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Social Patterns

Having focused in Chapters 3 and 4 on political economy and governance, we turn now to society and the social patterns established between individuals, families and broader social groupings. We begin with some of the most salient social structures in Latin America that pattern the life of the individual. These include social classes, of course, but also a range of other social divisions. People also form social relations based on gender and 'ethnic-racial' divisions in society as well as the 'informal' political relationships characteristic of patronage and the *compadre* (godfather and/or mate) systems. The social transformation of Latin America took place under the twin impact of industrialization (see Chapter 3) and urbanization which is examined next. Finally, this chapter examines the broad parameters of poverty and welfare in contemporary Latin America, setting the scene for the study of social movements in Chapter 6.

Social Structures

Since the Second World War, the most significant change in the social structure of Latin America has been, undoubtedly, the effect of import-substitution industrialization. The simple overwhelming fact is that whereas agriculture employed over half the labour force in 1950, it provided work for less than one-third of the total by 1980. The rise of industry was not quite so dramatic, although in most countries it accounted for one-quarter or more of the working population by 1980. While some countries such as Argentina and Chile were already semi-industrialized in 1950, it is also significant to see how others leapt forward in this era. Thus Brazil's industrial workforce rose from 16 per cent to 26 per cent between 1950 and 1980, and in Guatemala, for example, the rise was from 13 per cent to 26 per cent (Merrick, 1998: 40).

Industrialization also led to a significant change in the gender composition of the labour force. In 1980, the overall female labour force participation rate in Latin America was 18 per cent, which was high, for example, compared to North Africa with 8 per cent but low compared to

the 40 per cent or so prevalent in the north. This relatively low figure masks considerable regional variation, however. Equally we must note the very low female participation rates recorded in the agricultural sector which is belied by the participation of women in a whole range of activities, paid and unpaid, within and beyond the household. It was the rise of the service sector in the postwar period that accounts for the increase in female participation rates as a whole.

Industrialization also led to a shift in the nature of migration, away from the predominant pre-1930 pattern of international migration to a greater preponderance of internal migration. Immigration slowed down during the international depression of the 1930s, and while it picked up again after the Second World War it never regained the importance it held in the 1860–1930 ‘golden era’. Between 1950 and 1980 the urban population of Latin America grew at nearly 5 per cent per year and some 27 million people across the continent left rural areas to join the great human flow into the cities. The economic restructuring of the 1980s and 1990s slowed the pace of the rural–urban migration, but by that stage the city had absorbed the country in a manner of speaking. Capitalism and its consumption habits had penetrated the countryside and the market had erased any fundamental rural–urban divide. Furthermore, the proportion of people living in rural areas had declined so significantly by the end of the century that the pressure to migrate had greatly reduced.

In terms of the social divisions within Latin American society, the above processes led to major urban–rural differences, a gender division of labour and, also, a growing divide between the formal and informal sectors of the economy. For the working population the rural areas remained depressed; what was different by the 1980s was that things were not much better in the cities whereas in the 1950s they had provided at least a source of employment. By the 1980s it seemed clear that family-based farming was no longer economically viable as it had become squeezed out by a market-oriented agro-business sector. Kinship and community networks did allow the small peasant farm to survive in the Andean countries, but overall the picture was negative. Agricultural modernization may have helped exports but by the 1980s even the World Bank was realizing the depth of rural poverty in Latin America and the hugely uneven distribution of land and wealth in the rural areas. Not surprisingly, the 1990s were to see considerable social protest in the rural areas.

The great transformation of the Latin American social structure between 1950 and 1980 had a marked effect on women in particular. Women formed the bulk of the rural–urban migration that marked this

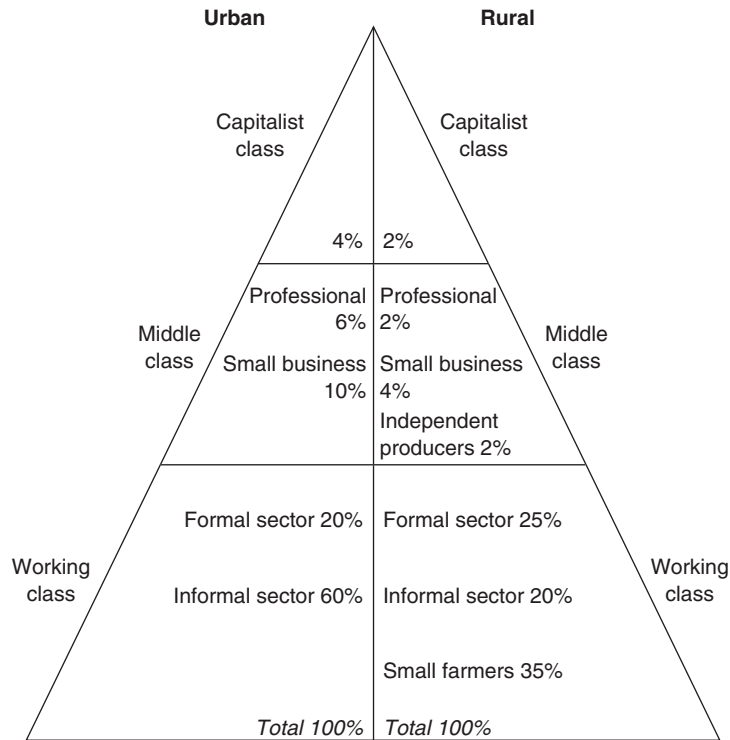
period. Work for women seemed more available in the cities, although in reality there were many more women working as domestic servants than as teachers. One indication of gender selectivity in urban–rural migration is that while in rural areas female-headed households accounted for 10 per cent of the total at most, in the cities this proportion reached 25 per cent on average. While urbanization increased female participation rates, the reality is that women remained segregated in the urban labour markets in spite of the changes in the occupational structure. As one study notes:

Opportunities for women were restricted not as a result of competition in the labour market but by factors such as the possibility of combining domestic and extra-domestic work and by social norms which fixed which occupations were accepted as suitable for women. (Oliveira and Roberts, 1999: 277)

Another great divide within the massive social transformation that occurred between 1950 and 1980 is that between the so-called formal and informal sectors of the economy. The latter is usually outside the law, deregulated and open to abuse. Informal employment is usually in small-scale enterprises operating in the pores of the formal economy as it were, with which it is totally complementary providing cheap inputs and much-needed flexibility. The informal sector provides refuge employment for low-income social groups, from street selling to recycling, from shoe-shining to prostitution. If in the 1950s and 1960s it emerged largely due to rural–urban migration and the creation of a labour surplus in the cities, since the 1980s it has been more of a response to structural adjustment policies. Across Latin America the share of the workforce involved in the informal sector increased from 16 per cent in 1970, to 20 per cent in 1980 and over 30 per cent in 1990. Informalization, as it is called, is a true mark of dependent development in the era of globalization.

When it comes to identifying the broad social grouping that emerged out of the postwar social structures of Latin America, we could do worse than begin with consideration of the capitalist middle and working classes. Following a breakdown of data for social classes carried out by Alejandro Portes, we can produce a broad picture of class structure circa 1995 as shown in Figure 5.1. In the urban areas the informal sector workers clearly prevail, although there is a reasonable small-business sector and an influential if quite small professional class. What is most significant for the rural areas is that if we include small farmers in the working classes these comprise fully 80 per cent of the economically active population and the rural capitalist class is very small indeed.

Figure 5.1 Social classes in Latin America, 1995 (as percentage distribution of the economically active population)



Source: Based on Petras and Veltmeyer (1998): 166.

The urban capitalist class is smaller than average in countries like Bolivia and Ecuador where it accounts for only 2 per cent of the population, but larger in the Southern Cone countries where it reaches 6 per cent. This sector is often linked through commercial and financial networks to the transnational capitalist class. The free-market reforms since the 1980s have deepened the divisions between these capitalist sectors oriented to the foreign market and those dependent on producing for the internal market. The privatization of large swathes of the state sector has also created a new class of very wealthy people across Latin America. Clearly these social sectors have a major influence on local politics even when they do not, on the whole, play an active role themselves. Most of

this class is now more attuned to the vagaries of the global system than to the prospects of their own country. The middle classes on the whole support the project of the capitalist class, except in times of economic crises when they become impoverished and choose to throw in their lot with the working classes.

The working classes or labouring poor of Latin America are extremely diverse in their composition. This mainly reflects the very uneven development of the continent where the most 'advanced' forms of employment coexist with the most 'primitive'. The 'modern' sector working in factories, much like anywhere else in the world, seemed to be inexorably growing in the 1960s and early 1970s, but contrary to the postulates of the modernization theory this trend did not continue and by the 1980s it was the 'informal' sectors and often illegal activities which were clearly on the rise. In the 1980s, four out of every five new jobs created were in this unofficial sector of the economy, and these were as likely to be in the drugs trade as in the much touted micro-enterprise sector. The changing social structure of the working population has had a clear political impact, and in particular we have seen the relative decline of the more traditional forms of association such as trade unions which depended on relatively stable industrial development.

The social structures described above should, of course, be conceived in a dynamic way as they are clearly not static, and since the 1990s in particular have been undergoing rapid change. Nor do individuals and social groups just exist passively in the various slots to which they are assigned by the social structures and, as we shall see in Chapter 6, Latin America has seen more than its fair share of dynamic social movements that have had, in turn, a major impact on the social structure through political action. Social classes are not formed solely as economic groupings, in so far as it is clear that a whole range of other factors, including gender, 'ethnic', cultural and generational factors go into the making of social class. Another way of putting this is to say that social structures do not exist separately from the social relations in society, and we are now seeing the dynamic or relational aspects of social patterns in Latin America.

