Social Protection in a Global Economy: The Case for Pension Reform in Latin America

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I. Introduction.

Social policy in Latin America is undergoing a profound transformation both in form and function in society. The roots of this change trace back to the demise of state-led development models, which crystallized in the debt crisis and economic meltdown of the 1980s. The impact and response to this crisis have led governments to embrace a new economic model based on open markets, international competition and a circumscribed role for the state. The opening of domestic markets to foreign goods and currency, and the attendant rise in the quantity of those flows have introduced a whole new array of issues, actors and constraints to domestic policy-making. With the enhanced ability of owners of capital to "exit" in response to undesirable policies, the costs of implementing market-correcting social reforms have increased dramatically.¹

Nowhere is the weight of this international economic constraint more strongly felt than in the capital-scarce nations of the developing world. Indeed, for many countries, the stability of macroeconomic balances rest perilously in the capacity of governments to attract and maintain foreign investment. The consequent sensitivity to international economic forces has thus profoundly altered the politics of domestic social and economic reforms. The effect of this pressure has been to bring increasingly broad dimensions of social life under the influence of global economic forces. This is particularly true for the reform of social security institutions.

¹ Costs associated with the 'exit' option may include declines in foreign direct investment, forced devaluations, or higher interest rates charged to government debt.
Social security reform is unique among the social policy reforms occurring under structural adjustment. Although it has traditionally embodied collective commitments to poverty alleviation and social rights, in recent years, social security has come under immense pressure for radical market reform. This has followed from the wide recognition within investment communities of the potential links between private pension schemes and capital market development, high domestic savings, and labor market benefits. With the Chilean system as their model, and compelled by the fervor of international investors for market-oriented social policy, Latin American governments have led the way in the movement toward privatization of pension programs. In spite of this pressure and movement toward the market, evidence of institutional reforms in Latin America does not reveal a convergence on the market-oriented model of social protection. Quite to the contrary, Latin American governments have fashioned rather diverse models of pension provision, suggesting that there is more at play in the process of reform than the weight of international economic constraints. What, then, explains the variations in the degree to which governments have moved toward marketization of pension provision? This study analyzes the nine cases of pension reform in Latin America and attempts to explain how domestic institutions and economic exigencies have combined to generate the variety of national responses to the task of social security reform in the context of globalizing economies.

Explaining such variance first requires the selection of a relevant dimension along which to evaluate the products of social security reform. A broad and diverse range of programs is encompassed in social security systems and their meanings differ across countries. Overall, however, the largest and most important component of social security is the pension system. Institutional reforms of public pension systems are therefore taken to be emblematic of the broad transformation in social security provision. Within pension schemes, these changes will be compared across the institutional balance between the public and private structures of the system. That is, the extent to which the structure of the reformed system privileges market forces over the mutual or solidaristic mechanisms (historically central to public pension schemes) is the dependent variable of this analysis.

The changing balance between market forces and collective mechanisms of social protection has several important consequences for social security. First, it reveals a fundamental transformation in the function of social security in society. Traditional notions of solidarity, community and egalitarianism, which long governed the structure of social protection, are now being overshadowed by the objectives of capital accumulation and efficiency. The role of the market in this sense is transformed from being the means through which the goals of social protection were achieved, to becoming now the ends toward which social security is fashioned.

The state/market split captures the broader tension between the strengthening forces of individualism and efficiency on the one hand, and the norms of mutuality and community on the other. To the extent that international market forces come to shape an increasingly broader array of social relations, the bonds of solidarity and collectivism are so diminished. Understanding the changing balance between public and private responsibilities for pension provision thus lays bare the way that globalization has altered the boundary between the public and private spheres of economic life and altered the basic role of the market in social life.

Beyond the analysis of this general transformation, this study seeks to uncover important information about the factors shaping each state's response to the common challenge of pension reform. The arguments presented in this study suggest that economic exigen-
cies play an important role in the degree of marketization of pension reforms. Of particular importance is the reliance upon foreign aid as a source of constraints on policy autonomy. In this variable, the international economic constraints are considered to have roots in the domestic political and economic arrangements. Pressures arising from a high degree of aid reliance are held to generate incentives for governments to move toward a greater reliance on markets for social protection.

The impact of economic pressures is expected to be tempered, however, by domestic political and socioeconomic institutions. Insofar as political power is diffused within representative democratic institutions, the push toward radical market reform is made more difficult. Politics matter as well in relation to the partisanship of government. To the extent that legislative bodies are dominated by parties of the left, one might expect a greater degree of solidaristic structures to be maintained in the process of pension reform. Finally, the structure of pre-existing social protection schemes is expected to influence the degree and nature of pension reform. The stronger and more encompassing the previous social security institutions are, the less the reform is anticipated to shift pension provision toward the market.

This analysis treats the nine cases of pension reform in Latin America, as of July 1997. These are listed below in Table 1. Due to the limitations in the number of reformed pension schemes (N=9), the quantitative analysis in this study is intended principally as a heuristic device. Its purpose is to indicate what might be systematic relationships among social, political and economic factors and the varieties of pension schemes in Latin America. Although the impacts of the variables considered here are anticipated to be conditioned on the values of other variables, the size of the data set prohibits adequate statistical testing of conditional models. Nevertheless, basic multivariate regressions do lend support to hypotheses regarding systematic patterns of variation between the domestic economic and political factors and the nature of institutional reform of public pension schemes.

The paper takes the following structure. Section II describes the background and context of social security reform in Latin America. Section III introduces the dependent variable of the analysis, the pension index. In Section IV, four key independent variables and hypotheses are discussed and associated to the pension reform. Section V presents and discusses the results of the data analysis, and Section VI presents a tentative conclusion.
II. Social Reform in Latin America: Background and Context.

A. Crisis Amidst Crisis.

Governments throughout the world, from the Ukraine to the United States, are facing the difficult dilemma of reforming public social security systems. Although the fiscal and structural inadequacies of domestic welfare institutions are clearly not unique to Latin America, the gravity of the social security problem in this region exceeds that faced by most industrialized countries. What has variously been termed the crisis of social security in Latin America, must be understood partly as an after-shock of the intense economic crisis of the 1980s (Mesa-Lago 1994, 1996, 1997a). The economic collapse of the 1980s witnessed an aggregate reduction in wealth in Latin America, with growth in per capita GDP for the region falling by 1.8 percent between 1982 and 1986. By the end of the lost decade, social security systems had suffered steep declines in revenue, deterioration of financial equilibrium, and vast reductions in the coverage and value of benefits. Hyperinflation undercut the value of social security revenues and contributions at the same time as real wages were badly eroded. Moreover, in several countries, the governments failed to contribute their statutorily required portion of the pension financing. The heavily bureaucratized and poorly managed funds were likewise strained by the pressure for exceptional benefits from privileged groups in society. As a consequence, by the close of the 1980s social security systems throughout Latin America were at varying rates heading toward bankruptcy.

