</td>
<td>96.7</td>
<td>97.2</td>
<td>96.3</td>
<td>99.9</td>
</tr>
<tr>
<td>1997</td>
<td>96.7</td>
<td>101.8</td>
<td>94.9</td>
<td>99.6</td>
</tr>
</tbody>
</table>

70 The Permanent Household Survey (EPH), implemented by the National Institute Statistics and Census (INDEC), is undertaken twice a year (May and October) and covers 31 urban areas, in which 70 per cent of the urban population live. The survey is based on a stratified, two-stage probability sample, comprising 27,000 homes across the country, and it produces valid estimates for each of the urban areas it covers. Its general purpose is to evaluate the population of the country in terms of inclusion in the socioeconomic structure. To achieve this objective, the survey covers the following topics: 1) housing characteristics, 2) demographic, 3) work, 4) education, 5) revenue, 6) migration.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>TOTAL IN THOUSANDS</th>
<th>EMPLOYMENT RATE</th>
<th>TOTAL IN THOUSANDS</th>
<th>UNEMPLOYMENT RATE</th>
<th>TOTAL IN THOUSANDS</th>
<th>ACTIVITY RATE</th>
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</tr>
<tr>
<td>1991</td>
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<td>37.0</td>
<td>799.0</td>
<td>6.5</td>
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</tr>
<tr>
<td>1992</td>
<td>10,474,000</td>
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<td>7.0</td>
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<td>10,645,000</td>
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<td>1,124,000</td>
<td>9.6</td>
<td>11,769,000</td>
<td>41.3</td>
</tr>
<tr>
<td>1994</td>
<td>10,694,000</td>
<td>36.3</td>
<td>1,254,000</td>
<td>11.5</td>
<td>11,948,000</td>
<td>41.0</td>
</tr>
<tr>
<td>1995</td>
<td>10,259,000</td>
<td>34.7</td>
<td>2,165,000</td>
<td>17.5</td>
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<td>1,685,000</td>
<td>12.8</td>
<td>13,118,000</td>
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<tr>
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<td>1,874,000</td>
<td>14.2</td>
<td>13,638,000</td>
<td>42.8</td>
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<td>PERIOD</td>
<td>BUENOS AIRES</td>
<td>COUNTRY TOTAL</td>
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<td>POOR</td>
<td>HOMELESS</td>
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<tr>
<td>1989</td>
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<td>1990</td>
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<td>6.6</td>
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<td>1994</td>
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<td>3.5</td>
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<tr>
<td>1995</td>
<td>24.8</td>
<td>6.3</td>
<td>28.7</td>
<td>7.6</td>
<td></td>
<td></td>
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<tr>
<td>1996</td>
<td>27.9</td>
<td>7.5</td>
<td>31.9</td>
<td>9.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>26.0</td>
<td>6.4</td>
<td>29.5</td>
<td>7.9</td>
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<td></td>
</tr>
<tr>
<td>1998</td>
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<td>6.9</td>
<td>30.1</td>
<td>8.5</td>
<td></td>
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</tr>
</tbody>
</table>
This situation was an enormous challenge for the Argentine Government, as a prompt response was required to prevent poverty from spreading further. Given this situation, it was necessary to undertake an analysis of the problems facing the employment market, as this issue had not been tackled by the Plan Jefes y Jefas de Hogar Desocupados programme. In the following section, I analyse how this was completed, looking at the measures that were taken.

5.2 MARKET EMPLOYMENT PROBLEMS AND THE POLICIES PURSUED POST-DEVALUATION

In the aftermath of the 2001 crisis, the view of Néstor Kirchner’s government was that the crisis in the employment market that occurred during the 1990s and erupted between 2001 and 2002 was caused primarily by a macroeconomic policy adjustment (Zuazua 2006). The imbalance came from the existence of a fixed and overvalued nominal exchange rate, established by the Convertibility Plan, whereby the peso was pegged to the US Dollar (as analysed in Chapter 3). This policy threatened domestic production or, more precisely, the industrial production of tradable goods, as well as employment generation. The exchange rate policy maintained made domestic production more expensive (both for domestic and external markets), which had an impact on the nation’s ability to generate domestic employment, while substituting local production for imports.

<table>
<thead>
<tr>
<th>Year</th>
<th>Unemployment Rate</th>
<th>Inflation Rate</th>
<th>GDP Growth</th>
<th>Exchange Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>26.7</td>
<td>6.7</td>
<td>30.6</td>
<td>8.3</td>
</tr>
<tr>
<td>2000</td>
<td>28.9</td>
<td>7.7</td>
<td>32.8</td>
<td>9.6</td>
</tr>
<tr>
<td>2001</td>
<td>35.4</td>
<td>12.2</td>
<td>38.5</td>
<td>13.8</td>
</tr>
<tr>
<td>2002</td>
<td>49.7</td>
<td>22.7</td>
<td>55.2</td>
<td>26.2</td>
</tr>
</tbody>
</table>
and restricting the ability to export. In the productive sector, several enterprises disappeared due to their inability to compete in such a climate (Zuazua 2006).

The explanation for the dynamics of employment, employment contraction and rising unemployment, then, concerns macroeconomic policy and the exchange-rate regime. Changes in labour laws that made the regulatory framework more flexible also worsened the social situation (Ministerio de Economía 2005; Tomada 2005). In order to consolidate the economic recovery after 2003, President Néstor Kirchner placed employment at the centre of his political agenda, aiming to design new public policies to tackle increasing unemployment figures. This was the beginning of the Seguro de Capacitación y Empleo policy process (which I will examine further in the following section).

Kirchner’s central argument was that employment is the main force for social integration and is the most important mechanism for redistributing income and boosting the economy, as well as being the most effective tool in the fight against poverty. In other words, income earned through employment can boost the economy and reduce poverty, and employment aids social cohesion (MTEySS 2005). The Government’s official diagnosis seems to highlight the following points: a) the main cause of the economic problems that were created and which deepened during the 1990s was the macroeconomic policy, b) the core problem in the labour market was the limited capacity of employment generation, c) the right solution was to encourage the generation of employment through macroeconomic policy to promote and reactivate the economy and d) within the Government’s strategy to tackle problems in the employment market, actions such as regulating
labour flexibility, solving the problem of unregistered employment, and creating policies for income re-distribution and improvements to labour relations were a complementary dimension to employment generation.

According to the Ministry of Labour (2005), the strategy of placing employment at the heart of public policies in order to solve the employment market problem had the following aims: a) to maintain a high rate of economic growth and generate jobs, b) to increase income within the formal market through institutionalised mechanisms, c) to resolve the problem of unemployment by fostering employment through various programmes and public works plans.

With this view in mind, the Government administered a set of policies aiming to tackle unemployment and poverty through activities involving self-employment. Regarding this issue, Laura Golbert states: 71 ‘The best social policy is an employment policy’. The aim was to provide the unemployed with the qualifications needed to start up small businesses or find new jobs within the formal market. Most of these programmes were administered by the Ministry of Labour, including the Seguro de Capacitación y Empleo, which was established as a means to reformulate the Jefes y Jefas de Hogar Desocupados programme.

From an institutional point of view, the arrival of Néstor Kirchner’s government represented a change regarding social policy. The country’s social policy was reformulated in order combine previously existing programmes into three main lines of action: food, cash transfers and social economy (Wilde 2011). In targeting

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71 Interviewed in Buenos Aires on 13th October, 2010.
these lines of action, both the Ministry of Social Development and the Ministry of Labour would interact. However, the Plan Jefes y Jefas de Hogar Desocupados remained under the jurisdiction of the Ministry of Labour, which constituted a process of continuation.

5.3 THE SEGURO DE CAPACITACION Y EMPLEO POLICY PROCESS

As a relative level of recovery occurred in terms of employment and extreme poverty figures, consistent with the guidelines given by the International Financial Institutions through which new loans were processed, the Government decided to implement two new social programmes that would eventually allow the PJJHD to be discontinued (Logiudice 2010; World Bank 2009). The decision was prompted by the fact that the PJJHD programme had been designed as an emergency social protection policy; as economic recovery started, it was necessary to encourage the reintegration of unemployed households into the jobs market. International Financial Institutions such as the World Bank supported the need for transition from the emergency support programme to another of a more manageable size (World Bank 2006; BID 2005). It should be noted that, in regards to this issue, there was no bargaining process like the one connected with the PJJHD; the need for a ‘transition’ programme came about because the PJJHD had to be ended eventually.

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72 In the early stages of economic recovery, employment grew at a 7 per cent annual rate. By 2005, the employment generation rate had fallen to 3 per cent. A growth rate of 9 per cent per year for three consecutive years led to a decrease in unregistered employment, from 49 to 47 per cent (INDEC and Dirección Nacional de Programación Macroeconómica del Ministerio de Economía).
On October 28th, 2004, President Kirchner passed Decree 1506, stating that the Ministry of Labour and the Ministry of Social Development ought to develop a strategy through which the beneficiaries of the PJJHD could be transferred to a new income support programme that would take into consideration their levels of vulnerability and employability. The decree gave a deadline of 180 days (from the 1st January, 2005, although this deadline was later extended) for the completion of this task (Rodriguez 2008). Here, yet again, the use of discretionary powers to influence social policy is evident. The decree established the following:

Article 4: The beneficiaries of the Plan Jefes y Jefas de Hogar Desocupados with the capability of finding a job will continue to receive their benefits under the management of the Ministry of Labour, which will be in charge of their labour insertion through specific programmes and/or acts of transitory employment, professional training and private employment promotion.

Article 5: The beneficiaries of the Plan Jefes y Jefas de Hogar Desocupados that do not meet the requirements established in Article 4 may be included in programmes aimed at tackling vulnerable groups, income improvement and human development, which have been, or will be, created by the Ministry of Social Development (Decree 1506/2004).

On this subject, President Kirchner gave a speech to the Congress in October 2005 regarding the 2006 national budget, in which he said:

To consolidate growth based on the production of tradable goods, more intensive use of labour for the generation of employment, and better functional distribution of income, the purchasing power of the population must be increased, with special emphasis on the sectors that suffered from the impact of previous economic

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73 Employability as a concept is a compound term that combines two ideas: employment and skills. The ability to obtain or retain employment is directly related to the worker’s educational attainment. In this sense, candidates must have the qualities necessary to meet the increasing demands and new forms of production organisation in the labour market. Interpersonal relations are also fundamental, as is the capacity to adapt to changing needs (Formichella and London 2008; Rios Campos 2003).
policies.

This is a requirement in terms of not only equity, but also stability, and is achieved by creating employment, increasing the nominal wage and price stability, coupled with productivity gains.

For that part of the population that cannot leave a situation of poverty or extreme poverty despite economic growth, social policies apply as a complement. Job creation, with a reduction of more than 10 points in the unemployment rate, has been, until now, a central element of the programme. Next year [2006], public policies will play a fundamental role in the absorption of unemployment (Zuazua 2006: 6).

The perspective of Kirchner’s administration can be seen below:

It is through economic growth and from the area of production that employment will be generated and, in parallel, unemployment will be reduced, but for those people who, in spite of economic growth, remain unemployed, and for those who remain in poverty, help will be given in the form of social policies (Kirchner 2005).

Following the enactment of Decree 1506, the Ministry of Social Development developed a proposal for the Familias programme, which sought to provide income support to beneficiaries of the Plan Jefes y Jefas de Hogar Desocupados that were considered vulnerable and unable to find work. At the same time, the Ministry of Labour presented a proposal for the Seguro de Capacitacion y Empleo (on 13th February, 2006), which was enacted via Decree 336 of 29th March, 2006. This was an active employment policy that supported unemployed workers on the Plan Jefes y Jefas de Hogar Desocupados programme with finding jobs. Priority would be given to those under 30 years old, to whom the state offered monthly payments of US $67.5 (225 Argentine pesos) for up to two years (the price of a basic food basket was 197 pesos, or US $47, at the time). During the period of enrolment, the beneficiary had to comply with the programme’s requirements.
Regarding the adoption of this programme, Rafael Rofman states:  

The Seguro de Capacitacion y Empleo had to be created because the Plan Jefes y Jefas de Hogar Desocupados was designed as an emergency programme and as such, it needed an escape valve. The idea was to end the PJJHD but, for political reasons, nobody made that decision and so the result was that, in the end, the two of them (the Seguro de Capacitacion y Empleo and the Plan Jefes y Jefas de Hogar Desocupados) coexisted – although the original plan was that from 2006, the Plan Jefes y Jefas de Hogar Desocupados would be closed and all beneficiaries would be swapped to the new programme with its new model, creating a more structured programme.

