

Including Outsiders in Latin America

Candelaria Garay

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Labor representation has been one of the central political issues shaping the formation of party systems and regime dynamics in Latin America throughout much of the twentieth century. As shown by Ruth and David Collier in *Shaping the Political Arena* (SPA), in the first half of the twentieth century, states led by middle-class reformist movements recognized labor unions as legitimate actors, established institutions of negotiation for labor unions and the state, and launched labor and social policies that benefited workers. In some cases, state leaders created political parties that affiliated labor unions and mobilized workers as a support base on a massive scale, spawning enduring loyalties.

Despite their centrality, these processes of labor incorporation left large swaths of popular sectors excluded from labor and social security legislation as well as from structures of interest representation. I refer to these marginalized groups collectively as “outsiders” in order to distinguish them from “insiders” or protected formal-sector workers. Throughout much of the twentieth century, outsiders, which comprised rural workers, the unemployed, and the urban informal sector, remained unprotected or underserved by social policy. Far from being a small fraction of the population, by 1990 outsiders and their dependents represented between 40 and 80 percent of the total population in the eight countries analyzed in SPA, and a large share of this group lived in poverty.¹

¹ Estimates from Garay (2016).

Early in the third wave of democracy, scholars were pessimistic about the likelihood that the exclusion of outsiders would be addressed through state policy, or that these sectors would be capable of achieving stronger representation. Much of the literature saw inclusion as being constrained by the exhaustion of inward-oriented industrialization and the financial scarcity brought about by the debt crisis and ensuing market reforms.² The extension of clientelistic linkages to the poor by parties seeking the low-income vote further reinforced these expectations.³ Yet starting in the 1990s, several countries began to include outsiders by launching unprecedented social policy initiatives. By 2010, virtually all of the cases studied in SPA had established significant social programs, particularly in policy areas previously characterized by a sharp divide between insiders and outsiders – pensions, health care, and income support. Across countries, moreover, there was important variation along critical features of these programs – concerning the scope of the benefits, whether implementation was participatory (i.e. involving outsider organizations), and whether the benefits were discretionary or not.

The goal of this chapter is to characterize and explain the expansion of social policy to outsiders in the countries analyzed in SPA. I will show that expansion has been propelled by different political dynamics and has resulted in different patterns of social policy across countries. One of these patterns consists of the expansion of large-scale nondiscretionary social policy, which was a critical tool that national incumbents in democratic regimes used to secure continuity when they faced electoral competition for outsider voters. Expansion was also a response to social movements and labor union allies demanding broad social-policy protections. If social movements were involved in policy design, larger and more generous programs, which I call *inclusive*, were launched. This was the case in Argentina, Brazil, and Uruguay. If conservatives had influence over policy design and no social movements participated in policymaking, *restrictive* social policies were launched. This is what occurred in Chile, Colombia, and Mexico. In contrast, incumbents in (semi) authoritarian regimes used politicized or *discretionary* social policy expansion to mobilize outsiders behind their projects when they faced threats to their continuity, as in Venezuela in the 2000s. In other cases, incentives for expansion were attenuated or nonexistent, and *limited* social policy or no policy initiatives took shape, as exemplified by the case

² See, for example, Kurtz (2004).

³ For example, Roberts (1995); Levitsky (2003); Magaloni (2006).

of Peru after the fall of Fujimori and the beginning of a new democracy in 2000.

In the next sections, I analyze attempts to *include outsiders*, or extend social policy protections for outsiders, since the beginning of the third wave of democracy in the late 1970s. I first discuss the situation of outsiders during the period of labor incorporation and the legacy of this experience. I then present the different patterns of social policy established in the eight cases analyzed in SPA, discuss alternative explanations, and introduce the proposed explanatory framework to account for these patterns. The final part of this chapter analyzes four cases that each correspond to a different pattern of social policy for outsiders: Argentina (inclusive), Mexico (restrictive), Venezuela (discretionary), and Peru (limited).

Insiders and Outsiders

Labor Incorporation and Its Legacy

As analyzed by Collier and Collier (1991), labor incorporation in the first half of the twentieth century shaped party systems and regime stability in Latin America's middle-income countries for decades. Incorporation consisted of "the first attempt of the state to shape an institutionalized labor movement" (p. 783). It involved the creation of institutions that would link labor unions to the state as well as the extension of state policy for workers. Although labor incorporation involved top-down processes initiated by state leaders, two major types of incorporation took shape: *state incorporation*, which was carried out under authoritarian regimes by leaders who sought to depoliticize the labor movement in alliance with traditional elites, and *party incorporation*, which was mediated by pre-existing parties or new populist parties that sought the loyalty of labor unions.

Labor protections, state-sanctioned forms of representation, and the social benefits extended to insiders – often on a group-by-group basis at first, and later on within broader, more homogeneous systems of social protection – were out of reach for outsiders and their dependents in the countries analyzed in SPA.⁴ In Argentina and Uruguay, the countries with the largest urban populations, health care services and social security programs for

⁴ See Mesa-Lago (1978, 1989), Malloy (1979), and Borzutzky (2002).

outsiders were launched during labor incorporation, but the latter were generally not implemented.

Although institutions regulating and organizing rural labor were established in several countries, for many years they were poorly enforced or not enforced at all (ILO 1960). For example, rural unions in Chile were authorized by law but banned by administrative fiat until the 1960s (Loveman 1976; Kurtz 2004). Large swaths of outsiders were also marginalized from the vote in some countries. In Brazil, Chile, and Peru, literacy requirements resulted not only in the exclusion but also the manipulation of low-income voters, especially in rural areas.⁵ In these cases, existing populist parties or the parties that emerged after incorporation to represent the working classes could not mobilize the popular sectors electorally at a large scale.

During democratic regimes prior to the third wave, outsiders primarily supported the populist parties that emerged in the context of labor incorporation. Outsiders were loyal supporters of the Peronist Party (PJ) in Argentina and of the Institutional Revolutionary Party (PRI) in Mexico. In cases of incorporation by traditional parties, which cleaved the electorate vertically and geographically, outsiders supported these elite parties along regional divides. This was the case in Uruguay, where low-income sectors voted for the Colorados in the cities and the Blancos in the countryside.⁶

The legacy of labor incorporation, as Collier and Collier demonstrate, was the formation of party systems that were more or less capable of channeling and moderating social and political conflict during the 1960s, when economic internationalization on the one hand, and the radicalization of the left on the other, challenged existing power arrangements. During this period, there were attempts to include outsiders. As noted in SPA, both social and rural movements as well as political parties sought to mobilize outsiders in their quest for social transformation or for power. Rising centrist parties, such as the Christian Democrats in Chile, as well as church-based movements and left-wing parties competed to build strong support among outsiders.⁷ An important expansion of health care services took place during these years in Chile. This period also saw the activation of some of the institutions of representation that had long existed on paper but had not been enforced – such as rural unions (Kurtz 2004).

⁵ See Oxhorn (1995) and Malloy (1979).

⁶ See Collier and Collier (1991) and Luna (2007).

⁷ See Oxhorn (1995) and Houtzager (1998).