At the same time, the aftermath of economic crisis heightened the need for strong and effective social safety nets. Austere structural adjustments generated heavy social costs in the form of reductions in real minimum wages, declining purchasing power, and a steep rise in unemployment. The scaling back of social services placed the burden of structural reforms most heavily on the working class and the poor, particularly women and the elderly. The broad segments of society left unemployed or forced into the informal sector added to the strains on already-ailing public assistance institutions. Not only did the pension systems face an increase in the number of citizens dependent upon social services, but high unemployment and informalization also meant a significant reduction in the contributions to the system. Social security reform thus became an unavoidable priority on the restructuring agenda for many Latin American governments.


3. Per capita GDP is taken as a percentage of constant prices, averaged for Latin America and the Caribbean. Sebastian Edwards, Crisis and Reform in Latin America 7 Table 1 (1995).


B. THE 'MARKET MODEL'.

The 1990s have witnessed explosive growth of movements in financial capital across borders. The increasing sophistication of market technology and financial products, coupled with efforts by governments to ease restrictions on investment and capital accounts, have closely integrated financial markets around the world. The effect of global financial integration on domestic policy-making has been the subject of much current research in comparative political economy. Many scholars agree that financial integration has placed important constraints on macroeconomic policy. Nevertheless, the breadth of policy tools harnessed by international market pressure and the mechanisms through which these constraints are exerted remains unclear. Various scholars have argued that globalization has raised the cost of expansionary fiscal policies, including the provision of public services through redistributive taxation. Evidence exists, however, to suggest that the homogenization of domestic institutions is not at hand. What is clear, however, is that the openness of communication, trade and financial transactions in the 1990s has created unparalleled opportunities for the spread of neoliberal ideas. This, added to the rebuke of statist development that followed the debt crisis, fueled the adoption of a market-oriented model of pension reform throughout Latin America.

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7. RICHARD N. COOPER, THE ECONOMICS OF INTERDEPENDENCE (1968); Beth A. Simmons, The Internationalization of Capital, in CONTINUITY AND CHANGE IN CONTEMPORARY CAPITALISM (Herbert Kitschelt et al. eds., forthcoming); David Andrews, Capital Mobility and State Autonomy: Toward a Structural Theory of International Monetary Relations, 38 INT'L. STUD. Q. 193 (1994).


10. Explicit endorsement of market-based economics by the influential United Nations Economic Commission for Latin America and the Caribbean (CEPAL), which had long supported the inward-oriented development, made many countries more receptive to market-oriented reforms. Edwards, supra note 3. Moreover, the spread of market-based pension models was catalyzed by the Inter-American Development Bank and World Bank, which offered financial and technical support for the replacement of public pension schemes with the market model. In a marked departure from its endorsement, however, on April 25, 1996, CEPAL issued a statement warning of certain inadequacies of the market pension models, including the tendency toward 'oligopoly' on the part of the AFPs. Also, CEPAL argued that private systems are inadequate to cover the poor working class and indigent.
The institutional design referred to as the market model is most often defined through reference to the Chilean model of pension reform adopted under the military regime of Agosto Pinochet in 1981. This scheme signals a direct embrace of free-market economics and the abandonment of redistributive functions of social security. Assigning a subsidiary role to the state, the Chilean scheme entrusts the operation of the system to private competing corporations called Administradoras de Fondos de Pensiones (AFPs). These are regulated, supervised and guaranteed by a state agency, and all new entrants into the labor market are required to join the private system. The Chilean system is fully funded and based on individual capitalization. That is, individuals contribute a fixed amount from each paycheck directly to their own private account. The annuity pension that the individual receives upon retirement is calculated solely on the basis of accumulated contributions and the performance of the investment fund. No additional contribution from the employer, state or other citizens is added to the individual account.\textsuperscript{11}

This system contrasts starkly with the traditional pay-as-you-go public pension schemes, in which benefits are defined and contributions are considered to purchase an entitlement to benefits in old age.\textsuperscript{12} The cost of providing the benefits rests on society in the pay-as-you-go system, whereas it is allocated to the individual in the fully-funded scheme. There are merits and pitfalls to both systems, and each may be understood to privilege a distinct coalition of interests. For the private system, the benefits are reaped principally by individuals able to save at a level commensurate with the accumulation of sufficient resources for well-being in old age. Those sectors linked to the domestic financial markets, such as the investment community, derive great benefits from the private system. Although it was widely suggested that private pension schemes create overall benefits of increased domestic savings and growth, these claims have recently come under question.\textsuperscript{13}

Under pay-as-you-go redistributive systems, in contrast, the goals of universalism, social solidarity and poverty alleviation appeal mainly to blue collar workers and the poor, whose income is often insufficient to permit adequate savings for old age. Whereas the private pension system casts off the function of redistribution, the public systems are (at least in theory) designed around the basic goal of poverty alleviation and redistribution of wealth.\textsuperscript{14} For

\textsuperscript{11} The exception to this is in the instance that an individual contributes to her private fund for a minimum of twenty years and does not accumulate sufficient funds to permit a minimum pension annuity. In this instance, the Chilean state subsidizes the difference between individual savings and the minimum pension level.

\textsuperscript{12} Pay-as-you-go indicates that contributions of current active members are immediately directed to the payment of the current pensions of the retired.


\textsuperscript{14} It must be noted that pay-as-you-go institutions are solidaristic in their formal orientation, but unfortunately do not always distribute income in the proper direction. Many existing systems have been subject to political interference by privileged groups, which have demanded and received benefits far in excess of any actuarially sustainable level. These have meant a redistribution of income from the working class to the less-needy and politically privileged sectors.
those who are poor during their working lives, private pension systems offer no means of alleviating poverty in old age. The endogeneity of redistributive mechanisms is thus a key variable distinguishing pay-as-you-go institutions from private pension schemes.