Laura Golbert agreed with this view, stating that: ‘The Seguro de Capacitacion y Empleo was created merely as a way out of the Jefes y Jefas’. In a sense, this issue explains why there was no bargaining process related to its adoption; the Plan Jefes y Jefas de Hogar Desocupados had to be closed by the 31st December 2006 and thus the government had to offer a way out for its remaining beneficiaries.

The idea of the Seguro de Capacitacion y Empleo was to establish a system of unemployment protection on a non-contributory basis that would be extended progressively across the national territory (Guerra 2010). Its aim was to assist the recipient group with updating their job skills and entering the employment market (MTEySS 2010). The programme also aimed to improve the quality of the labour supply by encouraging the acquisition of the knowledge and skills needed in employment. According to Bertranou and Paz (2007), this programme was the first to include the topics of precariousness and informality in speaking of ‘quality jobs’; in other words, beneficiaries would be encouraged to find jobs in the formal

74 Part of the interview conducted on 21st October, 2010.
75 Part of the interview conducted on 13th October, 2010.
market. With regard to administration, the Seguro de Capacitación y Empleo assigned significant roles to the Oficinas de Empleo Municipales [Municipal Employment Offices] and the Red de Servicios de Empleo [Employment Services Network], with a view to supporting active job searching. This programme, therefore, was part of a strategy not only to end the Plan Jefes y Jefas de Hogar Desocupados but also to tackle aspects of unemployment that the Plan Jefes y Jefas de Hogar Desocupados was not addressing: the need to promote employment and professional training. Furthermore, I argue that the Seguro de Capacitacion y Empleo represented the continued expansion of social assistance as it provided income support to the unemployed. Details of the articles of the decree that were related to the beneficiaries, the benefits and the conditions of the programme are presented below (Decree 336/206):

Article 1: The Seguro de Capacitacion y Empleo was established as a non-contributive programme in order to provide support to unemployed workers in the active search for employment, to upgrade their job skills and to direct them into high-quality jobs.

Article 2: In the first stage, the beneficiaries of the Programa Jefes y Jefas de Hogar Desocupados could opt for inclusion in the Seguro De Capacitacion y Empleo. This programme’s coverage could be extended to beneficiaries of other employment and social programmes and to other unemployed persons, according to the criteria and procedures established by the Enforcement Authority.

Article 3: Benefits of the Seguro de Capacitacion y Empleo:
1) The beneficiaries receive a monthly cash transfer for a maximum period of 24 months. During the first 18 months, the benefit amounts to 225 pesos per month, after which it is reduced to 200 pesos per month until the end of the maximum period.

2) The programme supports employability via Municipal Employment Offices and Network Employment Services based throughout the country, which provide:
   a) Guidance and assistance in finding employment
   b) Job placement services for entry into public- and private-sector employment
   c) The provision of basic and vocational training
   d) Participation in training for work
   e) Technical assistance for the development of self-employment projects

Article 4: The monthly periods during which the cash transfer is received will be taken into account for the purposes of accrediting the right to provision, in accordance with the Law 24,241.

Article 5: The Seguro de Capacitacion y Empleo does not permit the simultaneous receipt of assistance from the Plan Jefes y Jefas de Hogar Desocupados or any other national, provincial or municipal social/employment training programme, in accordance with Law 24,013.

Article 6: In order to access the Seguro de Capacitacion y Empleo, the people mentioned in Article 2 will be enrolled at the Municipal Employment Offices and
incorporated into the Employment Services Network, and will sign an accession agreement, establishing their rights and obligations.

Article 7: Persons included in the Seguro de Capacitacion y Empleo who obtain a job in the public or private sector may continue to receive the cash benefit for a period of 12 and 6 months respectively, in accordance with the stipulations of the Enforcement Authority.

In the following paragraphs, I will explain how this project was implemented and financed. Additionally, I will analyse the way that it was structured and the challenges that it represented in terms of administration. The central premise of the Seguro de Capacitacion y Empleo was to encourage beneficiaries to acquire vocational skills that would allow them to obtain and retain employment (Riquelme 2005). The Ministry of Labour worked to support the activities of the Seguro de Capacitación y Empleo by strengthening the existing network of Municipal Employment Offices, developing the skills of the workforce through certifying labour skills, and promoting local and regional training, employment and job placement offers. The Ministry made calls for applications via the Municipal Employment Offices; as previously stated, enrolment was voluntary. In order to enhance the employability of unemployed workers who were disadvantaged, the completion of basic studies (primary and/or secondary-school level) was also encouraged, with official certification being supplied upon completion (Caciorgna and Bowman 2006).
In this way, the Seguro de Capacitación y Empleo was an active employment policy. It fell under the Comprehensive Plan for the Promotion of Employment, *Mas y Mejor Trabajos* [More and Better Jobs], which was a broader initiative of the Ministry of Labour to encourage labour insertion. Indeed, the *Seguro de Capacitación y Empleo* has been the main strategy for transformation of the employment policy in recent years. The programme placed an emphasis on uncovering the labour potential of unemployed workers and harnessing the opportunities offered by the productive sectors (Guerra 2010). The rationale was that employment should become an engine of growth once again, being the main mechanism for income distribution and the most important social inclusion policy.

By design, the *Seguro de Capacitación y Empleo* had two purposes: firstly, to improve employability and earnings of people with difficulties integrating into the workforce and, secondly, to ameliorate the welfare of workers and their families (Atucha and Labrunee 2011). According to Bertranou and Paz (2007), this programme promoted efficiency and equity by updating beneficiaries’ work skills, including encouraging the aforesaid completion of basic studies (which would allow them to compete for quality jobs). It was launched to facilitate the refocusing of the *Plan Jefes y Jefas de Hogar Desocupados*. Unlike its predecessor, this programme was conceived as a universal and permanent policy that could eventually be accessed by the entire population of unemployed people receiving no other benefits from contributory insurance (i.e. the pension system). By the end of 2006, it was in place in 125 municipalities across 21 provinces (Guerra 2010).
The beneficiaries of this programme would have access to the following services:
1) guidance and assistance for active job searching, 2) job placements within the
public and private sector, 3) basic and professional training (completion of
school-level studies), 4) vocational training activities, 5) technical assistance for
the formulation of self-employment projects and vi) referrals to social services
(Guerra 2010). Each beneficiary had to sign a Personal Accession Convention, in
which they agreed to attend an employment office regularly to develop a job
search plan, participate in orientation activities and training, and accept job offers
suited to their experience and job skills that might arise. It must also be
highlighted that, unlike its predecessor, the Seguro de Capacitación y Empleo
involved a two-year limit, after which the benefit would end, thus encouraging
beneficiaries to gain employment.

Although Decree 336 stated that the Seguro de Capacitacion y Empleo would be
open to people participating in other employment and social programmes
(although they would have to give up their other benefits), as well as others who
were unemployed (Guerra 2010), beneficiaries of the Plan Jefes y Jefas de Hogar
Desocupados who were actively seeking employment tended to be the main group
who applied to transfer on to the Seguro de Capacitacion y Empleo programme.
In this way, the issue of designing a targeting strategy was avoided. The main
incentive for applying was to increase one’s monetary benefits but, despite this
draw, there seemed to be resistance from those enrolled in the Plan Jefes y Jefas
de Hogar Desocupados due to the idea that they would lose their income support
after two years if they did not find a job. On this point, Rafael Rofman76 explains,

76 Ibid.
The *Seguro de Capacitacion y Empleo* has certain peculiar characteristics; on one hand, the transition to it is voluntary, and on the other one, the benefits would be received for a two-year period, while the *Plan Jefes y Jefas de Hogar Desocupados* had no end date. On top of that, the *Seguro* implied the offer of services that were not in place in some municipalities; therefore, it was not attractive to all.

In 2012, of the 2 million beneficiaries of the *Plan Jefes y Jefas de Hogar Desocupados*, it was estimated that around 170,000 had transitioned to the *Seguro de Capacitación y Empleo*.\(^{77}\) Regarding funding for the implementation of the programme, a US $480 million loan with the World Bank was agreed. The loan was devoted specifically to financing the opening of the previously mentioned Municipal Employment Offices that were needed to process the transfer from the *Plan Jefes y Jefas de Hogar Desocupados*, outlining counter-obligation activities and providing the beneficiaries with their payments (World Bank 2006). A sustainable financial resource for the cash transfers was obtained from the National Treasury and the National Employment Fund. The Ministry of Labour would administer the payment of the cash benefits, as well as providing technical assistance and funding to collaborating organisations, delivering an agreed set of activities to promote employment. The tools used for this purpose would be: 1) territorial agreements for employment promotion, signed by provincial and municipal governments, which would provide strategies to strengthen both local production and the Public Employment Services Network; and 2) sectoral agreements of qualification signed by representatives from the productive sector, which would constitute an integrated set of activities designed to respond to problems surrounding qualifications, productivity and competitiveness in the

context of expanding opportunities and high-quality employment (Atucha and Labruné 2011).

Agreements were made with the provinces, the municipalities and the Autonomous City of Buenos Aires to provide strategies for the coordination of production, employment and training involving other institutional actors within the work and production environment (Chambers of Commerce, businesses, unions, NGOs, universities, social organisations, etc.) In this way, various local actors, both public and private, became involved. Technical and financial assistance was also obtained from the World Bank for the design of comprehensive benefit schemes that would assist people with employment problems.

To summarise, the Seguro de Capacitación y Empleo was implemented by the Oficinas de Empleo Municipales [Municipal Employment Offices], which integrated the Red de Servicios de Empleo [Network of Employment Services] and the Ministry of Labour. The Municipal Employment Offices became the institutional point of liaison between people actively seeking jobs and the set of organisations capable of providing services to improve the employability of those people. Within its first year, the programme represented around 2 per cent of the total money spent by the Ministry of Labour (Guerra 2010). With regard to the World Bank loan, it was agreed that progressive disbursements would be subject to meeting the goals and conditions set forth, including the municipal decentralisation of the programme and the effective completion of corresponding work-related activities (Logiudice 2010).
As we can see, the implementation of the *Seguro de Capacitacion y Empleo* required the active participation of a set of social actors and institutions from the public and private sector. The municipalities and the Municipal Employment Offices, whose function it was to guide and refer potential beneficiaries towards activities that would encourage their participation in employment, were the most important (Guerra 2010). The implementation of this programme endowed mayors (on whom the employment office ultimately depended) with a new political resource, as they were responsible for the allocation of benefits. The construction of local schemes of benefits implied the involvement of vocational training institutions, business associations, provincial educational systems and non-governmental organisations within each territory.

In 2007, one year after the implementation of the *Seguro de Capacitacion y Empleo*, President Cristina Fernandez de Kirchner came to power. However, her electoral triumph did not result in a transformation of social policies, as had happened during her husband’s presidency. Rather, her term in office was a continuation of existing measures; the three lines of action that Néstor Kirchner established (food, cash transfers and social economy) prevailed (Wilde 2011). During the first year and a half of her government, social policies remained tied to the need to continue the process of dismantling the *Plan Jefes y Jefas de Hogar Desocupados*. No new programmes were created but, during 2009, the Government decided to extend the *Seguro de Capacitación y Empleo* so that beneficiaries could continue to receive the subsidy. The rationale for this was that the international financial crisis had affected the labour market. With regard to the
extended lives of both the Plan Jefes y Jefas de Hogar Desocupados and the Seguro de Capacitación y Empleo, Rafael Rofman argues:78

In defining the survival of a policy (meaning how long it is going to keep on working), decisions are taken by the executive, but there are certain elements that can influence that decision, like the political atmosphere. A social policy survives in Argentina if there is the need for it and it has enough political, social and financial support.