In countries that witnessed regime collapse amid intense conflict, military dictatorships repressed social organizations and sometimes extended social programs to outsiders. These initiatives sought to co-opt outsiders' organizations and/or to dampen contention while selectively repressing their leadership.⁸ In Brazil, rural pensions and health services were selectively extended to contain and co-opt the rural unions established under the João Goulart administration in 1963–1964.⁹ In Chile, the military dictatorship (1973–1990) launched benefits for outsiders at a time of economic crisis in order to dampen protests, and it selectively excluded and repressed the communities that were involved in contention.¹⁰

Labor incorporation and its legacy marginalized large swaths of outsiders. Coalitions between insiders and outsiders were not common, since labor incorporation was a top-down project that limited horizontal ties across unions and organizations that attempted to represent outsiders, as in the case of Mexico, where workers and peasants were organized separately. Although some social policy initiatives were extended for outsiders, the beginning of the third wave of democracy saw the persistence of a deep divide separating insiders and outsiders. This divide was caused not only by differences in job security and stability, as in advanced democracies,¹¹ but also by outsiders' dramatic lack of social protections.

The Third Wave of Democracy

In contrast with the prior period of incorporation and its legacy analyzed by Collier and Collier (1991), outsiders gained political influence during the third wave of democracy. Not only did outsiders claim large numbers, which made them particularly relevant in competitive elections, but institutional changes that established full suffrage were introduced in countries that lacked inclusive elections, further increasing outsiders' importance (e.g. Peru and Brazil). Migration to urban areas decisively increased political parties' ability to mobilize outsiders, as well as outsiders' ability to engage in collective action. In contrast with the period stretching from the 1920s to 1960, the average outsider in most of the countries studied in SPA was no longer rural but was now an urban dweller. It was within this environment that incumbents set out to include outsiders through social policy.

⁸ See Oxhorn (1995) and Houtzager (1998).

⁹ See Garay (2016, 96–100).

¹⁰ Hunneus (2000); Etchemendy (2011).

¹¹ Esping-Andersen (1999).

Patterns of Social Policy for Outsiders

All the countries studied in SPA launched social programs during the 1990s and 2000s and did so across three policy areas that previously showed deep insider–outsider divides: health care, pensions, and income support (comprising family allowances and/or other conditional and unconditional transfers for households with children). By 2010, when these countries had all experienced democratic politics – sometimes interrupted by competitive, semi-authoritarian, or full authoritarian regimes (as in Colombia, Peru, and Venezuela) – we can identify four patterns of social policy for outsiders. What differentiates these patterns is the extent to which policies were expanded and whether or not the resulting benefits were nondiscretionary, meaning governed by clear eligibility rules and treating everyone who qualified equally (see Lieberman 1998).

One pattern – the most common among the SPA countries – entails the adoption of *large-scale nondiscretionary benefits*.¹² Two alternatives exist between this outcome and one in which no benefits are created. One, which I call *limited social policy*, is characterized by reduced benefits that reached less than 35 percent of the relevant outsider population across most or all of the key policy areas. The other consists of the establishment of broad social benefits that are *discretionary* in all or some of the key policy areas.

Only large-scale nondiscretionary expansion constitutes a stable pattern of inclusion and a novel set of social policy initiatives. Discretionary social benefits are likely to be unstable and easily reversed due to their politicized and weakly institutionalized nature. In the cases of no expansion and of limited social policy, (further) expansion affecting the scope and level of benefits may take place in the future.

Two social policy models emerged among cases of large-scale nondiscretionary expansion: one model, which I call *inclusive*, entails generous benefits that are nearly universal and involves some social participation in their implementation.¹³ A second model, which I call

¹² A program is considered *large-scale* if it reaches at least 35 percent of the relevant outsider population (e.g. outsider seniors in the case of pensions). See Garay (2016, 340).

¹³ Inclusive programs cover at least 70% of outsiders with benefits and services similar or equal to those of low-income insiders. See Garay (2016, 340–341 and chap. 2).

restrictive, reaches a smaller share of the outsider population and provides less generous benefits.¹⁴

Across the eight cases analyzed in SPA, different cross-national patterns of social policy for outsiders took shape by 2010. Argentina, Brazil, and Uruguay developed *inclusive* social programs that covered the vast majority of outsiders across select policy areas with benefits similar to those of low-income insiders; some of these benefits also allowed for participatory implementation. Chile, Colombia, and Mexico extended *restrictive* social programs that reached a smaller though still significant share of outsiders with more modest benefits. Finally, Venezuela launched broad-reaching *discretionary* benefits, with allocation subject to political considerations, while Peru is marked by the absence of significant social policy initiatives, or *limited social policy*, with less than one-third of outsiders receiving benefits by 2010.

Alternative Explanations

What accounts for the expansion of large-scale nondiscretionary benefits in Latin America? Why are some social policies inclusive and others restrictive? And under what conditions do governments adopt discretionary or limited social policies?

Existing literature suggests that the commodities boom that hit Latin America in the first decade of the twenty-first century propelled or made possible the expansion of social policy for outsiders. Another argument, elaborated in Wendy Hunter's chapter in this volume, contends that international diffusion explains why outsiders became the target of the large-scale social investments addressed here. As I argue below, these arguments do not adequately account for the motivations underlying the expansion of social policy, the timing of expansion, and the varied policy models that were adopted across policy areas.

The Commodities Boom

Whereas some studies suggest that export-driven growth during the commodities boom of the 2000s allowed left-leaning politicians to implement redistributive agendas (Levitsky and Roberts 2011), others build on the *rentier state theory* and highlight the emergence of "rentier populist" regimes in which governments utilized massive export-driven revenues

¹⁴ Restrictive programs cover between 35 and 70% of outsiders with benefits and services that are much more limited than those of insiders. See Garay (2016, 340–341 and chap. 2).

to build a coalition with the informal sector through the expansion of conditional cash transfers (CCTs).¹⁵

The argument that during times of abundance leaders in highly unequal societies channel resources to the historically excluded, or that leaders in rentier states will seek to retain power through the massive expansion of CCTs to the poor, faces both empirical and theoretical challenges. Empirically, the timing of social policy adoption does not neatly fit the expectations in these arguments, as governments launched large-scale social programs during times of recession, modest growth, and commodity windfalls (Garay 2016). Furthermore, theories based on resource-led growth fail to explain why politicians created strikingly different social programs across countries. For example, the social policies launched during Venezuela's commodity boom by Hugo Chávez (1998–2013), the paradigmatic case of “rentier populism” (Mazzuca 2013), comprised discretionary benefits and only established a very small cash transfer program in Chávez's final year in office. In Peru, which was one of the world's fastest-growing economies in the early twenty-first century, governments did not launch significant social policy initiatives for outsiders.

The question of why leaders would channel high export-led revenues toward outsiders remains unexplained by these arguments. Why would state authorities channel benefits to outsiders and not to other sectors or to other policy areas, such as infrastructure investments or employment creation? Resources may facilitate expansion on the part of leaders who are already determined to extend benefits to millions of outsiders, but resources in and of themselves do not drive expansion. In addition, they are not good predictors of why some countries, such as Chile, created less encompassing social policies than others, such as Uruguay or Brazil.

Diffusion of Social Policy

Another potential explanation for expansion emphasizes the diffusion of social protection models (see Hunter, this volume). In this framework, policy *principles* (e.g. universality) or policy *models* (e.g. social security, CCTs) spread over time from one geographically proximate place to another, gradually resulting in policy change (see Weyland 2006, 19–21). Diffusion typically occurs either through international entities that exert pressure on

¹⁵ Also see Mazzuca (2013) and this volume.

governments to expand protections and/or promote specific blueprints, or through policymakers' adoption of models or policy blueprints that seem appropriate for a particular problem.