Prominent research on social security reform in advanced industrialized countries has treated the movement toward privatization as a general retrenchment of welfare systems. This view, however, is too narrow to permit full comprehension of the nature of neoliberal pension reform and the forces driving it. Private systems of social protection have always existed alongside the public systems. The contemporary movement in pension reforms thus represents a basic shift in the weight of responsibilities for social protection from the collective public schemes toward private market-oriented mechanisms. It is in this sense as much an amplification of one component of pension provision as it is a retrenchment of another. Considering this dualism, rather than simply the cutbacks in the reforms, is important for understanding the range of new issues and interests forged over the question of privatization of pension provision.

III. The Pension Index.

In order to capture the structure of shared responsibilities between private and public institutions, it is necessary to look beyond the aggregate spending levels to isolate those structures that delineate the formal role of the state in pension provision. Public responsibilities in the pension scheme are taken to be those directly legislated and administered by the state, or those privately managed schemes with clear and explicit government mandate to provide a certain type of pension. Operationalizing social security for the purpose of cross-national comparison is, however, rife with difficulties. Principally, it is a concept with broad meaning, encompassing the whole range of programs and objectives of protecting individuals from loss of income and well being in the market economy. Cross-national comparisons are confounded as well by the dilemma of establishing general taxonomies among programs interwoven with distinct social, economic and cultural attributes. This complexity has often muddled this task to the point where multi-country comparisons become little more than illustrative sketches. To avoid this dilemma, I adopt the

17. The complementary existence of market-based and collective mechanisms within systems of social protection underpins as well the "multi-pillared" approach advocated by the World Bank. In its influential 1994 report, the World Bank proposed a three-pillared system which would include a universal public pillar to function as a redistributive safety net along with a private pillar serving as an instrument of economic growth through forced savings. The third pillar is a voluntary savings annuity plan that would exist as an option for those desiring more security than that provided by the two main pillars. WORLD BANK, AVERTING THE OLD AGE CRISIS (1994). For further discussion of these pillars, see James, supra note 4.
Titmuss approach to comparing welfare institutions across borders.\textsuperscript{20} This method lays bare the basic structural contents of national pension programs as they define the public role in the allocation of social protection.

The definition of social security employed in any study naturally reflects the theoretical concern of that analysis. In the European welfare state literature, the public goal of social protection is the decommodification, or emancipation of the individual from utter dependence on the market for her well-being.\textsuperscript{21} In Latin America, social protection has been pursued in a less ambitious fashion, but has nevertheless embodied collective efforts to alleviate the risks of loss of income in the market economy. Public discourse on social security in Latin America focuses mainly on pensions as a social right. The state's role in buffering the individual from the vicissitudes of the market has in this context been taken as a symbol of public commitment to social solidarity. For that reason, solidarity is employed here to designate the public, redistributive mechanism of pension provision. Contrasted with this mechanism are the market forces. These shape the allocation of pension protection according to the demands of efficiency and individualism. The solidaristic and market-based mechanisms are thus assigned as the endpoints on the array of possible outcomes of institutional reform.

The index presented below is meant to provide a simple analytical framework in which to compare the degree of solidarity or marketization of pension schemes. The index is a compilation of five basic facets of pension systems. The allocation of pension responsibilities between the market and state is measured in these five components and coded so as to reveal the relative dominance of public or private forces in the overall pension scheme. A higher score on the pension index indicates greater solidarity and a more prominent role for collective public institutions in the pension scheme, while a lower score suggests that market forces are privileged in the structure of pension provision.

\textsuperscript{20} \textbf{Richard Titmuss}, \textit{Essays on the Welfare State} (1958). This method has since been employed by other researchers such as John Myles in 1985, Walter Kopri and Gosta Esping-Andersen in 1984 and 1986, and by Esping-Andersen in 1985 and in 1987.

\textsuperscript{21} It should be noted that the original purposes of public social security schemes were much more conservative. Bismarck began to provide welfare and pensions with the objective of heading off Socialist movements and controlling workers. He is said to have proclaimed, "One who can look forward to an old age pension is far more content and much easier to manage." Anthony King, \textit{The Political Consequences of the Welfare State}, in \textit{Evaluating the Welfare State: Social and Political Perspectives} (Shimon E. Spiro & Ephraim Yuchtman-Yaar eds., 1983).
Table 2.

<table>
<thead>
<tr>
<th>Pension Index(^{22})</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Burden shared with the employee.</td>
<td>This measures the portion of pension finances that are statutorily assigned to the employer and the state through payroll contributions. It is meant to capture the portion of the responsibility for the individual's pension which is shared through collective financing mechanisms. A higher score indicates a lower individual burden.</td>
</tr>
<tr>
<td>2. Institutionalization of the state role.</td>
<td>This is scored as 0 if there is no endogenous, fixed responsibility of the state in the pension finance; 5 if the state role is formal but residual (the state only subsidizes deficits); and 10 if the state commitment to pension finance is fixed as a percent of payroll contribution.</td>
</tr>
<tr>
<td>3. Mandatory enrollment in private pillar.</td>
<td>This dichotomous factor reveals whether workers may choose to enroll in the public or private system. It is scored as 0 if private system is mandatory for all new entrants into the workforce, and 10 if new entrants are not mandated to the fully private pillar.</td>
</tr>
<tr>
<td>4. Indexation of minimum pension</td>
<td>Scored 0 if there is no adjustment of the minimum pension for inflation, and 10 if it is indexed either by the government or automatically according to the CPI.</td>
</tr>
<tr>
<td>5. Social assistance pension.</td>
<td>Scored 0 if the government offers no universal social assistance pension, and 10 if the state does sponsor this basic pension.</td>
</tr>
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* The sum of these five components is the score on the pension index.

Component 1 is intended to measure the degree of individualism versus solidarism in the structure of pension finance. To the extent that the scheme mandates a fixed payroll contribution from the employer and state, the individual burden is lower, and the system score indicates a stronger component of solidarism. Component 2 roughly captures the residualism of the state role. Where the function of the state in social protection is secondary to market forces, the state's role is residual. This is represented in the index where the state has no fixed obligation or is responsible only for financing deficits (i.e., stepping in only where the private mechanisms fail).