Social Relations

The social relations of gender cut across all the above social structures to the extent that a 'gender-blind' analysis of contemporary Latin America would simply miss the mark. The over-arching concept said to

dominate gender relations is *machismo* and its less well-known counterpart *marianismo* (which refers to the alleged virtues of the Virgin Mary). *Machismo* is a particular social and cultural construction of maleness around the supposed virtues of the breadwinner, the head of family and the dominant partner in all gender relations. Women who follow the precepts of *marianismo* will, by contrast, demonstrate inexhaustible reserves of patience and humility, and will willingly sacrifice themselves for their families. The traditional model of family assumed by the *machismo/marianismo* pair allocates to men the public arena of business and politics and to women the 'private' arena of family and children. This is a powerful image of the power relations inscribed in gender relations but to what extent is it just an ideology of domination?

The *machismo* model as with theories of *patriarchy* (male domination) generally tends to be a rather broad brush. While recognizing gender inequality most scholars are now rather more discriminating. Thus Sarah Radcliffe (1987) points to a whole range of ways in which the *machismo* model oversimplifies gender relations in Latin America. First of all it is an ideology which does not apply to all social classes or ethnic groupings universally. Clearly within the upper and middle classes the role of women is quite different from those living in urban or rural poverty, where household economy needs do not allow for an exclusively private role. Then also for black and indigenous social groups these gender and family ideologies can appear quite alien. In the Andean countries, for example, Quechua speakers may have unequal gender relations but they do not follow the *machismo-marianismo* model at all. Finally, it would be wrong to assume that a model such as this has not been impacted by social change (including globalization) and the growing political impact of feminism in its liberal and 'popular' variants alike.

It was Chile's dictator General Pinochet (President 1973–90) who most clearly articulated the authoritarian view of gender relations in Latin America: 'Woman, from the moment she becomes a mother, expects nothing more in terms of material things: she seeks and finds the purpose of her life in her child, her only treasure, and the object of all her dreams'. For the whole era of the military dictatorships the role of women in society was defined through a local variation of the Nazi's *kinder, küche, kirche* (children, kitchen, church) that sought to push women back into the home. In reality women became more and more active in the public arena in defence of human rights and democracy (see Chapter 6). Ironically, in terms of the *kinder, küche, kirke* ideology, it was often the direct need to defend their families which motivated women to resist the dictatorships publicly as with the Mothers of the

Plaza de Mayo formed to protest the 'disappearance' of their children at the hands of the military junta in Argentina.

Another cross-cutting set of social relations are those established by race and/or ethnicity, both problematic categories but which reflect an ever-present reality in Latin America. The intermingling of indigenous American, European Caucasian and black African peoples in Latin America has created a class/ethnic set of social relations sometimes referred to as the colour-class system. There is a widespread myth that slavery in Latin America was somehow more 'gentle' than its North American variant, a view promulgated by the Brazilian historian Gilberto Freyre (1951) but one which has widespread support, especially through the notion of racial democracy. There is another tendency to view Amerindians and Blacks in a similar 'structural' situation when, in fact, the history and social situation of the two groupings is quite distinct. The counterpart to this view of 'equivalence' would be to totally separate Amerindians and Africans, the first to be situated in terms of ethnicity and ethnic relations, and the latter in terms of racism and race relations. The social relations of 'race/ethnicity' are in fact considerably more complex.

Black and Amerindian identities cannot be seen as primordial and are always relational, that is to say constructed in relation to the broader society. They are quite distinct, one social category derived from African slaves, the other from various indigenous American peoples. In relation to the concept of 'nation' it is more common, as in Colombia, for Blacks to be seen as an integral (if distinct) part of the nation while Amerindians are seen (and may see themselves) as a distinct national category. Racism by white society may be more pronounced towards Amerindians than towards Blacks in many countries. These social relations cut across those of social class but they are not separate of course. Even the way in which social groups are integrated into society differ, with Blacks being subject to slave labour and Amerindians not, partly due to different European conceptions of their 'ethnicity'. To move beyond reductionist explanations we can follow Peter Wade for whom 'the emphasis is on the multiple ways in which people may identify differences and sameness, struggle, mobilise and make alliances and enmities' (Wade, 1999: 24).