This issue (the extended life of the aforesaid programmes) illustrates the ways in which the executive influences social policy via discretionary powers (i.e. through the use of decrees). I argue that the main strength of this programme lies in its inclusiveness and progressiveness; people with employment problems are viewed as workers in the process of reemployment, who are being assisted by the state, rather than as the unemployed. The Seguro de Capacitacion y Empleo, unlike the Plan Jefes y Jefas de Hogar Desocupados, was not conceived as a uniform tool to cover different realities, but was established to promote territorial diagnoses of problems and define the best intervention options within those areas. On the other hand, I suggest that this policy also faced the following challenges:

- The issue of its complexity, as was an institutional space in which a multiplicity of actors and different levels of government were involved.
- The need to encourage municipalities and beneficiaries of the Plan Jefes y Jefas de Hogar Desocupados to join the Seguro de Capacitacion y Empleo.
- The wish to extend the programme’s coverage to other members of the population not yet included.

As previously stated, in 2009, the term of this programme was extended for beneficiaries of the Plan Jefes y Jefas de Hogar Desocupados. Thereafter,

78 Part of the interview conducted on 21st October, 2010.
modifications were made to Decree 336/2006 to extend its coverage to beneficiaries of other social programmes (such as the Programa de Empleo Comunitario) and other unemployed members of society. Currently (May 2015), the Seguro de Capacitación y Empleo remains in place.

CONCLUSIONS

The implementation of labour market-related programmes is a recent practice in Latin America. Initially, they were designed due to the need for 1) change in human resource profiles, 2) training and 3) protection against the processes of economic liberalisation79 (Atucha and Labrunee 2011). In Argentina, labour market-related programmes emerged in the nineties and gained importance in the post-2001 period with the introduction of the Plan Jefes y Jefas de Hogar Desocupados and the Seguro de Capacitación y Empleo (Bertanou and Paz 2007). According to the Government’s macroeconomic view, the over-valued exchange rate was the cause of the employment crisis that developed in the 1990s. The post-devaluation exchange-rate regime established a structure of relative prices that increased the competitiveness of domestic production. With the expansion of economic activity, it was expected that the level of employment would increase. Nonetheless, the country faced employment contraction and increased unemployment. After the election of Néstor Kirchner as president, employment (in terms of generation and employability) was placed at the centre of the political agenda, which led to the implementation of two new income support programmes that would allow the Plan Jefes y Jefas de Hogar Desocupados to be brought to a close. This was an executive decision prompted by the need to move away from

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79 This issue was examined in Chapter 1.
the concept of an emergency programme (a decision that was encouraged by the World Bank). In this regard there was no bargaining process related to their adoption, as had been the case with the Plan Jefes y Jefes de Hogar Desocupados.

I argue, therefore, that it is possible to identify two different stages in the management of social protection policies targeting poverty alleviation in Argentina in the post-2001 period. Firstly, from 2002 to 2004, the country’s main social policy response to poverty was structured around income support in the form of cash transfers, which were administered via the Plan Jefes y Jefas de Hogar Desocupados. This programme was characterised by its massive range, as opposed to the selectivity of targeted programmes in the nineties (a period during which social protection policies were seen as temporary and discretionary intervention tools, rather than a social right). The Plan Jefes y Jefas de Hogar Desocupados was envisaged as an assistance programme that would be extensive enough to quell social unrest, but in which the sums paid would be sufficiently low so that the dynamics of the labour market would not be affected.

A second stage in poverty-alleviation strategies commenced after 2005, when economic recovery allowed the previous state of emergency to be overcome. Néstor Kirchner’s government advanced new income support programmes to supersede the Plan Jefes y Jefas de Hogar Desocupados. With the support of the World Bank, progress was made towards dissolving the Plan Jefes y Jefas de Hogar Desocupados via the designing of specific social policy interventions for those considered either a) employable or b) vulnerable. As such, in 2006, the Plan Familias and the Seguro de Capacitación y Empleo were enacted by decree. This
trajectory highlights the significance of presidential action with regard to the adoption and implementation of social policies, an issue previously analysed and which, I argue, is a legacy from earlier periods, during which an accepted model of central authority developed. Both new programmes were meant to serve as transition mechanisms and therefore were presented as temporary compensatory measures (Mirza et al. 2010).

In relation to these policies, I argue that the expansion of social protection through social assistance in the post-2001 period illustrates the fact that after a policy path is adopted, it becomes difficult to alter. Income support was first offered to the unemployed during a state of emergency, but it was still made available after recovery commenced. This consistency in terms of policy-adoption paths is indicated in the fact that the Seguro the Capacitación y Empleo had to follow the same logic as its predecessor (i.e. provide income support). This kind of ‘muddling through’ (Lindblom 1959) by the Government allowed a new welfare state to emerge; alongside the structural changes that were made (which were forced upon the country by international actors such as the World Bank), the expansion of social protection continued with incremental adjustments to social policy adopted soon after by presidential decree. Thus, a decisive shift away from the exclusionary past of social protection was effected but, at the same time, the legacy of institutional weakness caused by executives having excessive leeway to pursue policies was reinforced.

Such moves indicate that, as this thesis argues, once incremental adjustments to policies were introduced, they affected future policy decisions; here, a different,
Inclusionary path was carved, which led not only to the continued expansion of social protection in Argentina but also to the return of the left into power.

In summary, during the post-2001 period, social protection policies targeting poverty evolved from the initial implementation of the Plan Jefes y Jefas de Hogar Desocupados to the establishment of the Seguro de Capacitación y Empleo and the Plan Familias. The features of these policies included sectoral incentives (deductions from social security contributions for firms hiring beneficiaries of the Seguro de Capacitación y Empleo); assistance policies and mechanisms that provided financial aid to vulnerable sectors of the population; the promotion of employability and entrepreneurship; vocational training, skills training; the transfer responsibilities and resources to certain social organisations; the adaptation of the legal framework governing labour markets; improvements to the institutional capacity of the Ministry of Labour and the Ministry of Social Development; the creation of employment offices in the municipalities; and the development of spaces for dialogue and consultation between the Government and the productive sectors (Guerra Aragone 2010). Here, I argue that the adoption and implementation of the Seguro de Capacitación y Empleo was influenced highly by the adoption of the Plan Jefes y Jefas de Hogar Desocupados, as it was first proposed as an exit path for the beneficiaries of the latter programme.

In terms of promoting employment and social cohesion, several political issues had to be overcome to ensure the long-term success of such a political project in Argentina. Work and, in particular, the concept of employability have become integral to the process of economic accumulation and social distribution under the
Kirchners’ governments; this represents a profound change to the neoliberal model implemented in previous decades, in which the Government did not have an active role or policy regarding employment generation (on the contrary, under Menem’s rule, the Government sought to minimise state intervention in all areas). However, for the situation to remain this way in years to come, economic, social and political sectors must be able and willing to support such a model. What might the future of this sort of leftist political management be? Argentina must continue to redefine its productive pattern of international insertion, underpinning initiatives to increase domestic consumption and the value of exports with intensive activities regarding employment and knowledge. Such measures can be achieved only through innovation and the strengthening of regional production networks.
CHAPTER 6. THE PLAN DE INCLUSIÓN PREVISIONAL

INTRODUCTION

In the previous two chapters (4 and 5), I analysed the adoption and implementation of the Plan Jefes y Jefas de Hogar Desocupados and the Seguro de Capacitación y Empleo by the Argentine Government, through which social assistance was extended as a means to tackle the issues of increasing poverty and unemployment. In this chapter, using a policy-centred approach (Pierson 1993; Mahoney 2000) I focus on the examination of the Plan de Inclusión Previsional: a strategy to expand coverage of pension schemes for the elderly in order to deal with rising poverty among those with a low probability of reintegrating into the labour market due to old age. This programme allowed individuals who met the minimum retirement age, but not the minimum contribution requirements, to receive a pension (World Bank 2009), which constituted a major modification to the social security system.

As explained in Chapter 1 and Chapter 2, the social security system in Argentina developed very early, in comparison with the rest of the Latin American region. Its development has been affected by moments of economic and social crisis over the last twenty years and by its own expansion; financial problems created by the maturation of the scheme, the aging population and fiscal restrictions have led to the need for extensive changes in the design of the system (Rofman 2002).

During the 1980s, the traditional dominance of social security in social policy was decreasing, with finance for the system facing shortfalls and the benefits expected
by the population not being covered (Feldman et al. 1986). After several adjustments to the parameters of the system, deeper structural reforms led to a mixed regime being introduced in 1994, in which a private capitalisation system coexisted with a public one. Now, affiliated workers had the option of contributing to individual retirement accounts. Prior to the 1994 reforms, Argentina’s scheme combined a pay-as-you-go design with a proportionality rule, where pension benefits were linked to the wages of active workers (Damill and Frenkel 2003). After 1994, the non-contributory scheme was separated from the contributory scheme and relabelled an assistance programme, meaning that it was left outside the remit of social security (Damil and Frenkel 2003; Bertranou et al. 2003). Pension schemes for the self-employed and those in the public and private sectors were unified under the Sistema Integrado de Jubilacion y Pension (SIJP), although academic professionals and public servants employed by the provinces were allowed to retain their previous schemes. However, public servants were granted the option to transfer to the SIJP if they wished.

The transition costs in terms of the loss in revenue to the system that resulted from this option (as money previously paid into the public system was now paid into private pension funds), as well as the subsequent measures taken, were among the factors that, allegedly, increased Argentina’s vulnerability to the fiscal crisis that reached a crescendo at the end of 2001. During the unfolding of the crisis, the level of exclusion from the social security system was the greatest ever observed since its expansion; in 1980, public expenditure on pensions represented about 5.2 per cent of GDP and by 1995, it had reached 8.4 per cent of GDP, before it declined to 7.9 per cent in 2000 (Cetrangolo and Grushka 2004). In this regard, it
could be argued that the 2001 crisis intensified the already-existing problems in the pension system (such as low compliance rates and poor coverage). Between 2003 and 2007, corrections to the pension system were approved, with the *Plan de Inclusión Previsional* being among them.

The analysis presented in this chapter is centred on reforms to the Argentinean pension system, taking into consideration my research questions, ‘What political forces and processes have influenced and shaped the adoption and implementation of social policy interventions targeting poverty alleviation in Argentina in the post-2001 period?’ and ‘Are policy legacies related to contemporary social policy interventions targeting poverty?’. The main focus will be on the evolution of the Argentinean pension system, including the ways in which policies were applied and the assumptions underpinning its design features.

The chapter is divided as follows: Section 6.1 concerns the objectives of pension schemes. I will analyse the varied designs and objectives of social security systems targeted at the elderly and those at risk, as well as addressing the issue of coverage. Section 6.2 concentrates on the evolution of the pension system and the political factors that influenced the reform process. I will explore the gradual evolution of the Argentine pension system, its structure and its main features, as well as the ways in which politicians sought gradually to reform it. Section 6.2.2 examines the 1994 reform process and its key features. I will discuss the implementation of the *Sistema Integrado de Jubilaciones y Pensiones*, through which Argentina became the first developing country to establish a mixed pension system, examining its main features and the political factors that influenced its
adoption. Section 6.2.3 addresses the post-2001 crisis reform process. Within this section, I will explore the political factors that influenced the Argentine Government to reform the pension system further after the 2001 crisis, when the problem of coverage deepened. Furthermore, I will examine the adoption of the Plan de Inclusión Previsional.

6.1 PENSION-RELATED OBJECTIVES

The primary goal of social security systems is to protect the population against longevity-related risks. In addition, such systems protect against risks associated with survivorship (for dependent spouses and young children) and disability. In relation to this subject, when 100 per cent of a target population is covered (for instance, 100% of elderly people in the case of pensions), we can speak of ‘universal coverage’ – a stated goal for most social security policies throughout the world.

In pursuing the goal of universal coverage, protection can be offered via contributory (financed via specific resources) or non-contributory (financed from general taxes) schemes. A contributory scheme tends to move away from the principle of universality because benefits are given only to contributors; that is, to workers who contribute for a certain period. An additional factor to consider is that, in general, there is an important correlation between the degree of formality in the labour force and the coverage of contributory schemes – in countries with high rates of employment, non-contributory social security schemes tend to be offered to a small proportion of society as most individuals are covered by the contributory scheme. Consequently, some questions arise with respect to who,
indeed, is protected (individuals or families) and how they are protected. In general, there are small differences between coverage related to old-age protection (pensions) and risks associated with survivorship (such as disability and death). In both cases, protection involves replacing, at least partially, the income of such workers/families from the moment when the damage takes place. Here, payments consist of a defined benefit that is a proportion of the wage upon which contributions were based.