Components 3 and 4 measure the extent to which market forces are bounded in the provision of pensions. A score of ten on Component 3 suggests a recognition by the state that the market system is not the optimal mechanism of protection for every citizen, and a retention of the state role in that provision. Component 4 reveals the commitment of col-

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\(^{22}\) The score on this component runs naturally between 0-100, but is rescaled to a 0-10 interval consistent with the other four components.
lective resources and public responsibility for the protection of old age income from the loss of value on the market. Component 5 reveals the presence of a safety net that separates an individual's old age income from her savings during working life to some degree. To the extent that well-being in old age is closely and positively linked to saved income, the system is more individual and marketized. The score of ten on this component is thus a simple indication of the effort to de-link well-being in old age from income during one's working lifetime.23

Although three of the five components of this index are dichotomous, the marked variation in scores suggests important differences in the ways that governments balance the contending objectives of market development and redistribution. The factors at play within each country that generate these unique models of social protection will be explored below in the analysis of domestic institutions and economic forces.

IV. Independent Variables.

This section presents several arguments from the political economy literature that suggest plausible links among certain economic, political and social variables and the nature of pension reforms. Four hypotheses are proposed based on these arguments, and subsequently tested in simple multivariate analysis. The relationships identified in the regression analysis are treated simply as indicators of systematic patterns of variation among the variables discussed. These will serve to indicate fruitful avenues of future research into the rich conjuncture of factors operating in each country.

A. Political Variables.


Social security institutions are political creations. As such, it is fitting that we examine configurations of political institutions and partisan forces to understand the source of differentiation in the reform of public pension schemes. Political explanations for the formation of welfare states in Europe have often fallen upon power-centered theories. Power-centered theories propose that government is neither a neutral arbiter of social interests, nor responsive to manifest social needs. Instead, government actions are dictated by the exercise of power by social interests, making the balance of political forces crucial in determining which configuration of interests will dominate.24 Class-based power struggles have been the traditional framework within which to understand the politics of welfare state.25 Strong unions and left parties are considered to provide workers with critical resources for securing state protection. Although power resource theories have been fruitful in accounting for cross-national differences in welfare state expansion, they have proved less able to predict the nature and outcome of social security reform.26

23. This variable is also a proxy for the replacement rate of defined benefit schemes. This data is typically unreliable in Latin America and moreover is calculated on generally incomparable bases. For those reasons, a more precise measure of replacement rates is excluded from the index.
24. ESPING-ANDERSEN, THE THREE WORLDS OF WELFARE CAPITALISM, supra note 18, at 105.
A variant of the power-centered theory that has become particularly relevant in the context of globalization centers upon what is termed the 'structural power of capital'. Derived from Marxist class-based analysis, this theory holds that positive economic performance and growth require the willingness of capital owners to engage in productive investments. Popular approval of government and the extraction of resources to keep it running are in turn contingent on positive performance of the domestic economy. As a consequence, the theory holds, politicians wishing to maximize the perquisites of office must provide incentives for investment and avoid redistributive policies that would be unwelcome by owners of capital. 27

This perspective has regained currency in the recent literature on economic globalization.28 As new advances in technology, communication and financial instruments increase the facility of capital movement across borders, owners of mobile assets acquire an enhanced exit option in the face of unfavorable economic policies. Scholars have thus identified this as an increasingly constraining, if not determining factor in the nature of domestic institutional design.29 Swank, for instance, found that although overall taxes on business have remained steady, payroll taxes on business for social security in the OECD have dropped by one-third in response to greater capital mobility. The pressures for market-friendly taxation policies, he concedes, have limited the consciously redistributive policies.30 This view has become fuel for the convergence literature, which ascribes a key role to the interests of mobile capital owners in the reform of domestic institutions. Recent political economy research, however, has seriously questioned this fait accompli view of domestic institutional convergence.31

Power resource theories are in essence pluralist formulations. That is, they ascribe direct links between the distributions of social power and resulting public policy and insti-

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27. Block reminds us, however, that the punishing or 'veto' power of capitalists (to withhold investment) is not exerted through a concerted class effort. Rather, capitalists consider government policy as individuals and assess policy choices in terms of how they affect their own profit-driven interests. Fred Block, The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State, 7 SOCIALIST REVOLUTION 6 (1977). Overall, however, this power theory suggests a prominent role for owners of capital in determining the nature of economic policy. Id.; see also, Stephen L. Elkin, Pluralism in its Place: State and Regime in Liberal Democracy, in THE DEMOCRATIC STATE 179 (Roger Benjamin & Stephen L. Elkin eds., 1985); Adam Przeworski & Michael Wallerstein, Structural Dependence of the State on Capital, 82 AM. POL. SCI. REV. 11 (1988); Duane Swank, Politics and the Structural Dependence of the State in Democratic Capitalist Nations, 86 AM. POL.. SCI. REV. 38 (1992); Swank, Funding the Welfare State, supra note 8.

28. See Garrett & Lange, Internationalization, supra note 9; Swank, Funding the Welfare State, supra note 8.


30. Swank, Funding the Welfare State, supra note 8, at 11.

stitutions. While important research that has been produced in this vein\textsuperscript{32} are key examples of these, the power theories are fundamentally flawed at their premise. They overlook the important role of institutions that intervene between raw social preferences and political outputs. In this analysis, pressures from economic interests and global economic forces are assumed to be filtered in the domestic arena by the configuration of domestic political and socioeconomic institutions unique to each polity.

2. \textit{Formal Political Institutions.}

The institutional milieu in which social, economic and political relations are embedded provides important explanatory leverage in this analysis. Institutions are widely recognized to intervene between the raw preferences of society and government behavior, shaping not only how interests are translated into policy, but the very nature of those interests as well. Institutions are examined here on two levels: (1) socioeconomic structures, such as previous social protection schemes; and, (2) formal political institutions, such as the legislative power of the executive, which aggregate and translate interests into government action.\textsuperscript{33} The nature of political responses to the pressures for social reform amidst globalizing markets is assumed here to vary with the diversity of political institutions through which these pressures are filtered.

B. \textbf{POLITICAL PROCESS: THE DISTRIBUTION OF POWER.}

The first political variable considered here relates to the process through which reforms are crafted, and in particular, in whose hands the decision rests. Formal political institutions structure collective decision processes in a polity. By providing procedural advantages and impediments to different groups in the legislative process, political structures pattern the degree of influence which any set of actors can exert over policy outcomes.\textsuperscript{34} In this view, the rules of representation (i.e., who participates in the decision-making process and how) are central to understanding whose voice is heard in the political process.\textsuperscript{35} These rules are considered to be embodied in the way that power is allocated between the executive and legislature in the lawmaking process.

