



Political Effects of Welfare Pluralism: Comparative Evidence from Argentina and Chile

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Summary. — The 1990s saw new orientations in welfare policy radically alter the roles of the state, market, and civil society in welfare provision across the developing world. Most of the studies of this reform wave have looked at its socioeconomic consequences—e.g. on levels of poverty and inequality—paying less attention to its political consequences. This article looks at the effects of this transformation on state–society relations and the quality of democracy. It draws on a paired comparison of Argentina and Chile, utilizing qualitative data, to investigate the effects of “welfare pluralism” on state–society relations and participatory governance. It shows how the pluralist welfare reforms enacted in Argentina and Chile in the 1990s led to contrasting political outcomes and how this can be explained by their different regime institutions. In Argentina, regime institutions provided politicians with wide discretion in distributing social funds, resulting in a populist mode of social governance in which neo-clientelism served to politicize the linkages between the political elites and subaltern sectors. In Chile, by contrast, regime institutions provided politicians with little discretion in distributing social funds, resulting in a technocratic mode of social governance in which neo-pluralism served to depoliticize the linkages between the political elites and subaltern sectors. Both outcomes differ from assumptions that couple welfare pluralism with more participatory governance and poor peoples’ empowerment. The findings illustrate how regime institutions may exercise a crucial impact on the political outcome of welfare reform.

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1. INTRODUCTION

Most research on welfare reform in developing countries focus on its socio-economic consequences. Less attention has been given to its political effects. By establishing a set of institutionalized ties between the state and societal groups, welfare policy affects structures of political representation and participation. For subaltern sectors, welfare policy can have a vital impact on how they participate in political life. For politicians, welfare policy often functions as a strategic asset in forging political support and social control. Changes in social services and programs thus not only affect living standards, but they can also have far-reaching effects on the quality of democracy.

The 1990s saw major changes in welfare provision as the roles of the state, market, and civil society were radically altered. Latin America was at the forefront of this global reform wave. From the late 1980s onward, most governments in the region initiated new “pluralist” welfare policies¹ that marked a departure from the welfare corporatism traditionally practiced in the region. Targeting, decentralization and pluralization of service providers, along with a greater reliance on the market and the participation of beneficiaries are central components of welfare pluralism. An important objective is to reduce the bureaucratic role of the state in welfare delivery and scale down commitments to universal provision in favor of more flexible, targeted, and participatory welfare schemes. A key instrument is the organization of public bids in which community organizations or NGOs are invited to develop social project proposals and compete for funding. The idea is a system that is demand-driven and decentralized to allow for increased participation, co-responsibility, and local variation. This contrasts with welfare corporatism that relies on big welfare bureaucracies that manage social demands articulated in a centralized fashion through political parties and labor unions.² Here nationally standardized welfare schemes are administered by the public sector, providing for a central-

ized, bureaucratic, and sectorally segmented system of welfare provision.³

This article investigates the process of implementing welfare pluralism and its political outcome. What were the effects of this social policy revolution on state–society relations? Did it help bring about more participatory and collaborative modes of social governance, allowing for better representation of poor people’s interests? Or, did these new social policies only help renew structures of clientelistic domination and control? As this article shows, depending on regime institutions, the political outcome of welfare pluralism may vary considerably across cases.

Advocates of welfare pluralism argue that it helps to produce new types of links between the state and subaltern sectors that allow for more effective citizenship and popular representation.⁴ They offer an image of a mode of social governance in which old clientelist and corporatist arrangements are replaced by new pluralist and participatory structures, which link the subaltern sectors and their organizations to decision-making centers in the state through “associative networks” that “process and shape contending political claims through relatively open-ended and problem-focused interactions”.⁵

Critics of the pluralist approach, by contrast, warn of its anti-democratic effects. For some, it is a means for privatizing social welfare that not only undercuts the social rights of citizenship, but also raises greater obstacles to lower class political action.⁶ The pluralist instruments, such as the tender system, place poor communities in competition with each other, weakening their capacity for collective action. Other critics emphasize how pluralist reforms lend themselves to political manipulation.⁷ By creating divisible benefits, targeted programs can be used in a “neopopulist” fashion to foster clientelist networks.⁸ Decentralization may also perpetuate

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clientelism and create new inequalities in access to social welfare.⁹ In all these views, the net effect of welfare pluralism has been to atomize the subaltern sectors and stifle their political activity.

The evidence gathered for this study challenges some of the assumptions held by both advocate and critic of welfare pluralism. It shows how advocates are overly optimistic in predicting that the new policy instruments will provide for participatory governance. Perhaps because pluralist theory originates from New Public Management theory and the “Third Way” social policy literatures concerning advanced democratic countries it underemphasizes problems of policy implementation, portraying it as a relatively straightforward process in which private and local actors become involved in the new welfare networks. In practice, reform initiatives often become diluted, leading to outcomes different from those originally intended by reformists. In developing countries, where states are usually weak and riveted by internal factions, “implementation gap” and principal-agent problems are especially confounding. For the outcome of reform, the process of policy implementation is of decisive importance.