By itself, however, diffusion does not adequately account for the patterns of expansion of pensions, income support, and health care services for outsiders in the eight cases examined here. A diffusion-based explanation is limited in at least three ways. First, evidence for the role of diffusion mechanisms in policy adoption is thin. Studies of the policy-making processes leading up to expansion across the country cases and policy areas under study reveal little evidence of emulation or of international agencies guiding policy decisions (see Garay 2016). Cash transfers, for example, were initiated domestically by some of the early adopters – such as Brazil, Chile, and Mexico – without international agencies or cross-country emulation playing a relevant role. Second, the diffusion approach understates the diversity of policies adopted across the region. The policy models adopted by Latin American governments do not converge on a particular blueprint. Rather, different types of social programs – in terms of coverage, generosity, mechanisms of implementation, and funding – may be observed in different policy areas and country cases. Finally, it is also difficult to establish the source of diffusion, as several countries adopted large-scale benefits at roughly the same time. Moreover, neither specific programs, such as cash transfers and old-age pensions, nor the policy principles of fighting poverty and improving child welfare were new to the region in the 1990s.

Explaining Patterns of Social Policy for Outsiders

What explains incumbents' decisions to expand pensions, health care, and income programs for outsiders? And what accounts for the different patterns of social policy adopted across cases? I argue that both the political regime type and the presence of electoral competition for outsider voters and/or social mobilization from below create different incentives for states to include or exclude outsiders in social policy. These factors help explain whether social policy is extended to outsiders, and which kinds of social programs are established. Large-scale nondiscretionary benefits are established in democratic regimes with electoral competition for outsiders and/or social mobilization for policy expansion. Limited social policy occurs in democracies without competition or mobilization, or in which incentives are attenuated by institutional factors that depress incumbents' chances of continuity in power. Broad discretionary benefits emerge in

(semi) authoritarian regimes in which incumbents fear losing their continuity in power due to electoral challenges or broad mobilization. Finally, no expansion occurs in authoritarian regimes that lack these incentives to reach out to outsiders for support. I lay out the argument below.

Democracy

In democratic regimes in which there is a social policy divide, incumbents are likely to expand large-scale nondiscretionary social policies for outsiders when they face high levels of electoral competition for these voters and/or large-scale social mobilization pushing for social policy expansion through protest, institutional channels, or alliances with the governing party.¹⁶ In the face of these pressures, incumbents will consider social policy expansion to be (1) a powerful instrument to elicit outsiders' electoral support when a credible challenger threatens to defeat the incumbent party by courting outsider voters, and (2) a necessary measure to mitigate intense pressure that can seriously reduce the incumbent's popularity and/or destabilize their administration.

Electoral competition for outsiders is understood as the existence of a party that can defeat the incumbent by gaining significant electoral support among outsiders. Electoral competition may occur when outsider voters either (1) are not aligned with any particular party and thus are ready to be mobilized by different parties or (2) constitute the electoral bastion of a given party but encounter a credible challenger who seeks to gain their support. The dynamics characterized here thus entail a situation in which outsiders are not the stable constituency of any party competing for the presidency.

The importance of electoral competition is based on the premise that incumbents care about their or their parties' continuity in power. Continuity is uncertain in democratic regimes in which parties compete in free and fair elections. The rise of a challenger who vigorously appeals to outsiders to win office may undermine incumbents' continuity, especially when outsiders constitute a significant portion of the electorate. When incumbents face electoral competition for outsiders, they have a strong incentive to appeal to them and secure their support.

¹⁶ On the political regime and social policy, see Lake and Baum (2001) among others.

These incentives, however, may be severely undercut by institutional environments that reduce incumbents' time horizons. Specifically, incumbents expect continuity under at least one of two conditions: when they can be reelected and when their political parties are minimally stable organizations. The absence of both reelection provisions and stable party organization restricts the possibility of continuity in power, and undermines the incentives for embarking on social policy expansion. Given the unlikelihood of continuity, incumbents may simply create small benefits that show concern for the poor, without embarking on the taxing process of expansion.

For incumbents facing electoral competition for outsiders, social policy expansion provides an opportunity to reach out to voters that are heterogeneous (including, for example, rural workers, the unemployed, and/or the urban informal sectors) with badly needed tangible benefits. Provisions that all outsiders value include health care services that alleviate high medical costs, increase access to treatments, or transfers that provide often modest but stable income for young children and seniors. Unlike investments, production-related credits, and employment programs, social benefits can reach millions of beneficiaries simultaneously and throughout the country, which is what incumbents facing intense competition hope to accomplish.

The second incentive for large-scale nondiscretionary expansion is *social mobilization from below*, here defined as a sustained process launched by a coalition of social movements and labor unions making demands on the state for social benefits for outsiders. As I discuss elsewhere, these coalitions of social movements and labor unions may resort to protest or may work through institutional channels or an allied party in office to advance their demands (Garay 2016).

Social movement coalitions demand specific kinds of provisions and often develop proposals that they submit to incumbents for consideration. These demands and proposals are generally inspired by existing benefits for insiders. What outsiders generally want when they mobilize is to obtain provisions that are comparable to those of a low-income formal worker.

Incumbents and opposition parties competing for outsider voters, as well as social movements, prefer social programs to be nondiscretionary. Incumbents worry that if there is bias in the distribution of benefits, this will undermine their reputation vis-à-vis challengers, who in turn worry that incumbents will use benefits selectively to their advantage to ensure continuity in office (see De la O 2015). Social movements in turn fear

exclusion from social programs or the strengthening of party machines – which they generally oppose – if benefits are not transparent. Incumbents in turn seek to dampen pressure from social movements and avoid perceptions of clientelism in large-scale programs, and thus strive to make benefits nondiscretionary. The strategic interests of these different actors in the context of intense competition and/or large social mobilization lead to efforts to create nondiscretionary benefits.

The dynamics of the expansion of large-scale nondiscretionary benefits within democratic regimes therefore feature two politically-driven processes: one “from above,” motivated by electoral competition for outsider voters that credibly threatens incumbents’ continuity, and one “from below,” propelled by social mobilization.

When democracies lack electoral competition for outsiders and social mobilization from below, incumbents are less likely to embark on the expansion of large-scale, nondiscretionary social benefits. Rather, they are more likely to establish small programmatic or discretionary benefits to show some concern for the poor. This situation has been characteristic of some democratic administrations during the third wave. It describes the case of Peru today, where electoral competition is attenuated by politicians’ limited time horizons in the absence of a stable party system and consecutive reelection. Social policy initiatives in this case have been extended across policy areas but reach only modest coverage, as analyzed below.

Authoritarian Regimes

In authoritarian regimes, the main incentives to initiate social policy expansion for outsiders are typically not present, and therefore incumbents are unlikely to embark on any innovations. In these settings, electoral competition is either nonexistent or severely constrained, and outsiders are less likely to mobilize and press for benefits, due to the absence of democratic freedoms.¹⁷ However, social mobilization and electoral competition – even if it is less intense – may take shape, especially in competitive authoritarian regimes, which may be characterized by power abuses, intimidation, and restrictions of the opposition, but not by massive civil rights violations (see Levitsky and Way 2010.) Within regimes marked

¹⁷ See Magaloni (2006) and Yashar (2005).