The structure of decision-making power and political reforms has been the subject of important research in political science. In particular, scholars have suggested that the greater the fragmentation of political power, the more able entrenched interests are to block reforms.\textsuperscript{36} This notion of veto points has been used to differentiate the capacity of political leaders to carry out moderate versus radical retrenchment of the welfare state.\textsuperscript{37}


\textsuperscript{33} Cf. Garrett \& Lange, \textit{Internationalization}, \textit{supra} note 9.


\textsuperscript{35} Cf. Hall, \textit{supra} note 34.


\textsuperscript{37} Pierson, \textit{The New Politics of the Welfare States}, \textit{supra} note 16.
Whereas Pierson argues that the concentration of power permits leaders greater leverage within which to maneuver for radical reforms, the arduous political negotiations undertaken in the European and U.S. legislatures have permitted only moderate trims in social security programs. The veto points literature thus begins with the assumption that the entrenched interests will favor preservation of the current pension system. Based on this, it suggests that the greater the concentration of power to legislate, the stronger the capacity to bypass these interests and move toward marketized pension systems.

The strong and insulated executive power in the realm of legislation would in scheme create an electoral slack, or room for more autonomous executive action. Strong executive powers may serve either as a critical balance to check legislative excesses and expedite reforms, or it may enable the president to bypass elected representatives and unilaterally implement reforms by decree. According to the expectations of the veto points theory, strong executive powers would serve toward the latter. Consider, for example, the cases of Peru in 1992 and Chile in 1981 where democracy was suspended during the process of reform. In these cases, a strongly marketized reform of the pension system was adopted by decree. The distribution of power in the crafting of reforms is approached in this analysis through a measure of presidential powers. Following the veto point literature, the fewer hands in which the decision rests, the more radical the nature of the structural transformation in pension programs is expected to be.

Alternatively, the allocation of decision-making power to a democratically elected legislature is thought to generate certain obstacles to the extensiveness of reform. This may be attributed not simply to the number of interests involved, but to the mechanisms of responsiveness and popular approval basic to democracy. In this view, governments will alter their role in the economy to the benefit of one sector only to the point that the welfare loss to the rest of society causes them to respond negatively and hold the government responsible. Whereas power resource theories predict that governments will make concessions to owners of capital in order to attract foreign currency and investment, the institutional view suggests that capitalist interests might be checked in democracy by the political demands of the majority. This majority, maintains, will favor redistribution to compensate for market risks and losses. The punishing mechanism of democratic institutions, in addition to the diffusion of power in legislative bodies, thus creates incentives for governments to broaden the membership of beneficiaries of their economic policies.

Hypothesis I. The greater the degree of power to legislate is placed in the hands of the executive for the pension reforms, the more likely the result is to shift toward marketization in the structure of the pension scheme.

38. Id.
39. Id.
42. Cf. Elkin, supra note 27.
1. Partisanship.

The second political variable tested in this analysis considers who is occupying the positions of power. This suggests that the partisan makeup of the government affects the way policy-makers weigh the respective costs and benefits of different institutional forms and mediate among the contending socioeconomic interests. That governments desire to stay in office is a general rule of political science. The main tools at their disposal to do this include increasing the general welfare of the society, or issuing distributional benefits to their bases of support.\(^\text{43}\) Given that the benefits of the former strategy take effect only in the long term, the latter is preferred as a means to stay in power in the face of short-run electoral demands.\(^\text{44}\)

Understanding the different pension models as opportunities to issue distributional benefits to distinct coalitions renders the hypothesis that partisanship matters for the direction of pension reform more plausible.

Some authors challenge the notion that partisanship matters in the context of globalization. For instance, Paulette Kurzer suggests that in the context of high capital mobility, left-oriented political parties "follow the cues and programs of right-wing or conservative parties and have no alternatives to proposals to shrink the public sector, privatize social services, and deregulate labor markets."\(^\text{45}\) Kurzer's hypothesis has been effectively disputed, however, by research showing that under certain conditions left parties may still pursue programmatic objectives through supply side programs.\(^\text{46}\) While the globalization of the economy has undoubtedly raised the costs of certain fiscal and monetary policy options, the conclusion that there is no room for pursuit of programmatic policy objectives may be premature. For instance, has found a positive correlation between the strength of welfare benefits and left-labor power in the OECD.\(^\text{47}\) These strands of research suggest the plausibility of hypotheses of a continuing role for government partisanship in explaining the balance between state and market in the pension reforms. Although global market forces encourage a stronger shift toward private pension funds, the extent to which the market dominates the system is expected to be mediated by the ideological stripe of the government.

Hypothesis II. *Where governments are dominated by parties of the left, they will be more likely to maintain strong public, or 'solidaristic' structures in the pension scheme.*

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44. See id. at 544-45.
46. See Garrett & Lange, *Internationalization*, supra note 9, at 541, 545. In strong, corporatist economies, they find, parties of the left are able to pursue redistribution, active labor market programs, and to alter investment incentives. Where labor is weak and not centrally organized, in contrast, market-oriented supply side policies are more prevalent. Unfortunately, the scarcity of cross-national data on labor organization in Latin America prohibits the testing of these conditional effects of partisanship and labor structure on the nature of institutional choices. See id. at 544-45.
C. ECONOMIC VARIABLES.

The intensity of global economic pressures exerted upon policy-making is widely con-
sidered to be an exogenous, structural component of domestic political analyses. In this
study, the endogenous nature of this constraint is examined. In particular, the degree of
reliance on foreign economic aid is considered to generate varying degrees of international
constraint on domestic policy.

1. Reliance on Foreign Aid.

Foreign economic assistance is rarely granted in the absence of some conditions for
policy change in the receiving country. The wave of structural reforms in Latin America
following the debt crisis bears witness to this claim. In exchange for loans from multilater-
al institutions to service external debt and stabilize fiscal accounts, national governments
agreed to implement a series of tough market-oriented reforms aimed at removing the
structural distortions in domestic economies. Although the reliance on foreign economic
aid has been decreasing in recent decades in Latin America, the quid pro quo exchange of
policy autonomy for economic assistance is still relevant. The recent peso crisis in
Mexico reveals the continuing link between foreign aid and the limits of domestic policy
autonomy. As observed in Mexico, “given the need to rely on external savings to restore
and sustain growth, to have access to public credit the government had to introduce mar-
et-oriented reforms to please multilateral institutions and the US government.” The
more a country relies on foreign aid, the more we may expect it to move toward marketi-
ization in the social security reform.