Critics of welfare pluralism are more attuned to implementation gap by pointing out how the targeted funds often have fallen victim to political abuse. As we shall see when looking into the Argentine case, the powers invested in the technocrats in charge of implementing welfare pluralism are often not sufficient to overcome the politicians bent on diverting its purpose. Also, reformers may need to contend with local resistance to new rules and practices. Efforts to strengthen citizen participation and pluralistic access to welfare funds may threaten the interests of sub-national political leaders. These leaders strive to maintain their local control over the use (and abuse) of welfare funds, as these funds provide them with political resources. Here, they often come to work at cross-purposes with national leaders and policy specialists in charge of pluralist reform.

At the same time, the notion that welfare pluralism breeds clientelism is overly simplistic and fails to take into account that the political effects of pluralist reform need not be monotonic.¹⁰ Indeed, the Chilean case, as we shall see, refutes the hypothesis that pluralist reform encourages clientelism. And while in Argentina the social funds have become subject to clientelism, the result has not been the stifling of lower class political activity. On the contrary, the very same clientelist networks that were set up by politicians manipulating the social funds, became instrumental in feeding the protest wave that shook the country from the late 1990s onward.¹¹

The following section explains the research design of the study. The third section constructs an argument centered on regime-institutional differences in explaining diverging political outcomes of welfare pluralism. The fourth section turns to the comparative analysis of Argentina and Chile. It looks at the emergence of welfare pluralism in these countries, analyses the critical role of technocratic reformers in implementing it, and shows how it resulted in diverging modes of social governance with contrasting effects on state–society relations. The penultimate section explains how this was contingent on the different regime institutions in Argentina and Chile. The concluding section discusses the findings and suggests avenues for further research.

2. RESEARCH DESIGN AND SELECTION OF CASES

This study deploys an analytical strategy known as “paired comparison”—the structured analysis of two cases using the

leverage afforded by their differences and similarities.¹² Argentina and Chile are at a similar level of socioeconomic development and both are considered regional “pioneers” with the oldest and most developed social welfare systems.¹³ By the 1970s, both had adopted welfare corporatism, whereafter the outbreak of structural economic crisis led them to adopt radical neoliberal reforms and the broad thrust of welfare pluralism in the beginning of the 1990s. Their differences relate to economic variables such as the different timing of economic liberalization and exposure to the external influence of multilateral development banks (MDBs). Other differences relate to political-institutional factors such as authoritarian legacies, party system, and state capacity. Argentina and Chile also differ in terms of regime institutions, providing for an assessment of its effects on policy implementation and the political outcome of pluralist welfare reform. It is precisely this combination of commonalities and differences that make Argentina and Chile excellent cases for a paired comparison. Obviously, with only two countries on which to draw, the insights that rise from the study are merely theoretically suggestive and will need to be examined critically by testing them against other cases.

The research focuses on the key agencies in charge of implementing pluralist reform as well as flagship welfare programs that were introduced as part of this effort. In Argentina, the government led by President Menem created the National Secretariat of Social Development (NSSD) as a flagship agency with responsibility for the design of pluralist welfare reform. Similarly, in Chile, the *Concertación* government, under the lead of President Aylwin, created the Ministry of Planning and Cooperation (MIDEPLAN) to coordinate its new pluralist welfare projects. These new institutions embodied the discourse of the World Bank’s New Poverty Agenda and the general features of welfare pluralism, which offered an image of a more participatory mode of social governance. Both the NSSD and MIDEPLAN were given key roles in formulating and implementing the larger aspects of welfare reform in Argentina and Chile with a view to reconfigure governance across the social sectors. As such, they provide the most important agencies for studying the implementation of welfare pluralism in Argentina and Chile.

In Argentina, new programs were also set up inside the traditional social ministries. The two most important programs in the 1990s were the Mother and Infant Nutrition Program (PROMIN) and *Plan Trabajar*. They provide another lens through which to examine policy implementation and the political effects of welfare pluralism. While they share the key institutional strategies of decentralization, participation, and targeting, they differ somewhat in the precise regulatory provisions for managing funds.¹⁴ As such, they help capture the impact of variation in institutional design across different programs, which give analytical leverage. Finally, research was also done on the National Housing Fund (FONAVI), an older program whose administration was decentralized to the provinces. Unlike PROMIN and *Plan Trabajar*, FONAVI did not receive any financial or technical backing from the MDBs, and the central state only retained a supervisory function after the reform.

In Chile, the analysis looks at the Social Investment and Solidarity Fund (FOSIS). It was the flagship initiative of MIDEPLAN and a representative example of the targeting approach introduced by the Aylwin administration. As with PROMIN and *Trabajar* in Argentina, the design of FOSIS was inspired by the international experience with social investment funds in the 1980s. Similar social funds were set up in Bolivia (FSE/FIS), Ecuador (FISE), Mexico (PRONASOL), Peru (FONCODES), and other countries in the region.¹⁵

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