Table 2.1. Regime type, political incentives for expansion, and social policy for outsiders

		Regime Type	
		Democratic	Authoritarian / Semi-Authoritarian
Electoral Competition for Outsiders/Social Mobilization?	Yes	Large, nondiscretionary	Discretionary, often large
	No	Limited social policy (discretionary or not)	No significant initiatives

Source: based on Garay (2016).

by intense social conflict and deteriorated democratic institutions, or in competitive authoritarian regimes, incumbents are likely to initiate social programs that are discretionary and often large if they face high electoral competition, social mobilization, or a mobilized opposition that challenges the incumbent's hold on power.

Incumbents are likely to use policy benefits as a form of patronage to undermine the opposition or to mobilize supporters behind their projects. As shown in the next section, in Venezuela in the 2000s, President Hugo Chávez, facing intense anti-government protests, set out to mobilize low-income voters through participatory social policy provisions in order to secure their support and underpin his continuity in power. In other cases, rising electoral competition led the incumbent to expand benefits to mobilize outsiders' votes, undercut support for the opposition, and strengthen the incumbent's connection with the poor – as in the Salinas administration during Mexico's transition to democracy (see Magaloni et al. 2007; Díaz-Cayeros et al. 2016). Incumbents are also likely to combine policy expansion with repression and intimidation of opposition politicians or social movements. In all cases, the resulting policies are likely to be broad and discretionary, tailored to incumbents' political needs.

Combinations of regime type and the presence or absence of these two mechanisms yield four social policy outcomes, displayed in Table 2.1. State leaders within (semi)authoritarian regimes launch broad, discretionary benefits in their quest for continuity when they face rising challengers competing for outsider votes or potentially destabilizing social

mobilization from below (top, right quadrant). In all cases, expansion is combined with some form of repression of challenger parties or social movements. Authoritarian incumbents facing none of these pressures do not expand social policy, as they have no incentive to reach out to outsider voters or dampen pressure from below. Several of the dictatorships that were in place before the third wave of democracy (e.g. Argentina 1976–1983) fit this pattern (bottom, right quadrant).

State leaders in democracies launch large-scale, nondiscretionary policy expansion to secure or consolidate outsiders' votes when they face close electoral competition for these voters (top, left quadrant). Finally, incumbents in democracies who do not face any of these incentives establish social programs that are small scale and generally nondiscretionary (bottom, left quadrant). Examples include Chile in the 1990s, and Peru in the 2000s.

Restrictive vs. Inclusive Social Policy

The expansion of large-scale nondiscretionary social policy, which constitutes the most important attempt to include outsiders during the third wave, features variations in program design that result in two distinct policy models. Looking at the scope of coverage, benefit levels, and the presence of participatory or state-centric implementation, I identify two distinct models and refer to them as *inclusive* and *restrictive*. The inclusive model features policies that provide relatively generous benefits – comparable to those received by low-income insiders – to all or a large pool of outsiders and tend to involve some level of social participation in policy implementation. The restrictive model, by contrast, involves policies that provide fewer benefits to a more limited pool of outsiders and are implemented in a nonparticipatory way.

Schematically, incumbents negotiate policy design either (1) with political parties in Congress or (2) with social movements in addition to, or instead of, parties in Congress. In a context of social mobilization for policy expansion, it is likely that incumbents will negotiate with movements or respond strategically to their demands.

Policy expansion that results from negotiations in Congress is more likely to reflect the policy preferences of the different parties involved. Parties' influence over policy design, in turn, is shaped by their institutional power. When conservative and center-right parties (whose core constituencies tend to be higher-income) are strong, resultant policies are generally restrictive, reflecting conservatives' preferences for modest benefits and smaller coverage for outsiders. This was the case in Mexico and Chile in the 2000s,

where the policy design process occurred in the context of high electoral competition and strong conservative power and resulted in restrictive policy models.

Incumbents are more likely to adopt an inclusive model when the process of policy design involves negotiations with social movements or strategic responses to movement demands. Social movements and their union allies tend to demand broad benefits comparable to those of insiders as well as participatory implementation. Social movements gain access to negotiations through protests, institutional channels, or building alliances with the governing coalition. Inclusive policies tend to be more participatory when the social movements pressing for policy expansion are not allied with the government. As discussed later, this was the case in Argentina, where social movements and labor allies advanced social policy proposals through protest as well as through institutional channels and negotiations with policymakers.

Including Outsiders: The Cases

The eight countries analyzed in SPA reveal some variation over time in incumbents' efforts to include outsiders during the third wave of democracy. By 2010, different cross-national patterns of social policy expansion for outsiders across policy areas – health care, pensions, and income support – had taken shape (Table 2.2). In some cases, social policies were launched in response to pressure from social movement coalitions. Social movements then influenced the policy design process. In these cases, *inclusive programs* were created (Argentina, Brazil, Uruguay). In others, incumbents launched programs to secure outsiders' electoral support when another party courted these voters in its quest for national office. If social movements were not involved in the policy design process, politicians in office and Congress defined the features of these new policies. In these cases, *restrictive benefits* were extended (Chile, Mexico, Colombia), reflecting the power of conservative parties. In yet other cases, *discretionary social programs* were extended to mobilize outsiders behind a leader's project in the context of a deteriorated democracy or a nondemocratic regime (Venezuela). The case of Peru features *limited social policy* initiatives across policy areas due to attenuated incentives for expansion. Even though electoral competition for outsiders did take shape, the absence of stable parties and/or consecutive reelection provisions reduced the incumbent's (or incumbent party's) chances of continuity, mitigating incentives for expansion.

Below, I analyze one example of each pattern, focusing on Argentina, Mexico, Peru, and Venezuela.

Table 2.2. Patterns of social policy c. 2010: Regime type, incentives for social policy expansion, and selected cases

Regime Type	Authoritarian/Semi-Democratic	Authoritarian / Semi-Democratic	Democracy	Democracy	Democracy
Incentives for expansion	Electoral competition, social mobilization, anti-incumbent mobilization	Not present	Visibility of poverty/ Attenuated incentives from competition and mobilization	Electoral competition for outsiders	Social mobilization
Goals of incumbents	Top-down mobilization of outsiders, connect outsiders with incumbent, undermine opposition	No goal concerning expansion	Show concern for the poor	Secure outsiders electoral support to ensure continuity in office	Dampen pressures to stabilize government
Social actors representing outsiders in policymaking?	No	No	No	No	Yes
Social policy adopted	Discretionary, broad benefits	No	Limited benefits	Large-scale, nondiscretionary (restrictive)	Large-scale, nondiscretionary (inclusive)
Selected cases^a	Venezuela 2002–2013	Peru 1990–2000	Peru 2000–2010	Mexico 2001–2010; Chile 2000–2010; Colombia 2000–2010; Uruguay 1999–2006	Argentina 2002–2009; Brazil 1988–1996; Brazil 2002–2010; Uruguay 2006–2010

^a There is some variation over time in the types of social programs adopted, as discussed in the case studies. Here I only include some cases to illustrate the argument.