Hypothesis III. The greater the presence of foreign aid in the domestic economy, the
stronger the degree of marketization in the structure of reformed pension institutions.

D. SOCIOECONOMIC STRUCTURES.

1. Previous Social Security Institutions.

The main thrust of this analysis emphasizes the political and economic factors shap-
ing the choice of institutional reforms. The choice of institutions, however, must not be
considered to occur in the context of a blank slate. Once established, social security institu-
tions become “a powerful societal mechanism which decisively shapes the future.” Indeed, pre-existing institutions serve as one of the most important factors shaping the
direction and nature of institutional reforms to social security. The social protection struc-
tures existing prior to the reform exert their influence on the reform process first by delim-
iting the realm of conceivable reform models. The issues that have traditionally defined
social security fashion in turn the terms of debate on reform. The importance of path-
dependence in the reform of social security is thus an important factor shaping social

49. COPING WITH AUSTERITY: POVERTY AND INEQUALITY IN LATIN AMERICA, supra note 6, at 32.
50. ESPING-ANDERSEN, supra note 18, at 221.
51. Id. at 108-111.
security reform. Depending on the nature of previous structures, deep reform of social security may be facilitated or nearly impossible.

Pre-existing pension schemes give different groups something to fight for insofar as they define the limits of social rights and benefits. Once acquired, citizens are ill-disposed to surrender what they consider to be their rights and entitlements. For beneficiaries of the public social security institutions, market-oriented reforms present tangible and immediate losses, with only distant and diffuse benefits. As prospect theory suggests, people are more averse to losses than they are receptive to potential gains (Kahneman & Tversky, 1979). Consequently, to the extent that social security systems provided strong benefits to broad segments of the population, a wide coalition of interests may be expected to oppose the reforms and thus limit the degree of marketization in the final scheme.

Hypothesis IV. Where existing pension schemes are stronger and more universal, the reformed institution is more likely to retain a solidaristic mechanism for allocation of pension benefits.

In any analysis of social security reform, the impact of existing social security schemes should not be underestimated. There are a variety of other structural dimensions of the existing social security institutions which may be expected to influence the nature of reforms. In particular, the structure of benefit provisions is likely to shape the coalitions of interests that form around the question of pension reform. The benefit structures shape the possibilities for collective action by delineating distinct social identities and status communities. Insofar as pension schemes are highly segmented across industries, it is likely that collective action in defense of public benefits would be more difficult. Data on this and other useful dimensions of existing social security programs is, however, often unreliable and difficult to compare in variables-based analysis. Moreover, given the richness of meaning embedded in each national system, it may be more appropriate to consider the impact of existing social security systems through case-study research.

V. Data Analysis and Discussion.

The previous section of this paper advanced four hypotheses relating to certain political, economic and institutional factors, which in their varying national configurations, combine to produce the unique form of social protection found in each country. In this section, these variables are operationalized and tested through simple OLS regressions. The size of the data set (N=9) urges caution in investing great confidence in the explanatory power of the statistical results. Nevertheless, the results below may serve as a starting point for research and discussions on the mechanism driving variations in capitalist forms that are unfolding throughout Latin America and the developing world.

52. Id. at 108-111.
A.** POLITICAL PROCESS: THE DISTRIBUTION OF POWER.**

Hypothesis I. *The greater the degree of legislative power placed in the hands of the executive for the formulation of pension reforms, the more extensive the shift toward marketization in the structure of the pension scheme.*

Absent any comparable measure of veto points in legislative processes, the diffusion of power in the reform process is measured through an index of legislative power of presidencies created by.\[^{53}\] This records the legislative powers of presidents relating to veto power, decrees, budgetary power, exclusive introduction of legislatures and proposals of referenda.\[^{54}\] The scores show marked variations in the degree of legislative power given to presidents in the countries considered here.\[^{55}\]

The presidential power variable was not significant alone in bivariate regression against the dependent variable, the pension index. However, the variable recorded consistently strong and significant effects in the multivariate models, inclining always in the direction of marketization for every unit increase in executive powers. The results of the bivariate and one multivariate regression are listed below.\[^{56}\] In addition, the relation of presidential powers to pension index scores is illustrated below in a scatterplot that reveals a slight negative inclination in the range of variables, consistent with the slope of the fitted line.


\[^{54}\] See *id.* at 150.

\[^{55}\] For Chile and Peru, the reform fell under a period of authoritarian rule claimed temporarily by Fujimori in a self-coup of 1992, and in Chile during thirteen years of military rule under General Agosto Pinochet. Presidential powers in these cases are coded 10, the maximum value on the 0-10 scale.

\[^{56}\] To conserve space, the result of the full multivariate model is displayed for just one of the independent variables. The results of all regressions are contained in Appendix 4.
Bivariate model, dependent variable = index score

Number of obs = 9
F( 1, 7) = 1.57
Prob > F = 0.2501
R-squared = 0.1834
Adj R-squared = 0.0667

| index | l | Coef. | Std. Err. | t     | P>|t| |
|-------|---|-------|-----------|-------|------|
| pres  | l | -2.422561 | 1.932069 | -1.254 | 0.250 |
| cons  | l | 47.51392 | 11.28419 | 4.211 | 0.004 |

Additive model, controlling for aid as a percent of GDP:

Number of obs = 9
F( 2, 6) = 7.22
Prob > F = 0.0253
R-squared = 0.7065
Adj R-squared = 0.6087

| index | l | Coef. | Std. Err. | t    | P>|t| |
|-------|---|-------|-----------|------|------|
| pres  | l | -4.89584 | 1.461986 | -3.349 | 0.015 |
| aid%GDP | l | -3.39801 | 1.03914 | -3.270 | 0.017 |
| cons  | l | 70.09816 | 10.05457 | 6.972 | 0.000 |

The executive power variable does not exert a strong independent effect on the nature of the pension reform. In the presence of controls for contextual variables, however, the effect of presidential powers holds above the 95 percent confidence threshold. Every unit increase in presidential powers is associated with a move toward marketization in the pension reform.

The weakness of the bivariate model may not be overwhelmingly important in and of itself, but it strikes upon a point of sensitivity in the veto points theory. In particular, that there is little reason to believe that a strong executive would necessarily desire marketization over solidarism in the pension structures. Instead, it is plausible that the effect of presidential powers on the nature of reform may be conditioned upon the value taken by other contextual variables, such as partisanship or socioeconomic structures. Although the multivariate models showed strong correlations between the concentration of legislative power and the marketization of reforms, an alternative hypothesis is suggested as well. In particular, we may expect presidential powers to acquire meaning for the nature of reform when understood in the context of variables that would indicate the direction in which the executive might be disposed to exert his power.