Old-age protection is a more complex form of remuneration that does not usually depend on a person’s situation at a given moment (i.e. when they reach a certain age) but, rather, on a person’s labour history as a whole (Grushka 2006). The substitution or replacement of income takes place if the required age is reached and, additionally, if sufficient years of contributions have been accumulated. However, to reach the goal of universality, governments have generally implemented programmes that grant benefits in two ways: either via age and contributed-based payments, or through non-contributory pension schemes. In the case of Latin America, the inability of social security to cope with rising social costs led to the creation, in the mid-1980s, of social safety nets (SSN) in most countries (Mesa-Lago 1997).

As examined in chapter I politics played a key role in the creation of SSNs both in Latin America and Internationally: the implementation of structural adjustment demanded rapid and efficient state action to aid vulnerable groups during the transition, thus eliciting their support or, at least, assuring their neutrality (for

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80 This issue is examined in Chapter 1.
further discussion see Pribble 2013; Huber et. Al 2006; Huber and Stephens 2000). For example, the elimination of subsidies, which ensured that the cost of essential consumer goods was reduced, required the implementation of policies to cushion the negative impact on the poor, and growing unemployment made the creation of emergency employment programmes necessary (Mesa-Lago 1997). The democratisation trend in the region increased popular pressure on governments – public demonstrations and riots occurred in capital cities such as Buenos Aires. In Argentina, the public protests surrounding the 2001 crisis put pressure on the Government, which resulted in the expansion of social assistance through the adoption of the Plan Jefes y Jefas de Hogar Desocupados in 2002. Later on, this issue influenced the adoption of employment programmes like the Seguro de Capacitacion y Empleo in 2006. Ultimately, in 2007 the need for reform in the pension system became evident, as those of retirement age were also in need of support. These members of society were not targeted directly by either the Plan Jefes y Jefas the Hogar Desocupados or the Seguro de Capacitación y Empleo; nonetheless, they were in need of support, as the 2001 crisis had short- and long-term effects on the pension system (including the decline in real value for pensions and the exposure of pension funds to government risk).\footnote{81}{Such issues are analysed further in Section 6.4.}

\section*{6.2 EVOLUTION OF THE PENSION SYSTEM AND THE POLITICAL FACTORS INVOLVED IN THE REFORM PROCESS}

Argentina established its first national social insurance fund in 1904 (Mesa-Lago 1978; Bour et al. 1994). Gradually, a pension system was instituted, which was financed primarily via income tax.\footnote{82}{This issue is also examined in Chapter 2.} To start with, a capitalisation programme was
followed; however, later, a defined-benefit scheme was founded on a pay-as-you-go basis. In the 1960s, the system began to experience growing deficits, which had to be covered using Treasury funds. The Argentine pension system was centralised in the late 1960s (Arza 2006a). By then, most workers in the formal economy were included; easy-to-meet eligibility criteria made allowed coverage to grow more rapidly. During the 1960s and 1970s, the multiplicity of independent pension funds existing in Argentina was rationalised by the military governments and became relatively standardised. These funds were administered by the state, whilst other areas such as health insurance, for example, remained extremely fragmented, being operated by trade unions.

In the 1970s and 1980s, the limitations of the pension system were made evident due, firstly, to the effects of the debt crisis and, secondly, to other factors that were also common in other pension systems in the region: low dependency ratios, high replacement rates (70 to 82 per cent), lax entitlement conditions, a short period of wage averaging to determine benefits, easy access to disability benefits and high payroll taxes that promoted the underreporting of income evasion. By the end of the 1980s, close to 80 per cent of the population (including the self-employed) was covered against virtually all social risks (i.e. old age, death and disability).

Benefits were generous and unequal. At this time, the age of retirement was 55 for females and 60 for males; however, a few privileged groups could retire after a certain number of years of work, regardless of age. The pension was calculated as

83 According to Mesa-Lago, in 1970, 45 per cent of the elderly population received some kind of pension from national insurance. The pay-as-you-go system began to face financial difficulties in the early 1980s, with increasing budget resources being needed to finance deficits.
82 per cent of the average of the best three years of earnings and had to be indexed in line with salary adjustment (Feldman et al. 1988). Real pensions actually declined by half in 1981-91, but successful judicial claims forced the Government to pay pensioners the difference between the pension legally set and that actually paid retrospectively; in 1991, the state settled the debt to the pensioners at a cost of US $7 billion. Social security expenditure equalled 13 per cent of GDP in 1991, with 80 per cent of this sum being spent on pensions. Payroll contributions reached 56 per cent – the highest in the region – but evasion ranged from 30 per cent to 40 per cent. Financial reserves for the system disappeared in the 1980s and a pay-as-you go financing method was adopted. In addition to implementing special taxes, by the end of the 1980s, the state had to subsidise pension-related expenditure by 35 per cent of the total cost (Mesa-Lago 1994).

The ratio of contributors to pensioners was 1.62 to 1 in 1990, which fell significantly below the expected 4 to 1 ratio. Projections for 2025 showed that the payroll contribution would either have to be tripled or the state subsidy would have to be doubled in order for pension payments to continue. The pension actuarial deficit in Argentina in 1993 (35 per cent) was much worse than that in Chile (21.5 per cent in 1980)\textsuperscript{84}, but somewhat smaller than that in Uruguay during the same period (37 per cent) – two neighbouring countries that embarked upon reforms to the pension system at this time (Mesa-Lago 1997). This forced the Argentine Government to reduce replacement rates and avoid indexation of benefits, letting their real value erode. Retirees began suing the government to

\textsuperscript{84} As explained in Chapter 1, it has been argued that the introduction of pension reform in Chile in 1980 influenced policy-makers across the region to adopt such processes.
maintain their benefits at the replacement rates stipulated by the legislation. This situation led to the accumulation of a large amount of Government arrears at the end of 1991. According to Schulthess and Demarco (1993), this amounted to more than the US $7 billion that was settled via payouts, being equal to 4.6 per cent of GDP. In September 1993, the Congress passed a bill to reform the National Pension System. In the following section, I will examine the 1994 reform process.

6.3 THE 1994 REFORM PROCESS AND ITS MAIN FEATURES

Argentina’s reform of its pension system generated an intensive debate that lasted over three years and ended in October 1993, when Law 24,241 created the new, integrated Sistema Integrado de Jubilaciones y Pensiones [System of Retirement and Pensions], known as SIJP. In July 1994, Argentina became the first developing country to establish such a mixed pension system (as stated previously – see Charles 2002). It was also the first Latin American developing country to adopt a systemic pension reform through a process driven not by authoritarian rule, as was seen in Chile in 1981, but by a democratic process (Vittas 1997). Argentina transformed its former pay-as-you-go (PAYG) pension scheme into a mixed public-private system, in which a uniform PAYG basic pension constituted the first layer, and a second, additional layer consisted of a choice between either a private or public pension. The private option was based on individually fully funded (IFF) pension accounts managed mainly by private fund administrators. The public alternative was financed on a PAYG basis and organised by the state (Bucerius 2001).
This type of reform was seen as a significant advance, as the Argentine pension system had been virtually bankrupt and had required substantial fiscal subsidies since the 1980s, as discussed above (Calacagno et al. 2003). Unlike its Chilean counterpart, however, the authoritarian military regime in Argentina had been unsuccessful in passing structural reforms, and the first democratic government was also too weak to achieve such a task. President Alfonsin tried to reform the health care system, but was unsuccessful because of his declining power and the opposition of the trade unions. These reform efforts failed due to: 1) the unwillingness of policy-makers to become involved in such a politically difficult move, 2) stern opposition from trade unions and pensioners’ associations and 3) the lack of essential technical studies to clarify to the public the extent of the risk represented by not reforming the system (Malnight 2008).

In his first term, President Menem focused on pension reform and did not try to change the health system. In 1996, however, in the face of a large general strike, he threatened the unions with reform of the prestaciones sociales (the health care services controlled by them). President Menem was able to control the trade unions and gain support through economically successful neoliberal reform, at least during his first term; this issue is further discussed in the following section.

In 1991, Domingo Cavallo (Menem’s Minister for Economic Affairs) appointed Jorge Triaca (a prestigious economist and international pension consultant) as Secretary of Social Security; he promptly gathered together a team of pension experts and obtained funds from the United Nations Development Programme.

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85 For further discussion see Huber and Stephens 2005.
(UNDP) for 40 technical studies related to the current pension system and its reform. In early 1992, a dialogue was initiated with political parties and social organisations, based on the premise that employers’ contributions would be maintained and total contribution rates would not be increased.

Public debate on the pension reform options intensified when pensioners’ associations mobilised their members, many of whom distrusted the idea of following the Chilean model (which was fully privatised). Even so, the local finance and business community actively advocated pension privatisation (Barbeito and Lo Vuolo 1995). The first draft law that was presented to congress in June 1993 proposed a mixed scheme, consisting of two integrated components: the social security scheme and a second, additional layer (Arenas and Bertranou 1997). Parliamentary commissions, trade unions and pensioners’ associations debated the project and criticised various aspects – for example, the difficulty of maintaining adequate investment yields in the long run, high administrative costs and the exclusion of several groups from the supplementary scheme. In order to secure public support, numerous modifications were incorporated into successive versions of the legal draft: public entities, trade unions, mutual funds, cooperatives and banks were authorised to manage the second-tier scheme; the insured would be free to choose between the public and the mixed scheme; a ‘compensatory benefit’ would be given to those who switched to the mixed system and an additional benefit would be granted to those who stayed in the public system (Barbeito and Lo Vuolo 1995). After 15 months of debate, the law was approved in September 1993, and the new pension system came into force the following July (Law 24241). On this point, Isuani and Martino (1999: 143) argue
that the reform ‘emerged from the full validity of democratic institutions. As such, its content [was] determined by the many negotiations and concessions that took place during its development’.

The SIJP stipulated that all workers aged 19 years and over who were: 1) self-employed, 2) public servants or 3) private employed were obliged to join the system, with some exceptions: 1) individuals working in the military sector, 2) self-employed professionals with university degrees, who already had their own social security arrangements, and 3) public servants in the provinces and municipalities. These exceptions constituted a small percentage of the Economically Active Population (EAP).

The SIJP provided 4 types of benefits via two intertwined layers (Charles 2002):

1) The first layer: the social security scheme

a. The Prestación Básica Universal, or PBU [Universal Old-age Pension]: this was a redistributed component of the system, constituting the minimum benefits that the Government granted to all workers (employed or self-employed), requiring the attainment of a minimum age (60 for females and 65 for males) and at least 30 years of contributions to the system. PBU was computed as 2.5 AMPROS (‘average compulsory social security contributions’) and was the same for all individuals who had completed 30 years of work. For each additional year of work up to 45 years, the benefit increased by 1 per cent (Law 24241).
The PBU was a defined benefit scheme that was financed on a pay-as-you-go basis and provided a basic pension to all insured people who met the requirements. The main differences from the old system were the age of retirement (which had been 55 for women and 60 for men) and the years of contributions needed (which had been 15 years). Increasing the requirement to 30 years was supposed to reduce evasion. However, if this prerequisite was strictly implemented, then there was a risk that those who did not meet the requirements might fall into poverty (Bucerius 2001). In other words, this modification might have the very opposite effect of what was intended; namely, that people might have been discouraged from paying contributions to the pension scheme at all if they doubted their ability to contribute for such a long period.

The PBU was financed by a contribution rate of 16 per cent of a worker’s salary, which would be levied exclusively on employers. To cover negative differences between contributions to the PBU and expenditure, the state earmarked specific taxes and general revenues for the social security budget. The replacement rate offered by the PBU was supposed to be around 30 per cent (Law 24241). Until 1997, the PBU offered 2.5 times more than the *Aporte Medio Previsional Obligatorio* (AMPO); since 1997, however, the flat benefit has amounted to 2.5 times that of the *Modulo Previsional* (MOPRE) (Bucerius 2001). Every year, the Government uses the MOPRE to decide upon the figure for these retirement payments; for example, at the end of 1997, one MOPRE amounted to US $80 and as such, pensioners would receive a US $200 monthly payment (2.5 times the original figure) from the PBU. However, by substituting AMPO with MOPRE, a discretionary element was introduced into the public pension scheme, as the
government was able to manipulate the amount of retirement payments made (Hujo 2001).

b. The *Prestación Compensatoria*, or PC [Compensatory Payment] was a benefit that the Government provided to all retired workers who contributed to the old system (this was also a redistributive component of the system as it was provided regardless of whether people opted to stay with the pay-as-you-go system or move to the capitalisation regime) and met the PBU requirements. The benefit was equal to 1.5 per cent of a worker’s average earnings over the 10 years prior to retirement for each year of contribution to the system (up to 35 years). (Charles 2002).