While the social relations of 'race' and 'ethnicity' are deeply inequitable and oppressive in many ways, the myth of 'racial democracy', particularly in Brazil, took deep root. There was a belief that race relations were more 'open', more tolerant, especially compared to the segregation and lynchings of the United States. The Brazilian historian Gilberto Freyre was instrumental in developing this rather rosy view, but it was supported by many other writers. However, a set of famous UNESCO (United Nations

Educational, Scientific and Cultural Organization) studies in the 1970s decisively 'undermined the idea of a racial democracy in Brazil and, in some cases, detailed many aspects of how racism worked in a non-US, non-"caste" system' (Wade, 2000: 571). The case of Cuba is also interesting because the 1959 revolution pledged itself to ridding the country of racism against its sizeable Black minority. For a long time there was official denial that racism could exist as a source of oppression separate from socio-economic discrimination. However, since the fall of the Berlin Wall in 1989 there has been a growing recognition that social relations based on 'ethnicity' could have an autonomous existence.

The last set of social relations to be considered here are also political relations, even more obviously than the two considered above. Personalism, as against technical apersonal relationships, permeates social and political relations. At a social level there is *compadrazgo* (a sort of colleague or 'buddy' contract) that is a ritual form of pseudo-kinship often exercised through the godparent relationship common to many societies. As Tessa Cubitt puts it, for the *compadres* or ritual kin, participating as godparents in weddings or in religious education is necessary 'but the relationship that is strongest and requires respect, warmth and the obligation to help at all times is the one between parents and godparents' (1999: 106). In the political arena, personalized social relations occur through 'clientelism' in which an unequal patron-client relation is balanced supposedly through an exchange of esteem and political support by the latter in return for the more powerful political patron or boss exercising power and influence on behalf of his grateful protégés.

While social and political relations in Latin America may have a particular 'personalized' element, this can rarely be seen as unique. Political clientelism is often seen as a debilitating element in the bid to construct genuine political democracies in Latin America. The quality of democracy is seen to be compromised by the patently unequal relations implicit in the patron/client relation which is also seen as antithetical to universal suffrage. Clientelism is seen as corrupting since, at its simplest, it may involve an exchange of food or goods for votes. Democracy thus becomes part of the marketplace and its values rather than something special. Clientelism is seen to be a hangover from the days of oligarchic rule, and the era of populism when 'charismatic' leaders were seen to lead people astray with false promises. In reality the practice of clientelism and other forms of personalized politics are more complex both in their causation and their effects.

A recent study of poor people's politics in a Buenos Aires shanty town by Javier Auyero (2000) goes some way to providing a more realistic

picture of clientelism. Certainly it plays a role, as do many forms of patronage, influence and political co-optation. Auyero prefers the term 'personalized political mediation' to describe the complex relation between political networks and the informal webs of reciprocal help set up in poor neighbourhoods to help make ends meet. Thus personalized political mediation occurs as a way of securing the political resources to simply survive. Certainly the problem-solving strategies of the poor are matched by the attempts by the political elites to control them and capture their votes. A dynamic understanding of this complex process cannot, however, be reduced to a simple undemocratic populist habit, but needs to consider how it has been recreated and restructured in the era of neo-liberalism to deal with the new poverty created by the structural adjustment programmes of the 1980s.

In the pages above we have carried out a quick survey of the social structure and some of the main social relations which impact on people's lives. In the era of neo-liberalism there has been a renewed emphasis on the individual and less on the social, with individual social mobility stressed as paramount and the 'identity politics' of gender and ethnicity also seen more directly relevant to the individual than some broad social category. However, community and communal categories still keep coming to the fore. The community of poverty that is the fate for millions in Latin America creates a common structural/cultural identity especially, but not only, in periods of economic crisis. The impact of globalization on social exclusion within and between countries is also bringing the national dimension to the fore again. Where one's nation-state stands in the new international division of labour created by globalization is perhaps the major determinant of someone's life chances today.

Urbanization

Whoever refers to industrialization in Latin America refers also to urbanization because the big cities expanded in the postwar period in a complex social process closely linked to import-substitution industrialization. The link was not as direct as in nineteenth-century European industrialization in so far as rural migration was also a major factor, but it certainly existed. And industrialization was linked to changes in the world economy (as seen in Chapter 3) so that urbanization can be seen as part of the dependent development process. Also particular to Latin American urbanization is the predominance of the main or primate city.