Overall, the concentration of legislative power in the hands of the executive relates to a stronger degree of marketization in the reformed pension structure. Support is lent to Hypothesis I, but only insofar as presidential powers are evaluated in the context of con-
controls for structural variables. When considered independently, however, the concentration of legislative power can not be confidently related to any particular pension structure. In the scatterplot below, the strong negative relation between the executive's power to legislate and the solidaristic component of the pension reform is evident. The mechanism lying below this relation, however, remains to be tested through conditional models and case study research.

B. PARTISANSHIP.

Hypothesis II. Where governments are dominated by parties of the left, they will be more likely to maintain strong public, or 'solidaristic' structures in the pension scheme.

The partisanship of government is operationalized through a measure of left-labor power in the legislature. This is calculated as the weighted sum of legislative seat shares in the sitting congress at the time of reform. The partisanship of the executive is not operationalized here on account of the coding dilemma created by the prevalence of populist behavior among executives.


58. See generally ESPING-ANDERSON, supra note 18; Garrett, supra note 28.
The regression results below lend support to Hypothesis II, that partisanship matters for the nature of social security reforms. Specifically, the bivariate regression reveals that the stronger the legislative presence of left-oriented political parties, the resulting pension reform will be more inclined toward solidarism. This relationship holds above the 95 percent confidence level for this sample. The effect of partisanship remains strong as well when controlling for structural variables. Below, where the level of foreign aid as a percent of GDP is controlled for, the partisanship variable records an even stronger effect on the score of the pension index. In every multivariate regression run with the partisanship variable, the effect of left power was the same: a strong and significant effect, inclining the reform in the direction of greater solidarity. See Appendix 4 for the results of all regression results.

**Bivariate OLS regression with partisanship variable**

|         | Coef.  | Std. Err. | t     | P>|t|   | [95% Conf. Interval] |
|---------|--------|-----------|-------|-------|---------------------|
| Dependent variable = Index score |        |           |       |       |                     |
| Number of obs = 9               |        |           |       |       |                     |
| F( 1, 7) = 6.62                |        |           |       |       |                     |
| Prob > F = 0.0368              |        |           |       |       |                     |
| R-squared = 0.4862            |        |           |       |       |                     |
| Adj R-squared = 0.4128        |        |           |       |       |                     |

| index | Coef.  | Std. Err. | t     | P>|t| |
|-------|--------|-----------|-------|-------|
| left  | 76.21469 | 29.61229 | 2.574 | 0.037 |
| cons  | 17.57928 | 8.327502 | 2.111 | 0.073 |

**Additive model, controlling for aid as a percent of GDP:**

|         | Coef.  | Std. Err. | t     | P>|t| |
|---------|--------|-----------|-------|-------|
| Number of obs = 9 |        |           |       |       |
| F( 2, 6) = 23.56 |        |           |       |       |
| Prob > F = 0.0014 |        |           |       |       |
| R-squared = 0.8871 |        |           |       |       |
| Adj R-squared = 0.8494 |        |           |       |       |

| index | Coef.  | Std. Err. | t     | P>|t| |
|-------|--------|-----------|-------|-------|
| left  | 97.74738 | 15.70456 | 6.224 | 0.001 |
| aid%GDP | -2.666018 | .5776937 | -4.615 | 0.004 |
| cons  | 20.56087 | 4.266184 | 4.819 | 0.003 |
For those skeptical of the strong statistical results, the scatterplot may provide stronger evidence of a close, positive relation between the left dominance in a legislature and the degree of solidarism in the structure of reforms. Still, however, this array reveals simple correlations, obscuring the complexity of causal factors that generate this outcome. The capacity to explore the variety of socioeconomic institutions and economic conditions that interact with partisanship is impossible in this simple analysis. We may anticipate capturing such complexity only through closer analysis of the interaction of factors shaping the pension reforms.

C. RELIANCE ON FOREIGN AID.

Hypothesis III. The greater the presence of foreign aid in the domestic economy, the stronger the degree of marketization in the structure of reformed pension institutions.

The dependence on foreign aid is operationalized in this analysis through six distinct World Bank Economic Development Indicators of aid dependence. These include: (1) official development assistance and official aid ($ millions) for 1990;\(^59\) (2) aid per capita, in 1990 dollars; (3) aid as a percentage of 1990 GNP; (4) aid as a percentage of 1990 gross domestic investment (5) aid as a percentage of 1990 imports of goods and services; and, (6) aid as a percentage of 1990 central government expenditures. For each permutation of this variable, the result of the linear multivariate regression (controlling for political variables) was the same: strong and statistically significant negative relationship to the score on

\(^{59}\) To avoid temporal inconsistency, each of these variables is recorded for a decade earlier in the case of Chile.
the pension index. As the reliance on aid increases, the pension reform is inclined toward a greater reliance on markets. Illustrated below are the results of the linear models. Since all six operationalizations yielded the same results, just one is displayed: overseas development assistance. In the results of the partisanship variable (above) are the multivariate results for the aid as a percent of GDP variable. The results of the other four regression analyses are contained in Appendix 4.

Additive model, controlling for partisanship:

\[
\begin{align*}
&\text{Number of obs} = 9 & &

&\text{F}(2, 6) = 9.03 & &

&\text{Prob > F} = 0.0155 & &

&\text{R-squared} = 0.7506 & &

&\text{Adj R-squared} = 0.6674 & &

\end{align*}
\]

| index | Coef. | Std. Err. | t | P>|t| |
|-------|-------|-----------|---|-----|
| left  | 76.80492 | 17.91625 | 4.287 | 0.005 |
| O.D.A. | -0.0600718 | 0.0165819 | -3.623 | 0.011 |
| cons  | 30.95875 | 6.246816 | 4.956 | 0.003 |

Additive model, controlling for presidential power:

\[
\begin{align*}
&\text{Number of obs} = 9 & &

&\text{F}(2, 6) = 10.97 & &

&\text{Prob > F} = 0.0099 & &

&\text{R-squared} = 0.7852 & &

&\text{Adj R-squared} = 0.7136 & &

\end{align*}
\]

| index | Coef. | Std. Err. | t | P>|t| |
|-------|-------|-----------|---|-----|
| pres  | -3.983045 | 1.135953 | -3.506 | 0.013 |
| O.D.A. | -0.0832908 | 0.0203145 | -4.100 | 0.006 |
| cons  | 74.05862 | 8.999491 | 8.229 | 0.000 |