Compensatory Payments were financed out of current contributions and budgetary transfers, which came from special, earmarked taxes. From the Government’s perspective, this scheme had a cash-flow advantage, in comparison with Chile’s recognition bonds; recognition bonds (which were expressed in cash terms and issued by the state) were subject to annual readjustments, according to variations in the Consumer Price index, and were paid out in one lump sum (including interest) when the individual reached retirement age, whereas Compensatory Payments were paid out gradually, over time (Vittas 1997). When a new economic crisis – the convertibility crisis86 – hit Argentina in the late 1990s, this design might have been seen as rather fortunate for the Government, as the state was already struggling to pay pensions (should the Government have chosen to offer recognition bonds, large sums, instead of smaller, regular payments, would

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86 Further discussion of this subject was presented in Chapter 3.
have had to be made). However, it was too early to make a final judgement on whether compensatory pensions or recognition bonds were more suitable in terms of the state budget and the needs of pensioners; the fiscal consequences of these alternative methods would be shown by future demographic trends. For example, if longevity rates were to rise considerably, as was predicted in the case of Argentina, then costs of compensatory pensions were likely to increase. Another drawback of the new Argentine system was that there was no clear break with the past pension system. Hence, old pension claims had to be paid for much longer following these reforms than was the case in other countries (Vittas 1997).

c. The Antiguo Sistema de Pensiones [Old System of Pensions] was retained for existing beneficiaries. The main problem with the OSP was that it transferred the problems of the old system to the reformed system.

d. The Prestación por Edad Avanzada, or PEA [Advanced Age Pension] was granted to people over 70 years old who did not meet the eligibility criteria for the other schemes, as long as they had contributed to the pension scheme for at least 10 years. PEA was created in order to prevent the very elderly from becoming poor, if they could not expect to receive a pension via any other means.

2) The second layer

Every worker was free to choose whether to join the funded, privatised component or the non-funded, public component of the second layer. All workers would be obliged contribute 11 per cent of their salaries into one of the two systems (Law 24241). As explained previously, the public option was financed on
a pay-as-you-go basis. In the case of the individually fully funded (IFF) alternative, the contribution rate was split: 3.5 per cent of the salary was deducted to cover administration fees and an insurance premium related to disability and survivorship, and the remaining 7.5 per cent constituted capital on the individual’s pension account.

a. Public option: a *Prestación Adicional por Permanencia*, or PAP [Payment for Additional Permanence] was a benefit received by all retirees who opted to stay in the pay-as-you-go system. It had the same requirements as the PBU and was calculated as 85 per cent of a worker’s average earnings in the 10 years prior to retirement (0.85 per cent per year of service).

The maximum replacement rate could be attained after 35 service years and amounted to 29.75 per cent of the worker’s average wage.

b. Private option: *Jubilación Ordinaria*, or JO [Ordinary Pension] was received by all retirees who opted for the capitalisation regime. This benefit would be determined exclusively by the balance of the account at the point of retirement, together with the life expectancy of the retiree and his/her family. There were no minimum years of contributions set for access to the JO, but the minimum age was set as 65 for males and 60 for females. After this age, affiliates could draw on their funds in two ways: by purchasing annuities or establishing programmed withdrawals, through which they would receive periodic payments until the account was
exhausted. In case of disability or death, the benefits would be taken from the individual’s account and supplemented by funds from a collective life and disability insurance policy, guaranteeing the affiliate (or a nominated beneficiary, in the case of death) a certain defined pension sum (Law 24241).

The main difference with the public second layer is that it was an individually, fully funded (IFF), defined contribution scheme. As soon as an affiliate reached retirement age, old-age pensions would be calculated on a strict actuarial basis. The SIJP also provided disability pensions to contributors who were incapacitated and unable to work (total disability was presumed when disability caused a decrease of 66 per cent or more in the working capacity of the employee). Those individuals would receive a benefit equal to 70 per cent of their average earnings in the previous 5 years. Aside from all these contributive benefits, the SIJP also provided non-contributive benefits to veterans of the Falklands War; single mothers with more than 7 children; individuals aged 70 years and older, who had contributed less than the minimum required, and others, as well as some other special benefits granted by the National Congress (Law 24241).

To summarise, in July 1994, a new pension system, the SIJP, began operating. The new system had an integrated structure, consisting of 1) a universal basic pension (UBP) that constituted a defined benefit scheme that was financed on a pay-as-you-go basis and paid to every worker with 30 or more years of contributions, and 2) a complementary pension that had two modalities: a defined benefit scheme for those workers who chose a completely publicly managed
programme – the ‘public, reformed’ option – and the ‘mixed’ alternative. Those workers that chose the latter option were allowed to make contributions to the system that exceeded mandatory requirements – i.e. they constituted voluntary savings placed in workers’ individual capitalisation accounts, for which special tax allowances were granted (World Bank 1994; Mesa-Lago 1994b).

Since 1994, pension benefits funded on a pay-as-you-go basis have been administered by the Government through its social security agency ANSeS [Administracion Nacional del Seguro Social]. The defined contribution scheme is handled by companies created specifically to manage pension funds, called AFJPs [Administradoras de Fondos de Jubilaciones y Pensiones], which are supervised by a public institution: the Superintendency of AFJPs [Superintendencia de Administradoras de Fondos de Jubilaciones y Pensiones]. AFJPs can be established by private, public or non-profit organisations, such as workers’ unions (Isuani and San Martino 1993).

In this way, the mixed pension system combined a public scheme, based on pay-as-you-go, which provided a basic pension (thus eliminating the need for the state to guarantee a minimum pension), with a fully funded supplement. Those already insured had three months to decide whether to stay in the old (reformed) system or to join the new, mixed system; future entrants into the labour force would have the same option. Therefore, the old public system was not closed, but simply reformed, and the fully funded scheme supplemented, rather than replaced, the public scheme in the mixed system. Employers’ payroll contributions were maintained and there was no reduction in the contributions made by those who
were insured to private schemes. The state contributed to the public scheme through several forms of taxation. The retirement age and years of contributions required were increased and the compensatory benefit was adjusted in line with inflation (but without earning interest). It has a ceiling of 60 per cent of the worker’s average earnings and is paid out of the public scheme, instead of by the state. Those who stayed in the old system received an additional benefit, the aforementioned PAP (Mesa-Lago 1994b, 1995; Lo Vuolo 1995).

A number of differences between the Argentine and Chilean fully funded schemes can be identified; firstly, in Argentina, AFJPs (as opposed to Chilean AFPs) could be operated not only by exclusive corporations but also by trade unions, banks, cooperatives, mutual-aid-societies, and associations of entrepreneurs and professionals. Furthermore, only two changes could be made to AFJPs per year, which reduced salesmen’s gains but curtailed the insured’s freedom of choice. The collection of contributions in Argentina was carried out by a social security agency (ANSeS) via a unified system that reduced the bureaucratic burden on employers (as opposed to Chile, where collections were made by the AFPs). Furthermore, AFJP-related publicity was regulated by the state (while in Chile, there was no such regulation). Lastly, the state provided even more guarantees to the insured than was the case in Chile; for example, if an insurance company went bankrupt, the state would be responsible for paying the pension (Schultess and Demarco 1993; Mesa-Lago 1994a, 1994b).

At the end of 1995, in Argentina, 21 AFJPs had 35 million affiliates (about 55 per cent of the total number of those insured) and cumulative fund of US $2,500
million (close to 1 per cent of GDP). The investment yield from August 1994 to December 1995 averaged 12.8 per cent (Mesa-Lago 1995).

**THE POLITICS OF PENSION REFORM**

The following factors largely explain the success of this pension reform process in Argentina: The existence of a powerful president (a recurrent element in the politics of reform in the country), President Menem, who, as leader of the *Peronista* party, headed an authoritarian democracy, was able to control the trade unions and generated significant support from the populace through economically successful neoliberal reform during his first term. He also pushed for pension reform through the Congress. Pensioners’ associations, whose members’ rights were basically guaranteed by the reforms and which, in addition, received substantial sums from debt settlements, brought strong technical support to the project. A long period of discussion took place regarding the legal draft and modifications were introduced, leading to a consensus being reached in the Congress. The health care system was subject to gradual reform during the 1990s (Mesa-Lago 1997, 2002; Lo Vuolo 1995).

Neither the military nor President Alfonsin was able to implement structural social security reforms. President Menem succeeded in reforming the pension system via his leadership of the *Peronista* party, success in structural adjustment/economic recovery and the extraordinary powers granted to him. In this regard, once again, the influence of presidential action in social policy is
clear. Congressional approval was gained at the price of significant compromises being made to the bill and concessions being given to interest groups.

Pension reform in Argentina was primarily motivated by short-term considerations. The fiscal deficit was alarmingly high due to macroeconomic turbulence and the structural problems of the pension scheme. When the state failed to meet pension payments in the 1980s, protests began, forcing the Government to react. It was due to these largely temporary circumstances that the Argentine Government introduced pension reform. The 1994 pension reform has to be seen in the context of harsh economic circumstances and the subsequent economic transformation in the region in the early 1990s. Vittas (1997) considers Argentina to be an example *par excellence* of the idea that radical reforms within social security schemes do not become possible until old systems hit rock bottom, in financial terms. As I have argued in previous chapters these sort of critical junctures became a turning point in the historical trajectory of Argentine political economy providing points of punctuation that allowed the introduction of radical reform.

In time, labour-market liberalisation and the 1994 reform to the pension system provoked a decrease in coverage levels that, after the 2001 crisis, reached alarming rates. In order to stop increases in social security expenditure, the state resorted to further measures that involved arbitrary rulings depending on the financial situation of the state budget. In 1994, 77 per cent of those over 65 years old were in receipt of a pension. When economic turbulence set in again in 1998 due to the convertibility crisis the whole population was affected, including
pensioners (Isuani and San Martino 1993; Alonso 2000; Rofman 2003; Cetrangolo and Grushka 2004; Barbeito and Lo Vuolo; 1995 Bertranou et al. 2001; Goldbert and Lo Vuolo 2006; and Mesa-Lago 2004). In July 2001, when the Government issued its austerity plan, pension benefits were cut by 13 per cent in order to reduce the budget deficit. By 2004 only 63 per cent of those above 65 years old were receiving a pension (MTEySS 2005). This issue required immediate action. The following section deals with this issue in more detail.

6.4 POST-2001 CRISIS REFORM: THE PLAN DE INCLUSION PREVISIONAL

On 6th December, 2001, the Minister of Economy, Domingo Cavallo, took emergency measures to overcome the Government’s failure to pay US $130 billion in public debt. He transformed the country’s pension funds into treasury bonds or government-backed loans in order to service fiscal debts. This provoked protests from the already-hostile electorate. In 2002, the Government defaulted on pension payments, affecting 1.4 million people, and the situation became chaotic (Lewis 2002). People queued outside banks, post offices and police stations, demanding their pensions. In April 2002, for more than half of all the 3.2 million pensioners in Argentina were receiving monthly benefits of less than 300 pesos (US $90) (El Cronista, cited in Bucerius 2001).

In this sense, the 2001 crisis in Argentina had clear effects on the pension system. Some of these effects were short term, meaning that their influence was felt almost immediately (but also that their consequences would probably lead to the need for compensatory measures to be taken later), and others were long term, in
the sense that they affected the basic design of the system and, as such, needed to be addressed via review of the model’s fundamentals.

Among the short-term implications, the decline in the real value for pensions was such that, by mid-2002, a single male retiree earning the minimum benefit was below the poverty line. For the funded scheme, the value of the funds became a subject of political dispute, since a large proportion was invested in Government debt and was thus without market value. More seriously, the economic crisis worsened the existing coverage problem within the pension system, with the number of contributors declining by almost 20 per cent in the first quarter of 2002, compared with the previous year (Rofman 2002). While this problem could be considered a short term one, the dynamics of the labour market over the previous 15 years indicated that rapid improvements in the formal labour market should not be expected.

