Social policy; The strategy towards the development of Latin America
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The strategy towards the development of Latin America

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Introduction

Changes in macroeconomic conditions and wellbeing standards have been widely studied by scholars in the field of development studies. Traditionally, it has been argued that economic growth, measured through GDP, is the ultimate goal of development. But this idea has been contested on the assumption that human development should be placed as our primal objective instead (Sen, 1999). It has been suggested that there is a connection in which social expenditure, combined with good economic performance, increases in human development, improves the quality of the labour force, and then contributes to growth (Ranis & Steward, 2002). Then, on a large scale, this results in a more efficient workforce which increases productivity. Economic growth simply becomes a by-product of human development.

The logic behind this argument assumes that social expenditure improves health, education, skills, and wellbeing that then lead to the expansion of human capabilities. In other words, social policy becomes essential to achieve human development (Evans & Patrick, 2015). This perspective is supported by scholars with the observation that reductions on social expenditure, associated with neoliberal policies, have restricted human development and economic growth (Ranis & Steward, 2002). Based on this, the study of social policy as conductive to development has gained attention in late industrializing countries as a promising alternative (Kwon et al., 2009). Particularly, in the context of Latin America, the state is emerging as a key actor for which social policy is becoming the new development strategy (Riesco, 2009).

Over the past 20 years, the region has experienced increased economic growth, social spending, and wellbeing (Levy & Schady, 2013). This phenomenon, I shall argue, can be explained by the emergence of a developmental welfare state that came to replace the neoliberal policies of the Washington Consensus (Riesco, 2009). Moreover, it has been suggested that changes in social policy can be accounted for by increased democracy and macroeconomic stability in the region (Levy & Schady, 2013). Yet, other significant changes that took place in the 1990s are neglected. By the end of the century, left wing parties and populist movements made a significant comeback that opposed the dominant ideology of previous neoliberal reforms in the region (Cameron, 2009; Wayland, 2009; Rovira, 2014).

Considering that these ideological changes are recent and diverse throughout the region, there is not much exploration across time on their effects on welfare. Hence, it is in the interest of this research to place such forces under the discussion of social policy as conductive to human development and the correlated economic growth. If we wish to understand development in Latin America, it is crucial to study changes in social expenditure associated to changes in political systems. Therefore, this thesis aims to explore:

1. *To what extent is the use of social policy as an economic strategy explained by ideological changes in Latin America?*

2. *In turn, to what extent can development in Latin America be explained by changes in social policy?*

<u>Method</u>

As I intent to produce a complete assessment of contemporary Latin American development, the previous questions will be answered through a mixed methods research design. Hence, the model is divided in two parts. First, a quantitative study to measure the effects of changing political ideology on social policy. This section will use a multiple linear regression with time series for 17 fundamental countries in the continent, ranging from Mexico to Chile. Then, a qualitative section where a case study will be conducted to verify the causal mechanism of how social policy leads to human and economic development. This section will be found after the statistical analysis in the form of a most likely case design. The idea is to illustrate a country in which political forces aligned to produce successful social policies, that then led to development. If such logic can be proven for one case, a successful development model based on social policy could be found elsewhere in the region.

While there is a broad theoretical discussion on developmental states implementing social policy strategically, this research will consider distinct perspectives in order to seek a holistic response to my research questions. It is possible to expand the scope of study even further by including arguments directly related to the allocation of resources and social structures into the discussion. Therefore, an additional review of studies on welfare regimes and social provisions (Esping-Ándersen, 1990; Martinez Franzoni, 2008) will be used as an alternative lense on the study of Latin America.

Theoretical framework

Social policy as the strategy of the developmental state

The reasons behind the development of some countries and the underdevelopment of others have long been addressed by scholars. Grand theories, like that of Acemoglu and Robinson (2013), aim to explain the engines of prosperity on a global scale. In contrast, middle-range theories have focused on the growth experience of particular cases. For instance, when explaining the remarkable and sustained economic growth of East Asia through shared aspects of a developmental state (Leftwich, 1995, p. 401). Or important efforts to explain growth through a distinctive Chinese development model (Haggard, 2018, p.53). However, it is relevant to explain development in other regions asides of East Asia. Therefore, this framework seeks to discuss an alternative outlook on development theories, particularly in the Latin American context.