60. Although the data set limits us to simple additive models, certain conditional hypotheses may be surmised. For instance, we may expect that high levels of aid dependence would condition the influence of partisanship, making ideological differences less significant in the context of very high international pressures.
The regression analyses lend support to the hypothesis that the reliance on foreign economic aid generates constraints upon the autonomy of domestic policy-making. When the degree of dependence on foreign aid in the domestic economy is stronger, the inclination of the model toward marketization is greater. This holds above the 95 percent confidence interval for the dependence on aid when controlling both for the presidential powers as well as for the partisanship of government. The six distinct measures of aid dependence were meant as a test of robustness of this variable. The consistent, statistically significant and positive relationship to the score on the pension index scored for each measure lends confidence to the relationship suggested above. The scatterplot below reveals the strong positive relationship between the (low) level of overseas development assistance and the solidarity of reformed pension schemes.

The dilemma that lingers with this variable as well, is the conditional effect. At higher levels of aid dependence, will partisanship still matter? At (dictatorially) high levels of executive power, will aid dependence matter? Since partisanship and aid dependence exert opposing effects, under what conditions will one win out over the other? As more data become available, the research animated by these questions may reveal important information about the mechanism behind the unique responses to globalization revealed in the variety of domestic social and economic reforms.
C. PRE-EXISTING SOCIAL SECURITY INSTITUTIONS.

Hypothesis IV. Where existing pension schemes are more strong and universal, the reformed institution is more likely to retain a solidaristic mechanism for the allocation of pension benefits.

Operationalizing the strength and universality of existing pension schemes requires one to venture into perilous turf: the data on coverage and expenditures of Latin American social security schemes in the 1980s. The data employed for this analysis derives principally from those gathered by the variable was approached from a variety of perspectives, including data measuring the total payroll contribution in the old system, the system dependency (ratio of pensioners to contributors), the ranking of the burden assumed by the social security scheme, the old system replacement rate, social security taxes (as a percent of current revenue in the 1980s [1970s for Chile]), and the coverage of the system in 1980. These variables were selected as rough measures of the strength and extent of the pre-existing social security institutions. Among these variables, two recorded significant results: the social security taxes (percent of current revenue, 1980s/70s), and the Mesa Lago burden rank.

The results of the statistical analysis are shown below. These lend some support to Hypothesis IV, although two of the three models hold just below the 90 percent confidence level. Only the measure of social security taxes as a percent of current revenue in the 1980s is statistically significant above 95 percent when controlling for presidential powers.

<table>
<thead>
<tr>
<th>Country</th>
<th>Masa Lago Burden Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costa Rica</td>
<td>56.66</td>
</tr>
<tr>
<td>Argentina</td>
<td></td>
</tr>
<tr>
<td>Uruguay</td>
<td></td>
</tr>
<tr>
<td>El Salvador</td>
<td></td>
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<tr>
<td>Mexico</td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>10</td>
</tr>
<tr>
<td>Bolivia</td>
<td></td>
</tr>
</tbody>
</table>

61. See generally MESA-LAGO, supra note 4.
62. Id.
63. These results are not for the full model, but record just the statistics relating to the social security variables in three distinct models. The first is a bivariate regression of the burden rank against the dependent variable (the pension index), while the second is a multivariate model with ss80 controlling for partisanship, and the third is a multivariate model with ss80, controlling for presidential powers.
VI. Conclusion.

Social security has been said to embody a "response, by social means, to an aspiration for security, for confidence that one's quality of life would not be totally eroded by any social or economic eventuality." With the advance of market reforms in Latin America, the primordial goal of social security, the creation of a buffer against the vicissitudes of the market, as well as the collective means through which this was achieved, have begun to face important changes. As market forces acquire greater importance, social prevision comes to rely less and less on social means of protection as it does on individual methods of prevision. In this paper I have attempted to reveal empirically the varying degrees of this transformation in the extent to which pension schemes are governed by market-driven or collective mechanisms. The larger puzzle, however, has been (and still is) to explain the conditions under which domestic political arrangements win out over market forces in shaping the pension institutions.

Prominent scholars have spoken of the "retrenchment" of welfare and the "crossroads" met in the development of social protection institutions. These perspectives suggest on the one hand that pension reform is solely a destructive process, while on the other that it represents a dichotomous choice between the state and the market. I have attempted to present an alternative conceptualization of the current wave of social security reforms.

64. See generally Nguyen, supra note 15.
This has endeavored to move from the all-or-nothing view of institutional reform toward an appreciation of the variety of state/market compromises that exist in between the unreformed and fully transformed systems. This array of outcomes has permitted closer examination of the underlying configuration of forces at play in each country. From even the few cases at hand, it has been possible to draw systematic links between the unique political equilibrium reached in each nation, and the contending array of domestic political, economic and social forces that filter and mediate between global economic pressures and domestic political exigencies.

The results of this analysis, however preliminary, suggest the existence of important sources of divergence in national systems of social protection in a global economy. Even in the face of strong international economic pressures, politics still matter. The concentration of lawmaking powers and the ideological bias of the government help to predict which interests will be privileged in the reform process, and hence the likelihood of a shift toward marketization of pensions. Path dependence also provides a key to understanding the nature of social security reforms. Traditionally strong and universal systems of social protection generate broad coalitions of 'stakeholders' defending their public benefits as a social right. Finally, the degree to which governments rely upon foreign economic aid is found to relate strongly to the degree of marketization in pension systems. This result lends credibility to the view that recipients of international aid exchange assistance for domestic policymaking autonomy.

The results of this study might be better termed the beginnings of this research. They have indicated several factors that independently shape the disposition of policy-makers toward different models of pension reform. The task that lies ahead is to discover more precisely how different combinations of political, social and economic factors shape national responses to the search for social protection. The pension index created here is intended as a first step in this direction. It is crudely measured and by far incomplete. Nevertheless, the strength of variations revealed with this device suggests that there is some utility in this line of research. As more data is generated from the continuing processes of reform throughout Latin America and the world, it should be possible to test hypotheses relating to the different combinations of domestic institutions and forces that together generate the diversity of capitalisms unfolding in Latin America.

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