In the short term, the economic crisis had a serious effect on the financial situation of the pension system, since it affected Government revenue in general and, as mentioned before, most of the funds used to pay benefits came from general revenue, not from contributions. The crisis also produced a reduction in real expenditures, which had already been low. Argentina spends approximately 4.5 per cent of GDP on pensions. This amount is difficult to finance in the context of rapidly declining revenue, but should not be impossible to finance in a more ‘normal’ context (ILO 2000). In this respect, data from the ILO indicates that pension expenditures are much lower in Argentina than in many comparable countries.
In the long-term, the crisis generated a number of risks for the funded scheme. Firstly, the increasing concentration of investments in Government debt, which began in early 2001 and accelerated quickly from November 2001, resulted in 77.5 per cent of the pension fund being invested in Government debt. This concentration would be dangerous in any case, but, when considering that the Argentine Government had defaulted on part of its debt, it became a major concern (Rofman and Oliveri 2011a). The Government had declared its intention to honour the bonds held in pension funds, but the instability of the general economic situation made it probable that this promise would not be fulfilled. Other problems with the funded scheme, such as high administrative costs, poor competition, a lack of transparency, delays in granting benefits and a lack of independent supervision, also needed to be addressed (Rofman 2000, 2002). These problems are not new, but the crisis made them more visible.

To tackle this issue, a new reform process was needed. In this regard, one of the early initiatives for providing income support to the elderly was the proposal made by the National Front Against Poverty (FRENAPO) in 2001, which consisted of a programme of universal coverage for seniors, universal family allowances, and insurance and employment training for the unemployed.87

The federal Government convened experts in order to achieve an agreement regarding pension reform in 2002. This could be considered the beginning of the policy process for the Plan de Inclusión Previsional. Consequently, a proposal was generated and presented in the document Libro Blanco de la Previsión Social.

87 This proposal is also mentioned in Chapters 3 and 4. As previously explained, this proposal was analysed in the Mesa del Dialogo Argentino and can be considered the basis for the Plan Jefes y Jefas de Hogar Desocupados.
(MTEySS 2003). The idea was to create a single, integrated, multi-pillared system that would involve operation- and management-related changes by tying retirement to participation in the labour market. However, the *Libro Blanco* emphasised the need to incorporate those groups currently excluded from protection, since these groups were also financing the system through the payment of taxes.

In 2003, the *Central de Trabajadores de la Argentina* (CTA) published the document ‘Social Security is a Right’. It suggested comprehensive reforms that would dissolve the AFJP, thereby financing the construction of a new public system that would be redistributive and would be run democratically by workers and retirees, and administered by the state. The *Jubilacion Ordinaria Universal* project was also generated in the same vein. Moreover, the political party *Argentinos por una Republica de Iguales* and the Interdisciplinary Center for Public Policy Studies (CIEPP) proposed two very different methods of reform for the social security system, with the former being structured around different pillars (Massa et al. 2007; Moreno 2007). Here, we can observe the participation of different organisations in the policy process.

By 2004, surveys revealed there to be a high degree of vulnerability among Argentines due to lack of pension coverage; it was found that over 30 per cent of adults over 65 years old did not perceive ever being able to enjoy retirement. Of course, it was expected that, in the absence of major changes to the system, vulnerability would increase progressively. In 2004, a World Bank report regarding the pension system presented a critique of the pension reforms that had
occurred in the region in the nineties, which questioned their effectiveness (Holzmann 2005). In this context, the Ministry of Labour produced a document entitled ‘Prospects for Social Welfare’ (MTEySS 2005), which, together with the Libro Blanco (2003) formed the ‘official framework of analysis’ that provided the basis for the Plan de Inclusión Previsional. Both documents expressed a common belief: that the main problem affecting adults over 65 was the sharp drop in pension coverage (Danani and Grassi 2008).

The processes of exclusion forced the redefinition and redesign of the whole pension policy, which began to take shape in late 2004. On 27th August 2004, President Kirchner enacted Decree 1556, which established the Ley de Moratoria Previsional. On this matter, Laura Goldbert states:88 ‘The adoption of the Moratoria Previsional was, in my opinion, just a decision of the executive; it is usual that this things happen without any intervention from the Parliament’. Again, the influence of the presidential authority with regards to social policy is evident here.

Decree 1556, along with Law 25994, formed the legal basis for the Plan de Inclusión Previsional. The decree provided a two-year window, during which time elderly persons lacking social insurance contributions and unemployed people just below the retirement age, but with sufficient contributions, could access a minimum pension. Thus, the law allowed older people to access a Prestacion Jubilatoria Anticipada [Early Retirement Benefit] or income support in the form of a pension of $304 pesos (US $91 – just below the basic food basket

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88 Part of the interview conducted on 13th October, 2010.
price at that time of 334 pesos or US $100) for 5 years, after which time the figure increased to 596 pesos (US $179) for the following 5 years. Individuals had to apply for this benefit via the Administración Nacional de la Seguridad Social (ANSENS) [National Social Security Administration].

The Government also introduced legislation enabling self-employed workers to reduce their pension arrears, and the level of the minimum pension was also increased significantly in real terms. This allowed self-employed workers to access retirement benefits and cancel their debts related to pension contributions. The decree established a Moratoria Permanente for periods due before 1993, through which, by affidavit,89 they could be credited for thirty years of service. Once the debt related to pension contributions was assumed, the first instalment of the Moratoria should be paid, and the remaining would be deducted from the pension received. A ceiling of up to sixty instalments was established for full repayment of the debt.

With regard to the implementation of the Plan de Inclusion Previsional, Decree 1556 laid out an easy payment plan that would be administered by the ANSES. It could be argued that the adoption of the Plan de Inclusion Previsional was a short-term measure to address the deterioration in pension coverage among the elderly through income support. The programme led to an additional 1.4 million individuals accessing pension benefits in 2007, equivalent to a 15 per cent in pension coverage, leading to a total of 78 per cent of over 65s receiving benefits; the highest recorded peak in Argentina in terms of pension coverage (D’Elia

89 A written statement of facts made voluntarily by an affiant under an oath or affirmation administered by a person authorised to do so by law.
2007; Maurizio 2009). Nevertheless, the Plan de Inclusión Previsional excluded the very poorest and those with little engagement in formal employment (Barrientos 2010).

By 2009, the total number of pensioners benefiting from the new regime had reached 2,312,000 (World Bank 2009). Currently it is estimated that there is about 90 per cent coverage of the population aged between 60 and 65 years, placing the country at one of the highest levels in Latin America (Garcia 2006). According to estimates by the EPH, in the absence of social security benefits, poverty would be experienced by more than 50 per cent of the elderly (D’Elia et al. 2010). In other words, social security is responsible for a reduction in poverty among the elderly of around 60 per cent. In the same way, in the absence of social security benefits, extreme poverty would be experienced by 30 per cent of the elderly. Although missing data and some problems with data quality may limit our confidence in terms of the exact extent of the impact, the conclusions can be validated, given the similarities between results obtained during different quarters in 2004 and 2007. In this respect, it could be argued that social security benefits (contributory or otherwise) play a very important role in reducing poverty in old age.

The case of the adoption of the Plan de Inclusión Previsional illustrates (as in the Plan Jefes y Jefas de Hogar Desocupados and the Seguro de Capacitación y Empleo) the influence of presidential action on social policy. This, I argue, is a legacy of Peronismo. Furthermore, it also illustrates the continuation of a path of extension of social protection through income support programmes, which have aimed to alleviate poverty since the 2001 crisis. On this subject, I contend that the
adoption and implementation of the *Plan Jefes y Jefas de Hogar Desocupados* set a new trajectory in relation to the evolution of social policy in the country. Once income support was adopted to expand social assistance to the unemployed and informal workers, a bounded path was set, which would be difficult to reverse. In the following years, the adoption of the *Seguro de Capacitación y Empleo* and the *Plan de Inclusión Previsional* offered income support to the unemployed and the vulnerable in society: the *Seguro de Capacitación y Empleo* through social assistance and the *Plan de Inclusión Previsional* through social security. Finally, in the case of the adoption of the *Plan de Inclusión Previsional*, there was no bargaining process, as had occurred with the *Plan Jefes y Jefas de Hogar Desocupados*; similarly to the *Seguro de Capacitación y Empleo*, this scheme was enacted by presidential decree.

In summary, labour-market liberalisation and social pension reform in the 1990s in Argentina contributed to a rapid decline in social-security-system coverage (Barrientos 2010). In 1993, 77 per cent of those aged 65 and over were receiving retirement pensions, and 87.5 per cent were receiving some form of old-age support, by 2001, coverage had declined to 66.5 per cent and 77 per cent respectively (Rofman 2004). In this way, the deterioration of the pension system implied a fall in social indicators. Between March 1994 and March 2000, the poverty rate almost doubled, from just above 15 per cent to approximately 30 per cent (Maurizio 2009). The crisis that followed the abandonment of convertibility in 2001 led to a further steep rise in poverty, from 35.9 per cent in March 2001 to 57.5 per cent in October 2002. Rising unemployment and sharp contractions in earnings were largely responsible (Barrientos 2010).
During 2001, revenues at the federal level declined by 9 per cent (Rofman 2002). The Government responded by implementing policies to limit expenditure and promote tax compliance and economic growth. However, tax collection continued to fall during the second half of 2001 and the first few months of 2002. As a consequence, social security revenues also fell. In July 2001, a 13 per cent reduction was applied to pensions over 500 pesos (US $150) and during the first half of 2002, pensions were not compensated according to inflation, which resulted in an aggregated reduction of real value of almost 38 per cent for many retirees (Rofman 2002). In this regard, it could be argued that the 2001 crisis intensified the problems in the pension system, such as low compliance and coverage, declining nominal and real pension values, and high costs and risk concentration. By the end of 2001, the system was in need of review to address these issues (Mesa-Lago 2009). In this respect, the 2001 crisis made it evident that basing a pension system exclusively on a contributive scheme in a society in which the labour market was mostly informal, and financing it with general revenue, was not a reasonable social policy. In this context, a contributive scheme was not in line with the goal of providing basic protection to all elderly individuals.

CONCLUSIONS

In Argentina, the original pension system followed the Bismarckian model of initially funded schemes that shifted to PAYG when they matured, which were financed by wage contributions. In this model, benefits were allocated according to employment position and previous wage levels (Mesa-Lago 1978, 2004). By the late 1980s, in the context of a fiscal crisis of the state, the situation became
unsustainable. The so-called ‘social security crisis’ unfolded when pensioners began to sue the state for unpaid benefits. As judges favoured pensioners’ demands, public pension liabilities grew exponentially. Most observers then agreed that the system required major restructuring, but no consensus existed as to what type of reform could guarantee sustainable and equitable pensions in the future. Following a change of government and major economic transformations (including the redefinition of the roles of the state and the market in key economic sectors), a structural reform was passed in 1993, which changed the model of resource administration, benefit allocation, and distribution radically from 1994 onwards. These reforms included a paradigmatic shift from a public PAYG defined benefit model to a system of individual accounts, where most of the income replacement function was left to the private sector under a multi-pillared, funded, defined contribution system (World Bank 1994).

Structural pension reform in Latin America was part of a process in which many new policy ideas emerged. As explained in Chapter 1, economic liberalisation and privatisation gained force among political elites and were advocated as better policy tools for the achievement of long-standing objectives and the creation of new objectives in relation to pension policy. Most of these new objectives concerned the impact of pension systems on economic performance, although some were more specific to pension policy and included augmenting returns on contributions, reducing political risks, eliminating perverse redistribution, boosting individual choice, introducing competition, creating financial sustainability, preventing poverty, targeting universal coverage, providing old-age income security and effecting efficient administration (Mesa-Lago 2004).
In Argentina, from 1994 to 2005, revenues from contributions fell from an already-low 66 per cent of total pension spending to 43 per cent, and the primary deficit rose from 2.4 per cent to 3.1 per cent of GDP (having reached a peak of 4.6 per cent in 2001). In this context, public accounts were less able to cope with deficits. The effect on public finances was so substantial that some observers have even blamed the 1994 social security reform for the fiscal crisis of late 2001 (Baker and Weisbrot 2002). As a result of unemployment, informality and tax evasion combined, it was estimated that by 2004, only 35 per cent of the Economically Active Population was contributing to the system, with 43 per cent of the employed population working under informal arrangements and making no contributions (Rofman and Lucchetti 2006).