Table 5.1 The 12 largest cities in Latin America, 1995

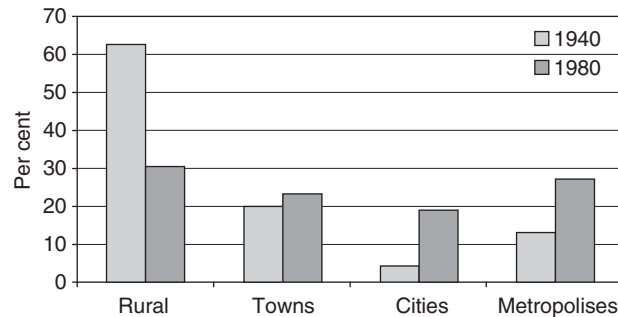
<i>City</i>	<i>Population (millions)</i>
São Paulo	16.42
Mexico City	15.64
Buenos Aires	10.99
Rio de Janeiro	9.89
Lima	7.45
Bogotá	5.61
Santiago de Chile	5.07
Belo Horizonte	3.90
Porto Alegre	3.35
Recife	3.17
Guadalajara	3.16
Caracas	2.96

Compared to other regions of the world, in Latin America the primate city dominates almost totally: in most countries its population exceeds that of the second largest city at least three times, and in the cases of Buenos Aires and Lima that ratio rises to 10 times or more. The 12 largest cities of Latin America are listed in Table 5.1. The Brazilian predominance – five out of 12 – is noteworthy, but hardly surprising given the population of the country. The capital cities of Mexico (plus one other), Argentina, Peru, Chile, Colombia and Venezuela are also on the list.

Urban growth in Latin America was more rapid than that which accompanied Western Europe's industrialization. Even during Britain's urban explosion of the nineteenth century, annual growth rates never exceeded 2.5 per cent whereas in Latin America this rate was nearly doubled throughout the 1940–60 period, peaking at 4.6 per cent in the 1950s. The breakdown of how urban growth occurred in Latin America is shown in Figure 5.2, which differentiates between big cities (metropolises), intermediate cities (more than 100 000 inhabitants) and towns (less than 100 000 inhabitants). What is most significant is the halving of the share of the population living in rural areas and the near doubling of the urban population. The massive growth and growth rates of the intermediate cities with over 100 000 inhabitants is also clear, although not as large as the two million plus metropolises.

We have already mentioned the impact of rural–urban migrations in Latin America, but we now need to examine in more detail how people arrived in the cities. In the period of most intense urbanization,

Figure 5.2 Distribution of population, 1940–80*



* Based on data for Brazil, Mexico, Argentina, Peru, Colombia and Chile.

Source: Oliveira and Roberts (1998): 245.

approximately 1950 to 1970, the number of rural–urban migrants was at its maximum. Around 70 per cent of Rio’s growth during the first half of this period was accounted for by internal migration, but this proportion had dropped to around 40 per cent by the end of the period. Taking the Latin American metropolises as a whole, we find that while in 1950 around half of their growth was accounted for by internal migration, this proportion had declined to about one-third in 1970 (Oliveira and Roberts, 1999: 249). By the 1980s, the importance of rural–urban migration had declined significantly and there was now more of a tendency for urban–urban migration as people impacted by structural adjustment left the big cities in search of job opportunities or lower costs elsewhere.

Clearly the main reasons for migration are economic, but these are not necessarily simple. As Laite writes in relation to Peru:

As well as the poor peasant looking for work to make subsistence possible, these are subsistence peasants themselves, seeking savings to purchase tools, animals or even land, or looking for training possibilities either in trade or in further education. (Laite, 1984: 124–5)

It is not simple desperation that drives people to migration; indeed it is often the younger and better-educated rural inhabitants who made the move to the city seeking to ‘better themselves’. While men are most likely to predominate in moves to mining towns or the industrial complexes outside the big cities, it is women who clearly predominated in migration to the metropolises. As Gilbert sums up:

It is not rural poverty as much as the difference between urban and rural living standards that is the essential cause of most cityward

migration. While people living in areas of violence or in regions subject to natural disasters may move to save their lives, poverty rarely pushes people off the land. (Gilbert, 1998: 44)

Once in the cities, the new arrivals and those already settled there faced a myriad of problems. Certainly the streets of the cities were not paved with gold. For a long time it was the theory of 'marginality' that was deployed to explain the role of the urban poor, a term used to describe those dwelling in precarious dwellings on the outskirts of the big cities, often without running water or electricity. Marginality was seen as a social problem and at times even as an individual one, to do with the attitudes of the 'marginals' themselves. They were seen as marginal to the socio-economic development of the cities and even dysfunctional. Others saw in this sector a potential revolutionary vanguard waiting as an explosive to be detonated or mobilized. However, in reality the new migrants were totally functional to economic development in the cities providing services at the margins of the system as well as labour for the factories and service industries. Nor can individual feelings of '*anomie*' (normlessness, disorientation) or the much vaunted 'culture of poverty' theory substitute for a proper social analysis of living in the cities.

When the migrants first arrived in the cities their primary struggle was usually around housing. Whereas prior to the 1950s rented tenement-type accommodation prevailed, in the 1960s and 1970s there was a turn towards self-help housing, often involving cooperatives. At certain periods in some countries (such as Chile in the early 1970s) there were also serious movements of 'land invasions' as the poor sought out land on which to build their houses. The slogan of the Chilean *pobladores* (squatters) was 'our struggle is bigger than a house', meaning that housing was part of a broader struggle to establish a decent life in the city. Contrary to the marginality thesis, these *pobladores* were also centrally involved with the political process at all levels. They were not necessarily revolutionary and could often support populist or right-wing politicians who promised to 'deliver the goods' (as with Fujimori in Peru), but they were certainly not marginal to politics.