Inclusive Social Policy in Argentina

Argentina is a case of inclusive social policy expansion propelled by social mobilization. Large-scale social policy expansion began in 2002 and constitutes one of the most comprehensive attempts to include outsiders in the region. By 2010, over 90 percent of outsider seniors received pensions and over 70 percent of outsider children accessed both income transfers and health care services comparable to those of low-income insiders.¹⁸ Between the return of democracy in 1983 and 2002, no significant social programs for outsiders were launched. The lack of both electoral competition for outsiders¹⁹ and mobilization from below explains why incumbents neglected the social needs of outsiders despite high unemployment and growing poverty in the 1990s.

The emergence of social mobilization from below, primarily led by unemployed workers' movements and allied labor unions demanding social benefits and jobs, helps account for the expansion of social policy. In turn, negotiations between the government and social movements and labor union allies explain the inclusive nature of the resultant benefits. Social movements demanded expansion and often negotiated policy adoption and design with government officials in exchange for reducing protest. They also pressed for expansion and participated in policy design when they could access institutional channels and policymaking councils. And, if they allied with the incumbent coalition, they pressed for and negotiated expansion in exchange for maintaining their support for the government.

These social movement coalitions primarily included unemployed workers' movements that had emerged in the late 1990s, as well as labor unions that had split from the long-standing labor confederation, the CGT (Confederación General de Trabajo), when the latter supported market reforms during Peronist (PJ) Carlos Menem's first presidential administration (1989–1995). These unions formed the CTA (Central de Trabajadores Argentinos), which sought to construct a broad workers' movement by unifying demands of insiders and outsiders around universal benefits.²⁰

¹⁸ See data in Garay (2016, 165–166).

¹⁹ Gibson (1997), Dataset of Elections, Argentina 1983–2011.

²⁰ Svampa and Pereyra (2003) and Garay (2007, 2018). On social movement unions, see Seidman (1994).

These unemployed workers' movements emerged at the end of Menem's second term (1995–1999) and grew throughout the short-lived administration of Fernando de la Rúa of the Alliance (1999–2001), a coalition of the Radical Party (UCR) and the Front for a Country in Solidarity (FREPASO), in a context of economic hardship, minimal social policy responses, and failed attempts at expansion. De la Rúa's ill-fated decisions amid a deep financial crisis propelled massive popular demonstrations that led to his resignation, a succession of three interim presidents, and Congress's subsequent appointment of the PJ's Eduardo Duhalde to the presidency in 2002.

Facing large-scale protest and hoping to stabilize his administration, Duhalde expanded social policy for outsiders in unprecedented ways. The CTA and social movements of the unemployed, as well as health-related NGOs and health care worker unions, voiced demands for income transfers and health care services, especially access to prescription drugs, as well as the extension of pension benefits for outsiders.²¹ In response, Duhalde created a massive workfare benefit for households headed by low-income outsiders with children, launched universal access to free prescription drugs for users of public health care services, and created a modest pension program for unemployed seniors. Duhalde opened up several arenas of policy negotiation and deliberation in order to reduce contention and respond to social movement demands. In addition to holding formal and informal meetings with movement and labor leaders, he incorporated social organizations into both a national policy council and municipal-level councils overseeing the implementation of the work-fare program.

The government feared that if benefits were manipulated or implemented selectively, discontent would fuel protests against clientelism and would discredit the program, thwarting the goal of attaining social peace. This led the president to establish and enforce multiple mechanisms to limit discretion in benefit allocation and to increase transparency by publicizing the benefits, their eligibility conditions, and the database of beneficiaries.²²

Social policy expansion helped curb protest, which nonetheless remained high.²³ Movements of the unemployed had grown significantly;

²¹ Author's Dataset of Protest 1996–2010.

²² Extensive newspaper searches, government documents, and interviews with key informants provide evidence of the fear of allegations of clientelism and the measures adopted.

²³ Author's Dataset of Protest 1996–2010.

in 2003 there were fourteen federations of unemployed workers, encompassing hundreds of social organizations, which mobilized at least one hundred thousand beneficiaries of social programs in the metropolitan area of Buenos Aires alone.²⁴ Although incumbents could use repression or a combination of repression and concessions to dampen protest, this strategy typically backfired against the government. For example, after stabilizing the economy and achieving some reduction in protest, Duhalde had to call early elections after a police killing of two unemployed protesters triggered massive protest in June 2002.

In an environment of high levels of contention, President Néstor Kirchner of the PJ (2003–2007) extended linkages with unemployed organizations and their labor union allies shortly after winning the 2003 elections. When he took office, there were on average two large protest events per week (including roadblocks, marches, and encampments). In order to stabilize his administration by “controlling the streets,” Kirchner and his ministers met with unemployed workers’ leaders on several occasions.²⁵ The president further sought to limit protests to gain control of the PJ for his Victory Front (FV) faction within the party. By 2004, a few of the largest social movement organizations allied with the incumbent coalition, reducing contention against the government, which had in turn launched policies oriented at expanding employment, controlling prices, and providing subsidies for energy and foodstuffs (Etchemendy and Garay 2011).

In response to demands by social movements and the CTA, the Kirchner administration continued to expand social policy. Aside from continuing the expansion of primary care services initiated by Duhalde, the government addressed another issue left over from the previous administration: the expansion of pensions. Beginning in 2005, changes were introduced to include all outsider seniors in the existing system for formal workers. A combination of new laws passed by Congress and resolutions from the social security and tax agencies provided outsider seniors with access to a basic pension, health care coverage, and health insurance. By 2007, at least two million outsider seniors were incorporated into the social security system, which attained virtually universal coverage of people aged 65 and older.²⁶

In 2007, Kirchner’s wife and successor, Cristina Kirchner, won the presidential election comfortably, facing a weakened opposition and no

²⁴ Author’s Dataset of Protest 1996–2010.

²⁵ Author’s Dataset of Protest 1996–2010.

²⁶ See Garay (2016, chap. 5).

electoral competition for outsiders. With declining approval ratings due to large-scale conflict with agricultural producers, the Cristina Kirchner administration faced a new wave of protest by labor unions and unemployed workers in 2009. In the context of the 2008 international financial crisis, demonstrations began to grow in demand for a “social shield” that would protect workers from dismissals and provide unemployed and informal workers with family allowances.²⁷ This was a historic demand for social movements and the CTA. Protest mounted when the administration launched a highly discretionary workfare program targeting the metropolitan area of Buenos Aires to consolidate the Kirchners’ grip over a fragmenting PJ coalition. Fearing escalating conflict and facing low approval ratings, Cristina Kirchner extended family allowances by decree, reaching over 70 percent of outsider children with benefits equal to those given to children of formal sector workers.²⁸ This program replaced the workfare transfers extended by Duhalde in 2002 as well as a small CCT program to which many beneficiaries of the workfare program had transferred starting in 2005.

The inclusion of outsiders in Argentina thus began in 2002 through large-scale transfers, pensions, and health services that were launched in response to pressure from below. These provisions were funded in part with resources from the social security system for formal workers. The mobilization of outsiders and outsiders’ alliances with unions were key to the inclusive nature of the resulting policies, which involved benefits comparable to those of lower-income insiders. When social movements were not allied with the government, the benefits featured participatory implementation. These initiatives were launched at times of both high growth and crisis. Rather than follow a policy blueprint, their features were designed or strongly influenced by the coalition proposing them, which demanded benefits similar to those of formal workers.