Regarding the relevance of reform design, earlier scholarship on the political economy of policy reform has stressed the importance of tactical sequencing, strategic bundling and packaging (Pierson 1995). Lowering the visibility of cutbacks (e.g. by increasing the complexity of reforms) is another issue in pension reform design (Haggard and Webb 1993; Rodrik 1993; Pierson 1995; Sturzenegger and Tomassi 1998). The use of these tactical and strategic devices is aimed at reducing the political resistance to reform. Following Pierson (1993, 1995), I argue that in reform design, policy feedback (or policy legacies) and path dependence are potential issues. On this subject, the Argentine experience shows the extent to which political decisions can affect the operation of private pensions. Governments have repeatedly redefined pension rules, compelled AFJPs to take hazardous investment decisions and put pension funds at risk of dramatic failure as a result of debt defaults. As fiscal constraints increased in the late 1990s, a
series of rules were created to reduce state commitments to pension matters. Resultantly, the state appropriated an increasingly large share of pension-fund resources; first encouraging, then compelling pension-fund owners to buy state bonds. This meant that pension funds were exposed to government risk when the Government defaulted on pension payments in 2002. Here, we can observe how the recurrent modification of the parameters of the system made pension policy rather unstable. Pension-system parameters have continued to be dependent on the political cycle and the socio-economic environment of the country.

In summary, the pension system in Argentina has now been in operation, in various forms, for more than 100 years. During the last century, the system has gone through many different stages, including recurrent moments of crisis and periods of expansion. In the last twenty years, the financial problems created by the maturation of pension-related schemes, the aging population and fiscal restrictions created an environment in which substantial changes could be made to the system. In 1994, a new model was introduced, involving reductions in benefits and coverage and the participation of private managers in a funded scheme. This new model was successful in limiting the increasing trend in pension expenditures, but, in the context of a weakening labour market, a growing proportion of the population was excluded from pension benefits.

The serious economic crisis that began in 2001 and its fiscal and financial effects intensified the problems already inherent in the pension system. With low compliance and coverage, declining nominal and real pension values, and high costs and risk concentration, the system was in serious need of an in-depth review.
In this respect, the Argentine experience illustrates that having a pension system based exclusively on a contributive scheme in a society whose labour market is mostly informal, and financing it with general revenue, is not a sustainable social policy, as explained above. Such a model expels informal workers from the social security system. To confront this issue, following the extension of social protection to labour-outsiders with the adoption of the Plan Jefes y Jefas de Hogar Desocupados in 2002, the Government adopted the Plan de Inclusión Previsional in 2005 as a strategy to expand pension coverage among the elderly through income support. Regarding this move, I contend that, once again, the importance of the executive’s influence on social policy is clear. The result was the inclusion of 1.4 million new beneficiaries within the pension system.

I have argued that the adoption of the Plan de Inclusión Previsional was influenced by previous policy choices – in particular, by the adoption and implementation of the Plan Jefes y Jefas de Hogar Desocupados. In this way, the crisis provided a point of punctuation. From 2002, social protection to alleviate poverty continued to expand (even after economic recovery), with incremental adjustments to social policy (including the Seguro de Capacitación y Empleo) following an inclusionary pattern in which income support was offered to the unemployed, informal workers and vulnerable groups in society through cash transfers. This constitutes a definite change in respect to the historically exclusionary character of social protection in Argentina. In this regard, I argue that the 2001 crisis was a critical juncture that established a different, bounded trajectory for social protection in general and for poverty-alleviation policies in particular. Such moves indicate that, as this thesis argues, once incremental
adjustments to policies were introduced, they affected future policy decisions. Here a decisive shift away from the exclusionary past of social protection was effected.
FINAL CONCLUSIONS

This study contributes to discussions on social policy interventions in Argentina by shedding light on the characteristics of Argentine politics, the configuration of actors and the causes that influence social policy – in particular, social protection and poverty-alleviation policies. Additionally, this thesis contributes to knowledge regarding the background and historical events that influenced the direction of social policy and the development of contemporary social policy interventions regarding poverty alleviation. This section summarises the thesis, restating some of the arguments previously presented and offering conclusions to the research questions. The narrative and historical sequence presented in the chapters is followed here; thus, I will address my subsidiary research questions before presenting the conclusions to my main research question.

In relation to the first three subsidiary research questions (1. ‘What political forces and processes influenced and defined the origin and evolution of the social protection system in Argentina?’ 2. ‘How are these forces and processes related to broader processes in the political economy?’ 3. ‘Is it possible to identify policy legacies that make the evolution of social protection policies path-dependent?’), I have argued that we can draw certain conclusions from the existing literature regarding the development of the Argentinean political economy and the regional context. Firstly, the independence process, the transposition of new structures of power and the emergence of colonial capitalism in the form of the agro-export model in 1880 integrated both the country and Latin America within the global process of capital accumulation. This process is key to understanding the political economy of the region. Here, I identified the relevance of the inception of a ruling
oligarchy based on a mighty central authority, which benefited from the performance of the agro-export economic model – in times of economic prosperity, authoritarian ways were reinforced.

The issues observed at this stage of economic growth/crisis are institutional weakness and social conflict, which became a pattern that was repeated in the future. In relation to the 1930s, as the agro-export model came to a halt, I identified another period of economic and political crisis, the salient features of which were (as in the previous stage) a mighty central authority, crisis and social conflict. Starting in 1930, a series of coups d’état followed. Within this historical stage, the rise and fall of Peronismo was clearly intertwined with the introduction of welfare politics and the industrialisation process. Perón expanded the existing pension funds by establishing social protection institutions and laws related to the provision of social insurance for influential groups of workers by decree, in a move that provided him with unconditional support from union members through a favour-for-vote dynamic. In this sense, welfare politics strengthened Perón’s central authority. The social protection system, based on contributions made by formal employees, excluded sectors of society, and this exclusionary character continued to be present as the system evolved. This in itself was a policy legacy that, in the long-term, contributed to difficulties with regards to universal access provision. Moreover, Perón’s political economy alienated military elites, reinforcing institutional weakness, crisis and social conflict.

During the 1950s, Perón was deposed through yet another coup d’état and development became the dominant ideology within the array of public policies
that existed both in the country and regionally. However, after a decade of expansion, Latin American economies stagnated and fell into crisis, unravelling the shortcomings of the industrialisation process. Here, I have demonstrated that from 1955 to 1976, the evolution of economic instability and political uncertainty involved, once more, institutional weakness, social conflict and crisis, which lasted until the arrival of democracy. *Coup d’état after coup d’état* led to several military governments being deposed, often in the context of economic crisis, just as in previous stages.

From independence to the end of the 1970s, Argentina experienced severe economic and political crises. The lack of institutional legitimacy in the emerging national political system led to weakness and authoritarianism. Moreover, the polarisation of social classes fostered social conflict and crisis. In times of economic growth, institutional weakness and authoritarianism increased, while in periods of economic crisis, social conflict and political uncertainty were fostered. I argue that policy legacies established a path-dependence in the development of the country’s political economy, in which the salient features were the aforesaid institutional weakness, social conflict and crisis. In relation to the subject of poverty, periods of economic growth meant that poverty rates were relatively low up until the 1980s; thus, poverty was not a political issue during the aforementioned stages. On this account this thesis contributes to our understanding of the processes that determined the structure of the political system and the power relations that cemented the generation, transfer and distribution of income during the aforesaid stages, as well as the inception of social protection policies and the evolution of a political and economic path
marked by social conflict, institutional weakness, crisis and populist reform. These are matters that, I argue, are crucial to an interpretation of the relationships that shape contemporary social policy responses to poverty.

In the 1980s and 1990s, the debt crisis, economic liberalisation, privatisation and political change affected the Latin American region, including Argentina. These processes led ultimately to the reform of welfare and to the introduction of new forms of public assistance for poverty alleviation. The timing and manner of introducing economic liberalisation, political change and welfare reform in each country, as well as the degree of reform, was influenced and shaped by broader processes in the international political economy and by policy legacies related to each country’s administration. The issues related to political economy that were shared by countries in the region were, among others: lack of legitimacy, hyperinflation, budget deficits and oversized state structures, which had to be slimmed down as soon as possible, implying the need for a series of structural reforms. The debt crisis, broadly regarded as a ‘state legitimacy crisis’, took several forms in Latin America, leading to the dismantling of import-substitution industrialisation and the loss of the already-limited popular support for authoritarian regimes. Economic liberalisation became a regional trend; social spending was cut and state-owned businesses were sold. This had a direct impact on social protection, particularly in terms of social security.

The dismantling or scaling back of the state was brought about via different stabilisation measures and structural packages. The most prominent measure was privatisation, which occurred in most countries, regardless of their levels of
development or the types of political regimes. With regards to political change, most authoritarian regimes failed to deal with their deteriorating economies, which initiated a wave of democratisation. This democratisation helped to politicise poverty later on, as popular pressure, in the form of protests and riots, increased.

Other forms of social protection, based on public assistance for low-income groups, were also implemented, beginning in Mexico and then spreading to countries like Brazil and Argentina. In this particular case, both economic and political liberalisation can be related to the introduction of social safety nets and Conditional Cash Transfers (CCTs), as discussed earlier. Here, this thesis contributes to our understanding of the regional processes that influenced contemporary social policy interventions related to poverty alleviation regionally and in Argentina specifically.

Regarding the fourth, fifth and sixth subsidiary research questions (4. ‘How did the emergence of democracy/neoliberalism affect the historical pattern of social protection?’ 5. ‘Is it possible to identify a shift in social policy interventions regarding poverty alleviation within the governance of Argentina?’ 6. ‘How is this shift connected to the historical development of the country’s political economy?’), from 1983, democratic/neoliberal governments, (particularly Menem’s) aimed to reduce state intervention by promoting a series of privatisation processes for state-owned enterprises and in relation to social security. On this subject, I argue that the emergence of democracy/neoliberalism represents a critical juncture in the evolution of social protection; social security
was partially privatised and a different form of social policy intervention, based on the idea of targeting, was introduced. Institutions and programmes tackling poverty were created at that time, the Plan Trabajar being the most important during Menem’s government. Nevertheless, during the 1990s, the introduction of poverty-alleviation policies was accompanied by institutional fragmentation. This issue, I argue, is related to the legacy of institutional weakness. On the other hand, Menem’s close relationship with the private sector represented a feedback process in terms of the historical evolution of Peronismo, in which the main source of support was the working class; the historical union/party tie seemed to be affected, as working class interests were relegated and represented neither by Menem, nor by the Partido Justicialista.

By the end of Menem’s second period in office, the economic system had entered into a period of dramatic crisis, caused in part by the Plan de Convertibilidad. Recession started in 1998, generating social and political instability. The following year, in December 1999, Fernando de la Rúa arrived in office and, in the following months, rising prices and unemployment fuelled social protests. Argentina defaulted on its foreign debt and social turmoil reached its peak. This situation led to de la Rúa’s resignation on 20th December, 2001.

The 2001 crisis had a profound political and social impact. Between October 2000 and August 2002, there were five cabinet crises, two presidential resignations, one Senate crisis, and five ministers of the economy also resigned (Corrales 2002). Spending was cut across all areas, extreme poverty levels were experienced and unemployment rates rose sharply.
After the arrival of President Duhalde in January 2002, the Government sought to implement a national poverty-alleviation programme and opted for an income-support strategy using cash transfers. This thesis contributes to the field here in terms of seeing this programme as a critical juncture in the evolution of social protection. I have identified both the policy legacies and feedback processes that influenced certain policy choices, providing an understanding of how and why certain social policies materialised and also influenced the development of subsequent policies. The historical sequence of events that led to the expansion of social assistance through cash transfers and the forces and procedures that influenced such a process played a key role here.