Establishing a precarious dwelling was and is the first stage, but then running water and electricity must be secured. Sometimes this is done illegally with supplies later 'regularized'. A basic road may be built and communications might become more fluid. As Gilbert puts it: 'The result of the settler's hard work is that whole settlements are gradually transformed into consolidated neighbourhoods' (Gilbert, 1999: 88). This process is uneven, however, and not all acquire the resources to establish

a secure footing in the city. Then the real problems begin as individual households and whole communities struggle to develop strategies for survival. Finding work has become increasingly more difficult and precarious transport has become increasingly more expensive and overcrowded. The crisis of urban management was also exacerbated by the debt crisis of 1982 which made social spending a luxury. Since then the turn towards privatization of services, imposed by the new economic model, made life in the cities even more difficult for the growing proportion of urban poor.

The future of the Latin American city will inevitably be conflictual but also exciting. São Paulo is now being seen clearly as a global city with Rio, Mexico City and Buenos Aires close behind. They are part of a worldwide system of production, finance and market expansion which we call globalization, and integration into the world economy gives these cities a decisive role in the spatial dominance over the region. For the capitalist classes who live in the cities, and for those who service their needs economically and socially, the future looks dynamic. In a very real sense these social groups are becoming part of a world system and effectively becoming cut off from their own countries. In some instances this separation is physical, with the construction of gated communities where the rich live behind huge security to isolate themselves from the poor and their problems.

For the majority of the population, however, the Latin American city is a place of increasing violence, pollution and overcrowding. The sense of insecurity created can be gathered from Simon Strong's descriptive account of Lima:

Around the packed streets in downtown Lima ... the nauseating smell of urine, rotting fruit and burning rubbish cloyed the air ... Sewage seeped into the water. Traffic grew ever more congested not because there were more cars or even buses to relieve the chronic pressure on Lima's battered public transport, but because the street sellers has from the pavements into the inside lanes. (Cited in Gilbert, 1998: 165)

This picture could be replicated in São Paulo, Mexico City (Box 5.1) or Buenos Aires. But not all is gloom and doom across the continent, and the movement for good governance in the cities has taken off. A city needs to have a sustainable environment, and adequate provision of public goods and a policy to create stronger and more equitable development if good governance is to be ensured.

Box 5.1 Mexico DF (federal district) air pollution circa 1990

Or Mexico: will I be born here? You know where? Will I leave this country? Owing a thousand dollars, dead or alive! Will I be led to the DF? To breathe from birth eleven thousand tons of sulphur, lead, and carbon monoxide every day? To join a half million annual births – anal birds, antic words? To join a quarter of a million kinds who die of asphyxia and infection each year? To shit, to add my shit to that of millions of dogs, cats, mice, horses, bats, unicorns, eagles, serpents, plumed coyotes? To swallow thirty thousand tons of garbage per day? To join the vultures that devour the rot: blessed art thou, Our Lady Tlazoltéol, first star of the eternal night and of the invisible day, you who cleanse by devouring and then dirty it all in order to have something to clean; lady, can you compete with seven million automobiles, five million bureaucrats, thirty million pissers, shitters, eaters, fuckers, sneezers? Am I going out into that country? So that they can tell me that thanks to oil we're in good shape? That from now on we'll have nothing to worry about, just to administer our wealth? That I'll have my refrigerator even though I may not have electricity, and my Walkman so that people can be jealous when I walk the streets that are buried in garbage and fires? (Fuentes, 1990: 525)

Shortly after Carlos Fuentes wrote these lines, the Mexican government announced a US\$4.6 billion programme to clean up the air of Mexico City. This was partly aimed at the forthcoming NAFTA negotiations and to forestall the accusation of environmental 'dumping' by companies relocating where environmental controls were lax. Controls over private car use in the city were introduced; the giant PEMEX oil refinery was closed down; companies were told to control emissions or face closure. Trees were planted along with other restorative measures to regain environmental quality. However, in the early twenty-first century there would be many who would argue that the surreal description of Fuentes still holds true.