Restrictive Social Policy in Mexico

The expansion of *restrictive* social policy took place in Mexico as a result of intense electoral competition for outsiders in a democratic regime. Accordingly, incumbents embarked on social policy expansion to consolidate the support of outsiders and to offset the appeals of credible competitors.

²⁷ See *La Nación*, August 8, 2009.

²⁸ Author’s estimates with government data (Garay 2016, 212–217).

Without reelection in place, the ultimate goal was the continuation of the incumbent party in office.

The Vicente Fox administration (2000–2006) of the center-right National Action Party (PAN), which defeated the Institutional Revolutionary Party (PRI) after seventy years of consecutive rule, launched large-scale programs beginning in 2001 to consolidate the support of outsiders. By 2010, over one-third of school-aged outsider children received income transfers, medical benefits reached about half of the outsider population, and a similar share of outsiders aged sixty-five and older received pensions (Garay 2016: 222–3).

Previous administrations had launched social programs for outsiders, but no incumbent had expanded benefits on such a large scale across policy areas. Beginning in the late 1980s, when the PRI experienced some electoral competition from the center-left Party for the Democratic Revolution (PRD), the Carlos Salinas administration used a highly discretionary social policy initiative, PRONASOL, which included community participation and was strongly identified with the president himself, to solidify electoral support at the expense of the PRD.²⁹

The Ernesto Zedillo administration (1994–2000) in turn dismantled PRONASOL due to the discrediting of the program (and of Salinas himself after evidence of corruption and of the program's manipulation came to light). At the time, electoral competition was growing, and this empowered opposition politicians, who vociferously demanded an end to the discretionary allocation of social policy resources. In response, Zedillo initiated PROGRESA (a small-scale CCT), which was partly inspired by one of Salinas's discretionary benefits, Children in Solidarity.

Faced with the need to mobilize outsiders in order to win the 2000 election, Fox campaigned in low-income and rural areas – previously dominated by the PRI – and promised to expand existing social programs. Social policy gained ground in the campaign agenda as competition intensified, with both PRI and PAN candidates promising further provisions.³⁰

Fox transformed PROGRESA into a large-scale, nondiscretionary program and established a health insurance program for outsiders. The PAN faced the dilemma of needing to solidify outsiders' support through social policy appeals while simultaneously catering to its constituency in the

²⁹ On PRONASOL, see Magaloni et al. (2007); and Cornelius et al. (1994).

³⁰ Quoted in *Reforma* May 26, 2000.

economic elite, which preferred modest government intervention. When proposing and negotiating social policy for outsiders, PAN politicians therefore advocated large-scale, albeit restrictive, social programs that reach a relatively small pool of beneficiaries with modest benefits.

As in other cases in which social policy expansion was propelled by electoral competition for outsider voters, the new policies and their funding required negotiations among parties in Congress. The shape of the resulting policies depended on these parties' social policy preferences and their balance of power. Under Fox, social programs were negotiated in a conservative-dominated Congress in which the PAN lacked a majority, as power in the lower chamber was split between the PAN and PRI and the latter had a plurality in the upper chamber. These negotiations among the PAN and PRI, which had embraced pro-market policies in the 1990s, resulted in restrictive benefits consistent with the incumbent's preferences.

With the rise of Mexico City mayor Andrés Manuel López Obrador (AMLO), who promised social policy expansion in an attempt to reach out to low-income voters on a national scale, electoral competition for outsiders intensified between the PAN and the PRD. As the 2006 presidential elections approached, AMLO promised to extend universal pensions if elected – increasing pressure on the incumbent party to expand pensions or to promise to do so if reelected. In response, a few months before the election, Fox launched a small pension program for seniors in indigent households to offset AMLO's appeals. The PAN was reelected by a razor-thin margin in a disputed election. When the new Congress was seated in 2006, the PRD-led coalition had greater institutional power and could negotiate the creation of a larger pension program in exchange for supporting the PAN's 2007 budget. However, the resulting pension benefit was restrictive due to the influence of conservative PAN and PRI legislators on the program's design.

Overall, under PAN governments, large-scale social policy innovations for outsiders were launched to gain and consolidate these sectors' electoral support. Inclusion was a project from above in the context of democratization, in which the opposition, first the PAN and then the PRD, could credibly win office by mobilizing outsiders' support. This expansion took place at a time of modest or limited growth and when Mexico's politics were largely dominated by conservatives, providing a clear example of inclusion when neither a left-wing government nor a commodity boom were present (see Fairfield and Garay 2017).

Limited Social Policy in Peru

Peru did not launch meaningful social policy innovations for outsiders following the return of democracy. Despite high economic growth in the 1990s and particularly in the 2000s, which was driven by mineral exports, Peru experienced only *limited social policy* expansion. Incumbents initiated small-scale cash transfers, health care programs, and pension schemes that cumulatively resulted in modest but growing policy coverage. Health care expansion was the only initiative that eventually resulted in a *restrictive* program.

The main factors identified as creating incentives for incumbents to expand large-scale nondiscretionary social policy were not strong in Peru during this period. An authoritarian reversal in the 1990s led by Alberto Fujimori (1990–2000), as well as the decomposition of the party system (Levitsky and Cameron 2003; Levitsky 2013), did not create incentives for incumbents to embark on large-scale expansion. With the return of democracy, the absence of consecutive reelection and the lack of meaningful party organizations made the prospect of continuity in power unlikely, and attenuated the incentives for reaching outsiders through large-scale social policy, even if candidates competed for outsiders' support in presidential elections and promised policy expansion if elected.³¹ At the same time, social movements pressing for policies did not take shape, and thus incumbents did not find strong incentives to engage in large-scale expansion to respond to mobilized demands.

The Popular Action Party (AP) led the first democratic government after defeating the labor-based American Popular Revolutionary Alliance (APRA) by a large margin in 1980. During the AP's administration, annual inflation reached three digits and GDP fell by 12 percent in 1983, which shattered the AP's chances of reelection. Alan García of APRA won the presidential election by a landslide in 1985. García did not adopt meaningful social programs for outsiders. His government established a modest temporary workfare program (PAIT) that reached only a small number of low-income outsiders. As the economy worsened, PAIT was defunded due to vocal allegations of political manipulation (Graham 1992, 182).

³¹ It should be noted that given the size of the outsider population in Peru (from 75% to 80% of the population), electoral competition for outsiders was present in every election with high competition.

Between 1988 and 1990, the country's GDP fell by 25 percent. Such dramatic economic deterioration, coupled with the government's inability to effectively address the mounting security crisis, severely weakened established parties (Levitsky 2013). In this context, Fujimori, a political outsider promising redistributive policies, won the presidency in 1990.

Once in office, Fujimori launched market-oriented reforms and adopted relatively small discretionary social programs, especially for the urban poor. With the goal of mobilizing electoral support, he created a social investment fund – FONCODES – that targeted discretionary allocations to districts where the opposition was strong (Roberts 1995), as well as primary care initiatives, whose coverage was fairly small (Ewig 2010).

Arguing that the opposition created obstacles for his reform program, Fujimori closed down Congress with a military-backed self-coup in 1992 and called for legislative elections to reform the constitution, inaugurating an authoritarian regime (see Conaghan 2005). After his second reelection, which many considered unconstitutional, the disclosure of Fujimori's participation in a deep web of corruption propelled his resignation.