There is an empirical observation suggesting significant improvements in the economic conditions of Latin America as a whole. Starting in the 1990s and extending to the 21st century, the region experienced stable macroeconomic conditions, reductions in poverty, inequality, and advancements in wellbeing. The GDP of the region doubled the rate of growth from the 1980s, inflation and unemployment rates were controlled in most countries, better monetary policy lowered fiscal deficits and improved debt management. On one hand, there was an overall decrease in poverty rates, Gini coefficient, malnutrition, infant, and maternal mortality. On the other hand, there was an increase in school enrolment, attainment, and health outcomes (Levy & Schady, 2013, pp. 194-197). And such achievements could be related to an observed trend of increased social expenditure in the areas of health and education (ECLAC, 2019).

Even though the region is not close to an ideal of economic success, it is relevant to place the previous achievements in the context of a broad academic debate relating economic growth, social policy, and human development altogether. Traditional theories of economic development argued that efficiency can be lost in the presence of social policy, suggesting that income support discourages work, and social protection undermines economic development. In contrast, contemporary scholars have rethought the role of social policy as a means towards economic efficiency and development (Kwon et al., 2009, p. 2).

In the context of Latin America, regression analysis suggests that economic growth can be achieved through the fulfilment of human development, which in turn can be explained through social policy. The logic behind it is that high social expenditure combined with good economic performance improves the quality of the labour force, helping to increase national income and contributing to growth. If expenditure is specifically targeted with a better distribution of GDP between poorer households, there can be improvements in health and education. In turn, healthier and more educated people will become more productive as a labour force, and they will increase the technological capabilities necessary for the functioning of a modern economy. In sum, higher investments and distribution in health and education lead to human development, which in turn leads to efficiency that increases GDP per capita (Ranis & Steward, 2002, pp. 9-11).

In view of the previous logic, traditional policy making can be contested through the study of social policy as conductive to the development and economic growth of Latin America. Policy prescription in the 1980s made cuts on social expenditure, which hampered human development and growth. In response, there has been a surge in social sector expenditures since the 1990s (Ranis & Steward, 2002, p. 22), which can be linked to the previously mentioned macroeconomic and welfare improvements in the region (Levy & Schady, 2013). In turn, such transformations can be attributed to the emergence of a developmental welfare state model. Such theory frames the state as a leading actor with a regulatory role for which social policy has become the core development strategy (Riesco, 2009, p. 30). Then, the ongoing changes in economic management and the expansion of social policy since the 1990s can be explained by developmental welfare state behaviour in the region.

The previous debate contradicts earlier developmental state literature. Developmental state theory originated as an explanation for the sustained economic growth of East Asian states. Overall, sustained development has been explained by the presence of a state with specific political strategies, including a developmental elite, relative autonomy, a powerful economic bureaucracy, a weak civil society, control of non-state economic interests, repression, legitimacy, and sustained performance. Under such assumptions, the case of Latin America had been excluded because states in the region are not autonomous to control foreign and private capitals and are not independent from special elite interests. Moreover, Latin America does not have big class formations and brutal repression of human rights to the same extent as East Asia (Leftwich,1985, pp. 405-417).

Moreover, traditional perspectives explaining the remarkable growth of East Asia suggest that Latin America finds itself in the middle-income trap. However, with a reconceptualization of social policy as a principle means to growth itself, the success of middle-income countries can take a new meaning (Haggard, 2018, p. 65). Reconsidering developmental state assumptions required a move beyond a theory that is sui generis to the Asian experience. Hence, contemporary discussions consider the evolution of cases in other regions since the 1980s. Moreover, the modern understanding of the developmental state argues that human development precedes growth, and so there is a reconceptualization in which social policy becomes essential to expand human capabilities (Evans & Patrick, 2015, pp. 3-5). Then, with a focus on human capabilities, human development increases producti vity and replaces economic growth as the ultimate goal of development (Sen, 1999).

The previous strategy can be understood as welfare developmentalism, which allows social policy to alleviate poverty, illness, protect citizens, enhance social justice and in turn lead to economic development. This is not an unconventional practice, and it has been applied in most late industrializers with varying results. Countries with strong state capabilities in Scandinavia, Latin America and East Asia have developed successful strategies as opposed to cases in the Middle East, North and sub-Saharan Africa. Initially, most states were selective in terms of coverage, and some of them like the Nordic countries made expansions towards a universal scheme. However, in Latin America, policies remained selective rather than inclusive for social protection, with some degree of social exclusion (Kwon et al., 2009, pp. 8-10). Such interregional variations respond to historical and political events, and the study of contemporary Latin American developmental welfare strategies can only be understood as a response to the Washington Consensus, which will be explained on the following section.