In terms of tackling poverty and unemployment, social assistance was expanded to labour-outsiders with the adoption of the Plan Jefes y Jefas de Hogar Desocupados. The adoption of this programme represented a shift in the trajectory of social policy interventions. Income support continued to expand after economic recovery started in 2003, with social assistance and social insurance programmes being developed – in particular, the Seguro de Capacitación y Empleo and the Plan de Inclusión Previsional.

In respect to my main research question (‘What political forces and processes have influenced and shaped the adoption and implementation of social policy interventions targeted at poverty alleviation in Argentina in the post-2001 period?’) and subsidiary research question 7 (‘Are policy legacies related to contemporary social policy interventions that target poverty alleviation?’), I argue that the Plan Jefes y Jefas de Hogar Desocupados was adopted in the midst of yet
another cycle of economic crisis, social conflict and institutional weakness. Its creation and implementation required a complex, decentralised administrative structure, with multiple levels of operation, as well as centralised political management. The institutional design of the PJJHD programme included three main partners. Firstly, national and local institutions provided broad guidelines for the organisation and execution of the programme. Secondly, the organisations executing the project included various governmental, non-governmental and non-profit organisations, through which the work was performed. Finally, the beneficiaries of the programme – the unemployed – must be mentioned. The PJJHD programme broke the traditional link between welfare, employment and trade unions as it allowed for the inclusion and participation of organisations for informal workers and the unemployed. This, I contend, was another critical juncture in the evolution of social protection in Argentina. The PJJHD quickly came to incorporate around two million people. In the process, it became part of traditionally clientelist networks of welfare distribution, creating a degree of state control over the unemployed, including the Piqueteros. This could be understood as a type of neo-Peronism (for further discussion of this issue, see Levitsky 2001; Levitsky 2003; Godio 2004; Gruegel and Riggirozzi 2009; Flic 2011). The return of clientelist practices was, I argue, related to policy legacies that were linked to Peronismo and its party, the Partido Justicialista.

After the installation of President Néstor Kirchner, employment (in terms of job generation and employability) was placed at the centre of the political agenda. Kirchner’s government implemented two new income support programmes that facilitated the termination of the Plan Jefes y Jefes de Hogar Desocupados, one of
which was the Seguro de Capacitación y Empleo, enacted by decree in 2006. The adoption of this programme was an executive decision that was prompted by the need for transition from the emergency programme and there was no bargaining process related to its adoption, unlike to its predecessor. This issue highlights the relevance of presidential action in regards to the adoption and implementation of social policies. Here, the implementation process was administered by the Ministerio del Trabajo y Seguridad Social, with a condition being included that applicants should be beneficiaries of the Plan Jefes y Jefes de Hogar Desocupados.

Concerning the adoption and implementation of the Plan de Inclusión Previsional, I have argued that the 2001 crisis and its fiscal and financial effects intensified the problems that were extant in the pension system: compliance and coverage, declining nominal and real pension values, high costs and risk concentration in the second pillar. After the crisis the pensions of 1.4 million people were affected. Providing income support for the elderly became a policy priority. To address this issue, by presidential decree, the Government adopted the Plan de Inclusión Previsional; a strategy to expand coverage among the elderly through income support. This was an executive decision and there was no bargaining process involved, as was the case with the adoption of the Seguro de Capacitación y Empleo. This issue highlights once again the relevance of presidential action in the adoption and implementation of social policies. To receive the benefit, it was necessary to fit a particular age category (over 60 years old for women and 65 years old for men by 31st December 2004). The programme allowed the inclusion of 1.4 million new beneficiaries within the
system. The process was administered by the Administración Nacional de Seguridad Social.

I argue that the adoption of the Seguro de Capacitación y Empleo and the Plan de Inclusión Previsional was influenced by previous policy choices – in particular, by the adoption and implementation of the Plan Jefes y Jefas de Hogar Desocupados. From 2002, social protection to alleviate poverty continued to expand (even after economic recovery), following an inclusionary pattern that offered income support in the form of cash transfers to the unemployed, informal workers and vulnerable groups in society. This approach constituted a definite change in respect to the historically exclusionary character of social protection in the country. In this sense, I argue that the 2001 crisis was a critical juncture that catalysed a different trajectory with regard to social protection in general, and poverty-alleviation policies in particular.

I assert that is possible to identify two different ‘stages’ in the management of social protection policies related to poverty alleviation in Argentina in the post-2001 period. First of all, from 2002 to 2004, the country’s main social policy response to poverty was structured around income support in the form of cash transfers made through the Plan Jefes y Jefas de Hogar Desocupados. A second stage commenced after 2004, when economic recovery took the country out of a state of emergency. Néstor Kirchner’s government advanced the idea of the creation of new income support programmes. On this issue, I argue that the expansion of social protection through social assistance and social insurance in the post-2001 period illustrates the fact that once a policy path is adopted, it is
difficult to alter it; after income support began to be offered to labour-outsiders, informal workers and vulnerable groups, this expanded availability continued, even after the state of emergency ended. The Seguro the Capacitación y Empleo and the Plan de Inclusión Previsional followed the same logic of inclusion and income support that characterised the Plan Jefes y Jefas de Hogar Desocupados.

The adoption of the aforementioned programmes by decree illustrates the fact that, historically speaking, the Argentine president has often acted as the main policy-maker and veto-player. Throughout its history of institutional weakness, Argentina has suffered, as central authority has developed within authoritarian governments, to the detriment of other institutions, such as the Argentine Congress. Government executives tend to have too much leeway in Argentina to pursue policy adoption through discretionary powers; resultantly, the Argentine Congress is not an arena in which key policies are negotiated. Furthermore, there is no policy delegation to well-staffed, independent, professional agencies. Each of these features of Argentine politics constitutes, in game-theoretical jargon, the ‘equilibrium behaviour’ of political actors (Spiller and Thomassi 2007).

Following Skocpol and Amenta’s ideas (1986), I contend that in this equilibrium behaviour, we can identify the configuration of actors and causes that influence social policy. Furthermore, I argue that this behaviour has developed over time, being an outcome of past events and policy choices. Due to these characteristics, following Pierson (1993, 2000a, 2000b), I assert that previous policy choices can act as institutions that, once in place, have a feedback effect or legacy effect that informs and constrains future action, policy creation and political change.
Here, I will bring together earlier discussions and observations, and provide a closing answer to my main research question (‘What political forces and processes have influenced and shaped the adoption and implementation of social-policy interventions targeting poverty alleviation in Argentina in the post-2001 period?’).

This thesis has contended that the historical trajectory of Argentinian political economy has been defined by the political processes surrounding various transactions that were made over time. Institutional weakness (in which executives have had excessive latitude to shape policies) has been identified as a key issue that has influenced the development of Argentina’s political economy and social-protection system. Furthermore, clientelism, populism and insurrection (all of which ultimately fell apart) have also been established as important facets that help to explain the origins and nature of social policy. These are the policy legacies that I consider to be related to the historically exclusionary character of social protection in the country. For decades, both Government executives and labour groups benefited from a ‘favour-for-vote’ dynamic (a policy legacy of Peronismo), and social protection was not offered, therefore, to individuals outside formal employment or to vulnerable members of society (such as the elderly).

After the 1980s debt crisis, however, the relationship between the Government and labour groups changed. Social spending was cut as, under the auspices of neoliberalism, the country experienced a definite shift in terms of its economic model. In spite of the introduction of a series of privatisation processes, economic
and social indicators continued to worsen for the next two decades – particularly in terms of external debt, unemployment and poverty. Resultantly, poverty started to be recognised as a political issue.

By the end of the 1990s, Argentina had entered into social and political instability, which led, ultimately, to the 2001 crisis. This crisis became a turning point in the historical trajectory of Argentinian political economy; it caused a profound economic and political backlash as it entirely delegitimised the neoliberal approach that Menem had followed. Thus, I argue that this moment constituted a critical juncture that allowed for the return of (leftist) clientelist practices, which became manifest during President Duhalde’s term in office. In particular, the implementation, by presidential decree, of the Plan Jefes y Jefas de Hogar Desocupados (a key poverty-alleviation programme that offered income support to those outside the formal labour market) altered the exclusionary pattern of the history of Argentine social protection. It also reinforced the President’s role as the main policy-maker and veto-player in the country. Furthermore, it provided the left with new political capital, as organisations for informal workers and the unemployed became sources of leftist support, thus generating a sort of neo-Peronism.

In this way, the crisis, along with the posterior implementation of the Plan Jefes y Jefas de Hogar Desocupados, provided a point of punctuation. The PJJHD, which was established specifically to address a state of emergency, benefited formal-labour outsiders, thus expanding social protection – and it remained in place after economic recovery commenced. This kind of ‘muddling through’ (Lindblom
1959) by the Government allowed a new welfare state to emerge; alongside the structural changes that were made (which were forced upon the country by international actors such as the World Bank), the expansion of social protection continued with incremental adjustments to social policy, including the Seguro de Capacitación y Empleo and the Plan de Inclusión Previsional, both adopted soon after by presidential decree. Thus, a decisive shift away from the exclusionary past of social protection was effected but, at the same time, the legacy of institutional weakness caused by executives having excessive leeway to pursue policies was reinforced.

Such moves indicate that, as this thesis argues, once incremental adjustments to policies were introduced, they affected future policy decisions; here, a different, inclusionary path was carved, which led not only to the continued expansion of social protection in Argentina but also to the return of the left into power.

This study contends, therefore, that Argentine political processes resulting from transactions made over time, along with the aforementioned features of Argentine politics, constitute the main forces that influenced and shaped the adoption and implementation of poverty-alleviation policies in the country. The thesis provides a new account of social-policy development in Argentina by contributing to our understanding of the processes that define, firstly, the structure of the political system and, secondly, power relations in the country. It sheds light on the characteristics of Argentine politics, as well as the configuration of actors and the causes that have influenced social policy. Moreover, this thesis also extends knowledge of the background and the historical events that have affected such
changes to social policy, as well as assessing the impact that these factors have had on contemporary social policy interventions – particularly in terms of poverty alleviation.

Finally, I assert that an analysis of the policy process involved in social policy in general, and in social protection in Argentina more specifically (or any other country sharing the characteristics of its bureaucracy and institutional design), should take into account the development of the country’s national administration and political economy because public policies are the outcome of context-specific political transactions that happen over time. Therefore, the results of this study are relevant to wider debates regarding the importance of previous policy choices as sources of political change and continuity. Once established, policy choices and institutions related to social protection in Argentina led to a rigid, path-dependent, bounded trajectory being set, which was reinforced through a feedback effect that could not be altered until the critical juncture that occurred in 2001.
FIGURE 6 - CRITICAL PROCESSES AND FORCES
1946

- Peron First Presidency
- Strengthening Central Authority
- Extended use of decrees regarding social protection policies and institutions (social security / health / education for influenced groups)

Nurtured Social Conflict

1955

Economic Crisis
Coup D'état

Institutional Weakness

Coup D'état

Institutional Weakness
Social Conflict

1957

POPULISM / CORPORATIVISM
1962: Coup D'état
1970: Coup D'état
1971: Coup D'état
1976: Coup D'état
1978: - End ISI Model
       - Economic openness introduced
1983: Economic Crisis, Debt Crisis, End Military Junta, Return to Democracy

Political Instability, Transition Government

1989: Menem arrival, Neoliberalism, Privatisation

Feedback Process: Social cut backs, Welfare state shift, Unsuccessful poverty alleviation strategy

1991: Convertibility Regime
1994
- New Pension System
  (Still contributive)

1998
- Convertibility Crisis
  - Institutional Weakness
  - Social Conflict (Piqueteros)

1999
- De la Rua arrives
  - Continued effect of 1998 crisis

2001
- De la Rua resigns
- Argentina Default
- Rising poverty and unemployment
- Institutional weakness (5 presidents between 21st December and 31st)
- Social Conflict (poverty and unemployment)

CRITICAL JUNCTURE
CRITICAL JUNCTURE

2002
- Duhalde Presidency
- Expansion of social protection to labour-outsiders

POVERTY ALLEVIATION
- PJJHD
  (Income support through cash transfers)

2003
- Nestor Kirchner
  - Economic Recovery
  - Expansion Income Support
  - Seguro de Capacitacion y Empleo.

2005
- Expansion income support to elderly
  - Plan de Inclusion Previsional.

Present
REFERENCES