Fujimori's ten years in power were marked by the existence of an authoritarian regime, party system decomposition, a war against the Shining Path guerrilla movement that resulted in thousands of deaths, and strong popular support for Fujimori until his government's collapse. These factors impeded democratic competition and the emergence of social mobilization, playing against the expansion of nondiscretionary policies for outsiders.

With the return of democracy, the inclusion of outsiders through social policy did not take shape, and only limited social provisions were initiated. The absence of party organizations and immediate reelection diluted incentives for continuity in power. In an increasingly personalistic and fragmented political system, incumbents only launched small-scale benefits or increased the coverage of preexisting social benefits, without seriously committing their administrations to the laborious and costly process of large-scale expansion.

The development of limited social policy is evident during the administration of Alejandro Toledo (2001–2006), who reached office backed by a personalistic party. Toledo launched the Integrated Health Insurance (SIS) plan in his first year in office, which extended health care services to children, pregnant women, and indigent adults, and promised to achieve

universal coverage by the end of his tenure.³² However, SIS only enrolled about 24.2 percent of the outsider population by 2007. Toledo also launched JUNTOS, a CCT program for children in rural areas, which also reached very limited coverage.

Alan García returned to power in 2006, winning the runoff election against former military officer Ollanta Humala, who campaigned on a redistributive platform. In his tenure, García increased coverage of JUNTOS, which remained small, and initiated Gratitude, a pilot pension program for indigent seniors seventy-five and older, which was expected to reach a very small number of beneficiaries with modest provisions.

García transformed the SIS into a broader health system. In 2005, political activists, doctors, and major NGOs had promoted health policy expansion (Ewig 2010, 185). Peru's health coverage and health care expenditure were shockingly limited in regional terms. NGOs and think tanks further persuaded political parties and presidential candidates to commit to expanding health services,³³ and they continued to lobby García for approval of necessary legislation. In 2009, Congress passed a law to guarantee health access and funding for every Peruvian, which allowed the SIS to reach between 40 and 50 percent of outsiders in 2010.³⁴ The Humala administration (2011–2016) featured similar dynamics of minor improvements in existing benefits and the initiation of small-scale programs. Despite being a left-wing politician and enjoying high levels of economic growth, and even though several existing initiatives could have been expanded, Humala only inaugurated Pension 65 in 2011 (an important but small-scale benefit that reached 23 percent of outsider seniors in 2013) and extended coverage of JUNTOS (reaching only 17.5 percent of outsider children in 2013) (see Garay 2016, 321).

Overall, since 2000, a dynamic of inaugurating or improving modest social programs resulted in limited expansion, despite high levels of economic growth. Only health care cumulatively passed the threshold of expansion. The absence of stable parties and reelection attenuated leaders' expectations of reelection and thus reduced their incentives to secure electoral support by offering expanded programs for outsiders. Under authoritarian rule in the 1990s, in turn, discretionary and politically targeted resources as well as modest health care initiatives were launched for outsiders. The inclusion of outsiders through large-scale social policy was not accomplished during this period.

³² *El Comercio* January 28, 2002.

³³ *El Comercio* May 16, 2006.

³⁴ See Garay (2016, 320).

Discretionary Social Policy in Venezuela

Unlike the other cases under study, Venezuela was a democracy since the late 1950s until its two-party system collapsed in the 1990s and an authoritarian regime took shape in the 2000s. Conditional cash transfers were inaugurated in 1990, in a context of profound popular discontent in which politicians struggled to hold on to power. Broader social programs for outsiders were launched across policy areas in the 2000s. This expansion resulted in social programs that were discretionary, participatory and, despite being substantial, less generous than those observable in cases of large-scale nondiscretionary expansion. Cash transfers for children were eliminated in the late 1990s and a very small family allowances program was developed only in 2012, at the end of Hugo Chávez's presidency (1998–2013). Primary health care services reached a large share of outsiders and about 40 percent of outsider seniors received pension benefits by 2012 (Garay 2016, 315).

The deterioration of democracy and the emergence of a competitive authoritarian regime with high levels of polarization and conflict between incumbent and opposing elite sectors help explain why the incumbent extended broad and discretionary social policies that mobilized outsiders behind his project. These policies were not launched in response to bottom-up mobilization pressing for benefits or to court voters in an electorally competitive environment. Discretionary and participatory social programs were used to entrench support and mobilize supporters so that the incumbent could better resist and confront strong polarization and anti-government protests within an increasingly nondemocratic regime.

The deterioration of Venezuela's two parties – Democratic Action (AD), which was allied to the labor movement, and the Committee of Independent Political Electoral Organizations (COPEI) – in the context of severe economic troubles that began in the 1980s, resulted in the erosion of both the party system and democracy (see Roberts 2014). In 1989, after stabilization plans failed, the administration of Carlos Andrés Pérez (1989–1993) of the AD announced a drastic package of market reforms. Spontaneous protests against these measures intensified following sharp increases in gas prices and public transit fares, triggering a wave of lootings known as the *Caracazo* (see Stephany 2006). Police and military repression resulted in hundreds being killed in the popular neighborhoods of Caracas (Stephany 2006: 82) and in the profound discrediting of the AD and COPEI, which operated as a party cartel (Coppedge 1994), eroding support for the political system as a whole (López-Maya 2011: 219).

Facing dramatically declining popularity, and hoping to prevent further protests, Pérez initiated a package of temporary social programs for outsiders known as the Plan to Combat Poverty (PEP). The most important benefit in terms of scope and funding was the Food Grant (*Beca Alimentaria*, or BA), later called Single Family Subsidy, which provided allowances for up to three children (aged six to eleven) per family, conditional on school attendance. The BA attained broad coverage in the early 1990s, reaching an estimated 60 percent of outsider children.³⁵ Despite some economic recovery, Pérez's legitimacy crumbled throughout his tenure; he faced two military coup attempts, one of them led by Hugo Chávez, and was eventually removed from office in 1993 amid a corruption scandal.

Pérez's successor, Rafael Caldera, who had broken with COPEI, won the 1993 elections by a small margin. Despite campaigning on a pro-state discourse, he implemented orthodox adjustment measures after the 1995 financial crisis. To preempt instability, Caldera strengthened social programs (see Briceño 1999). Yet, rather than support growing for his administration or for existing political parties, discontent deepened.

Given their tarnished reputations, the traditional parties did not field candidates for the 1998 presidential election. The Bolivarian Movement, led by Hugo Chávez in alliance with small left-wing parties, won a landslide victory in 1998 (López-Maya 2005, 229) and in 2000 (under a new constitution), with strong support from low-income outsiders.

During his first year in office, Chávez convened a Constituent Assembly – his main campaign promise – that wrote a new constitution with mechanisms of direct democracy and reelection provisions. Chávez initially launched very few social policy innovations for outsiders (Penfold-Becerra 2007, 70) and cut back existing transfers. Yet political conflict escalated in the early 2000s, weakening the regime and prompting a shift in Chávez's agenda. Strong reactions from the agricultural and business elite sectors and organized labor – in response to increasing state control over the oil company and land regulations – culminated in a coup in 2002 (Roberts 2006, 142). After Chávez's removal by coup leaders, he was reinstated in office by his supporters in the military and in lower-income neighborhoods (López-Maya 2005; Roberts 2006, 142).