Poverty and Welfare

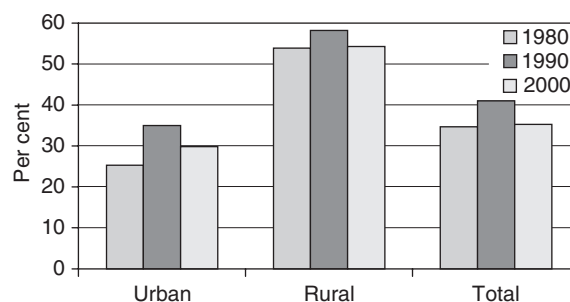
As the Inter-American Development Bank noted in the late 1990s: 'Latin America is the area of the world where income distribution is worst, and that situation has not improved in the nineties' (IDB, 1997: 1). By the year 2000 it was estimated that 35 per cent of Latin America's households were officially 'poor' and a further 15 per cent were 'extremely poor' or indigent. Measured in absolute numbers, these mean that at the turn of the century there were 211 million poor people living in Latin America. Why was this the case in a continent which remains rich in natural and

human resources? Where does it leave the modernization theory which promised development in the 1960s? where does it leave the neo-liberal 'revolution' of the 1980s which also promised development if free-market recipes were followed? Why did Argentina virtually collapse as a coherent social entity in 2001 when at the start of the last century it was considered amongst the 10 richest countries in the world?

The economic restructuring of Latin America in the 1980s had a severe impact on individuals, households and enterprises. A sharp decline in per capita income in most countries had the effect of exacerbating already unequal levels of income and wealth. The social impact of the structural-adjustment policies implemented after the 1982 debt crisis was inevitably greatest on the poorest section of the population. However, it should also be noted that the new economic model produced winners as well as losers, for example the beneficiaries of the great sale of state enterprises. What the great drive towards competitiveness, unleashed by the new economics, has thus produced is a much greater degree of differentiation between individuals, households and enterprises. This differentiation in turn can be disaggregated in terms of the differential impact by gender, race/ethnicity and by generation with the elderly and the youngest suffering disproportionately from the social impact of neo-liberalism.

Poverty levels in the households of Latin America can be gleaned from Figure 5.3. We see a steady upwards trend in the number of households suffering from poverty and extreme poverty, with the poverty rates continuing to be much higher in rural areas (54 per cent of households) compared to urban areas (30 per cent of households). Also, while the actual number of poor people is much greater in urban areas given the

Figure 5.3 Poor and extremely poor households, 1980–2000 (percentage)



Source: ECLA (2001): 38.

much greater population, the numbers of extremely poor people are about equal – which demonstrates the intractability of rural poverty.

Income distribution levels are also very important as they help us to see how some have benefited while others have lost. At the start of the new century, the richest 10 per cent of households in Latin America take about one-third of the national income, whilst by contrast the share of income of the poorest 40 per cent of households barely surpasses 10 per cent of the total (ECLAC, 2000: 6). Only Costa Rica and Uruguay stand out from this bleakly unequal picture with all the social tension it inevitably generates. Brazil has the dubious honour of being the most unequal amongst Latin America's already unequal societies. In Brazil the income of the top 10 per cent is 32 times greater than that of the bottom 40 per cent of the population (the ratio for Latin America as a whole is 20 per cent). It is hardly surprising that in the interests of economic efficiency, not to mention good governance, the World Bank is seeking to redress this balance to produce sustainable development.

The third element to consider after poverty and income inequality is employment and unemployment. With the demographic context set by a 2.5 per cent annual increase in the working-age population and expanding female population rates, job-creation is an urgent necessity. The Inter-American Development Bank recognizes that the new economic reforms may have led to a certain recovery of growth and productivity, but 'they have slowed the pace of employment growth and may have been one cause of the rise in unemployment rates' (IDB, 1997: 58). The restructuring of production leading to a decline of the industrial sector and the dramatic shrinking of the state sector have only worsened an already critical situation. Unemployment rates are notoriously difficult to calculate but it is estimated that around one-fifth of those living in poor households are unemployed. The only source of job-creation is the informal sector and, increasingly, the illegal economy. The volatility of the jobs that do exist is seen from the dramatic impact of the economic crises that hit Argentina at the end of 2001.

Before we turn to the welfare state's responses to the social situation described above, which Guillermo O'Donnell (1997: 49) has rightly described as a 'scandal', we need to consider the broader social agenda. While the environmental sustainability of the new economic model is certainly an important issue, its social sustainability is equally so. To tackle the great levels of poverty and inequality that exist in Latin America will not be an easy task, but it is necessary if the political economy of the region is to be stabilized. The quality of democracy is also completely dependent on providing a decent life for all instead of the

prospect of increased and widening destitution. While some social sectors may feel that their prospects are more tied to the global economy than the local one, in the long run if they wish to continue living in Latin America they will necessarily need to attend to the damage done to the social fabric of each country by the global ideology of neo-liberalism.