³⁵ Demographic data from INE and BA data from Lima (1995) and Carvallo (1999).

Following the regime crisis, a two-month general strike and lockouts by business associations and labor unions (each demanding Chávez's resignation) produced sharp economic decline and deprivation, with GDP shrinking 8 and 9 percent in 2002 and 2003, respectively.

In response to this conflict, Chávez launched the Bolivarian Missions, a number of ambitious social funds for low-income populations. Missions were created parallel to the existing bureaucracy and funded land reform, health care services, and education programs. These schemes promoted the formation of local councils, encouraged high levels of participation in program implementation, and were strongly identified with the president. Missions helped address deteriorating social conditions and also provided the incumbent with the means to organize and mobilize his base in support of his political project, especially in the face of elite and middle-class challenges to his legitimacy and continuity in power.

Lacking a party in the context of intense political conflict, and thus needing to organize a support base, Chávez set out to form new popular organizations, and increasingly relied on active and retired military members to govern. The Bolivarian Circles formed part of the Chavista movement and were critical to the formation of these organizations, which participated in some of the missions and operated as sources of mass support (Roberts 2006, 142–143).

Aside from establishing the missions, the government extended pension benefits through a number of temporary decrees in 2006 and 2007. Noncontributory benefits were offered to specific categories of workers, according to a quota and for a limited time, and the social security agency itself was in charge of identifying qualifying beneficiaries.³⁶ This method of expansion resulted in discretionary access.

In this competitive authoritarian regime (Levitsky and Loxton 2013), in which growing polarization led to violent clashes between the president's partisans and the opposition, Chávez enjoyed broad support among the outsider population. The government launched family allowances for low-income households, covering about 14 percent of outsider children in 2013, and introduced a new, noncontributory pension that increased coverage of outsider seniors to 40 percent. These new benefits remained, as before, nontransparent and selective.³⁷

³⁶ Garay (2016, 314).

³⁷ Author's estimates and analysis of program characteristics using government data and documents (See Garay 2016, 315).

As the chapter's theoretical framework proposes, regime context matters. Incumbents facing growing electoral contestation or large-scale anti-incumbent mobilization in nondemocratic regimes use different tools (e.g. discretionary deployment of state resources and intimidation of opposition) to ensure their own continuity. Unlike their counterparts in democracies, incumbents in these contexts are likely to create benefits for outsiders that are more strongly identified with them, their projects, or their political organizations. Benefits are politically targeted in order to better mobilize supporters and connect them to the incumbent.

In an environment of intense political conflict, an incumbent may seek to discourage the opposition from disputing outsider voters and mobilize outsiders' support to counterbalance the opposition's attempts to destabilize the government. The main goal of these social programs is to help guarantee the continuity of the incumbent in power. The extension of social policy to outsiders in this context is discretionary and unstable (dependent on the incumbent's ability to continue in power and their needs for that end). The discrediting of the incumbent and their exit from power may result in the transformation of these benefits and their replacement with new ones, as the creation of social policy for outsiders remains an unsettled issue, despite the importance of the social policy resources already channeled to them.

Conclusion

Throughout most of the twentieth century, middle-income countries in Latin America showed a marked divide between insiders and outsiders in terms of labor and social policy as well as structures of representation. While workers in the formal sector enjoyed structures of interest representation as well as labor and social policy, outsiders and their dependents remained unprotected and without significant organizations or channels for expressing their interests.

Social policy expansion for outsiders took shape in the last decades of the twentieth century in several countries, including several of the cases analyzed in SPA. This expansion mitigated the social policy divide separating insiders and outsiders in different ways across countries. While broad-reaching, nearly universal, nondiscretionary programs were established in some cases, more limited provisions were created in others. In some countries, social policy initiatives were established as discretionary provisions and were strongly associated with a political leader or project.

While some scholars claim that policy expansion resulted from export-driven growth during the commodity boom of the 2000s or from the spread of particular policy models or principles, I argue that neither the timing of the boom nor the diffusion of social policy had enough traction to account for the expansion of social policy for outsiders across select policy areas. Instead, I have shown that policy expansion is better explained by the political regime, as well as the presence of electoral competition for outsiders and/or mobilization demanding expansion. Under democratic regimes, incumbents set out to temper the social policy divide through large-scale nondiscretionary benefits only when they faced electoral competition and/or social mobilization. Where democracies did not experience either electoral competition or social mobilization, incumbents created small, sometimes temporary benefits or limited social policy to show concern for the plight of the poor.

Under (semi-)authoritarian regimes, incumbents did not face incentives for expansion and thus social policy for outsiders did not undergo significant changes. However, when incumbents faced growing electoral competition or social mobilization challenging the regime, they were likely to create rather large but discretionary benefits to undermine the opposition, consolidate support, or disarticulate protest from below. The resulting benefits were more unstable, smaller in scope, and discretionary relative to the large-scale nondiscretionary expansions under democracies experiencing mobilization and/or electoral competition. The cases of Argentina, Mexico, Peru, and Venezuela reveal significant variation in terms of the timing of policy adoption and types of social policies adopted, and these patterns are obscured in arguments highlighting rentier populism or diffusion as the key explanatory factors behind adoption.

The inclusion of outsiders in social policy raises a number of questions. First, despite expansion, disparities in welfare access persist, and the segmentation of labor markets excludes outsiders from several benefits. How will the inclusion of outsiders unfold in the future? In some countries, as noted, major social policy benefits (health care, pensions, and income support) have reached comparable levels across low-income insiders and outsiders, while in other countries, differences continue to be stark. One might expect that while inclusive policy expansion will be subject to pressures to reduce the scope or benefit levels of provisions and find new sources of revenue to ensure long-term stability, more restrictive or limited social programs might be subject to pressures to expand their reach and benefits.

Discretionary benefits will probably witness the largest changes in the future, as they are inherently unstable and sensitive to whether the incumbent retains power. Across the cases of large-scale expansion, now decades after expansion began, policies have remained quite stable, with innovations and debates over policy reforms occurring along the lines argued in this chapter.

Second, in some cases coalitions of insiders and outsiders formed during or before the processes of expansion discussed here, and have played significant roles in these social policy innovations. Further attention should be paid to how these coalitions formed and how they will evolve in the future (see Etchemendy, this volume). Will labor movements become more encompassing and incorporate outsiders in their organizations (Garay 2018)? Will issue-based coalitions and the sharing of common policy agendas become the main avenues for integrating insiders and outsiders? In the cases in which no meaningful organizations representing outsiders exist, how will outsiders gain political influence, and how will political parties relate to them? Will outsiders remain loyal to parties mobilizing unions and the poor, as in Uruguay and Bolivia, or will they become volatile, as in Mexico? (See Pop-Eleches, this volume; Novaes and Dunning, this volume).

Finally, and relatedly, after a period in which important and varied efforts of inclusion took shape, a fundamental question concerns the political dynamics that may contribute to higher levels of income equality and more substantive representation in the region. As party structures become more fluid and social organizations channeling the interests of those at the bottom of the social ladder remain poorly developed in several countries, the question of outsiders' political representation and their connections, if any, to the formal sector, remains a fundamental issue for future research.

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