Traditionally the role of the state has been to alleviate poverty through various welfare measures. Today, as Evelyn Huber puts it: 'Social policy in Latin America ... stands at the crossroads between market-determined, private, individualistic and inegalitarian models on the one hand, and market-correcting, public, solidaristic, and egalitarian models on the other hand' (Huber, 1996: 141). While most countries in Latin America have not enjoyed a welfare state such as the postwar British model, they did develop welfare measures that are now being undermined by the effects of the new economic model (see Chapter 4). During the period of state-led industrialization a sizeable industrial working class was formed which created a constituency for social insurance measures. This involved state support for protection of earnings due to illness or accidents in particular. In Argentina it was the Perón regime (1945–55) that created a Latin American-style welfare state with strong support from the trade unions which themselves played a key role in administering welfare measures.

However, the debt crisis of 1982 brought to a head a set of long-running problems in Latin American welfare states. The rising cost of healthcare along with increasing life expectancies was more than matched by declining contributions from members of insurance schemes and poor investment returns. With the end of state-led industrialization and production for the internal market behind tariff barriers the problems were bound to get worse. Employers could no longer pass on to the consumer the cost of their welfare contributions as free-market mechanisms began to take grip. The fiscal crisis of the state due to the international debt crisis meant it could not take up the slack, and what began to emerge was a new free-market welfare model along the lines of Margaret Thatcher's 'reform' of the welfare state in Britain. The new model welfarism was based around privatization of most welfare functions, public–private partnerships elsewhere and a generalized commitment to decentralization and flexibility in dealing with poverty. Overall, market mechanisms would have to prevail.

It was Chile under Pinochet that went furthest in promoting a new 'market-friendly' welfare model. Immediately after the 1973 military coup, employers' contributions were slashed and pensions were allowed to deteriorate in not being adjusted to inflation rates. In 1980 a new

pension scheme was established in Chile that became an international model for other free-market reformers (see Box 5.2). Employers were now not required to make any contribution at all and pension levels were tied directly to the economic performance of the country. For the middle

Box 5.2 Pensions: the Chilean model

Margaret Thatcher's admiration for General Pinochet predated his assistance to Britain during the 1982 war with Argentina in the South Atlantic. It was in fact Pinochet's 1980 pension reform law which sparked off that particular relationship. At first the economic managers of the Pinochet dictatorship were content to simply adjust some anomalies in the pension system. Retirement ages were made uniform as was the system of pension adjustment that was tied to the consumer price index. Eliminating some of the most glaring pension privileges and establishing a uniform minimum pension did not seem to be terribly 'revolutionary' neo-liberal measures, but the 1980 law established a new pension scheme which has become a global model for neo-liberal reformers.

In keeping with the general New Economic Model philosophy of reducing the state role and increasing that of the market, the new pension law was market-based. Neither employers nor the government would make a contribution to the individual's pension scheme, and the onus was totally on him/her. The individual would, henceforth, contribute to a private profit-making pension fund administrator who would invest these contributions. The returns on one's pension fund would thus hinge totally on the overall performance of the economy, and the individual's fortunes were tied directly to those of the national economy through the market. New entrants to the labour force were obliged to enter the new scheme but an effective advertising campaign managed to secure compliance from most of those in the old pension schemes.

Within a decade of the new pension law being approved, its impact was quite clear. Only slightly over half of the labour force was contributing to the new scheme as many were either self-employed, unemployed or unable to contribute. The private pension companies were not regulated in terms of the commission they charged as it was assumed market mechanisms would prevail. Typically they charged not only a flat fee but also a percentage of the individual's contribution and this had a highly regressive impact. The new system also proved more expensive to administer than the old allegedly inefficient system did. Most importantly, the allegedly superior market system led to a strong concentration of the private pension companies: by 1990 nearly three-quarters of all pension funds were controlled by just three private companies.

Source: Based on Huber (1996).

classes a private health insurance scheme was created which effectively led to a two-tier system. Not only did state-provided welfare decline in quality, but its coverage also became more limited as the labour reforms created a much bigger informal work sector beyond the protection of the law. Significantly, the post-1990 democratic regimes in Chile have increased social spending but have not even sought to open a debate on the desirability of a two-tier welfare system.

The retreat from universal and democratic welfare models was not inevitable, however. As Huber (1996: 175) notes, there is the case of Costa Rica which not only has maintained a social democratic welfare state but, 'is a rare case of a small country that could resist pressures for a move to a neo-liberal model and instead could protect that pattern'. Universal healthcare and the decisive use of state resources helped to mitigate the worse effects of the 'lost decade' of the 1980s. Likewise, Uruguay was one country where inequality levels were actually reduced in the 1980s through decisive state action. And it is not only small social-democratic countries which have continued a welfare orientation, even the giant Brazil with all its social problems has continued with a much more state-driven welfare policy and has rejected the Chilean model. Whatever the shortcomings of Brazilian welfare the fact is that over 90 per cent of the population is covered by social security and there is universal access to healthcare. There is always an alternative to market fundamentalism.