Reshaping social policy: alternatives to the Washington Consensus

Ever since the beginning of the 20th century, Latin American countries were already pursuing developmental strategies and social policies by strengthening state institutions. However, by the 1980s the neoliberal adjustments pushed by the Washington Consensus dismantled state institutions and privatized social services for the benefit of emergent capitalists and foreign investors. As a result, inequalities grew stronger and social provisions became selective and only accessible for those who could pay. Then, by the 1990s there was a shift away from neoliberal ideology. After the 1997 economic crisis, states assumed a regulatory role with stronger social policy provision, relying on modern civil society and private enterprises for some economic matters (Riesco, 2009, pp. 27-29).

Such a state that relies on civil society and enterprises for the advancement of economic development is characteristic for modern developmental state theory. In order to expand human capabilities through improvements in health, education, and skills, the state requires an embedded network with key firms and social forces in civil society (Evans & Patrick, 2015, p. 6). Moreover, by the end of the century, important movements raised to power and radically questioned the neoliberal model and the policies of the Washington consensus (Riesco, 2009, pp. 29-30). Since then, Latin America can be placed in the context of a left-wing and progressive political climate (Cameron, 2009; Weyland, 2009). Therefore, it is essential to understand such network leading to an interplay of ideologies and forces that have shaped social policy in the region.

It is relevant to understand social and political forces in terms of left-wing and right-wing ideology. It has been suggested that the outcomes of social policy can depend on political party participation. Particularly, in the European context, radical right-wing parties have targeted social policy on a "deserving" sector of the population, decreasing welfare for "undeserving groups" (Chueri, 2020, pp. 1-2). In Latin America, the right seeks a competitive and self-interested functioning of the market, while the government is present to ensure property rights. In contrast, the left pursues a collective management of the economy in which social and political criteria guide the allocation of resources (Weyland, 2009, p. 147). Therefore, it is necessary to study changes in social policy allocation though right- and left-wing political party orientation.

While the left is not market oriented and pursues a social allocation of economic resources, it is important to avoid a direct link between the left and populism, given that they are independent from each other (Cameron, 2009, pp. 334-336). Yet, considering the strength and prevalence of populist movements in Latin America (Rovira, 2014), it is relevant to take such forces into account. A link between populism and social policies can be done by following the logic of mobilization of the people against the elite and the exercise of redistribution of wealth amongst the lower social classes (Houle & Kenny, 2016, pp. 263-264).

As an ideology, populism separates society into two opposing groups, the pure people, and the corrupt elite, and in turn it seeks to change the status of the people within the political system (Mudde, 2004, p. 543). There is an expectation that populist leaders encourage social policies to achieve changes in the conditions of the people. However, when measuring indicators of market inequality, it has been found that populism is not associated with more redistribution than non-populist leaders, even under left-wing ideologies (Houle & Kenny, 2016, pp. 279-280). Therefore, there is an expectation of a mixed interaction between political ideology and populism on the performance of social policy as a strategy of the state.

However, the political manifestation of social policy is subject to other variations across cases throughout the region. Welfare regimes and varieties of capitalism define the failure or success of social policy and economic development (Kwon et al., 2009, p.3). Such regimes are defined in terms of state, market and family criteria for social provision and resource allocation, regardless of the expenditure on such benefits (Esping-Andersen, 1990). In the case of Latin America, three welfare regimes have been identified. In productivist regimes, the allocation of social public expenditure is more targeted to the poor and the non-poor rely mostly on the market. Protectionist regimes are less targeted to the poor and there is a bigger divide between public and private funding. Non-state familiarist regimes present high rates of poverty and unsuccessful social protection and labour commodification (Martinez Franzoni, 2008, pp. 87-91). As a result, public policy interacts with social structures and reacts to different welfare regimes.

Part I: Quantitative Analysis

In accordance with the previous theoretical discussion, my expectation is that political ideology, populism, and welfare regime typology have defined social policy in Latin America since the end of the Washington Consensus in the following way:

H1: Non-Populist rule, left-wing ideology and productivist welfare regimes are positively associated with higher social expenditure in Latin America.

Case selection and justification

The case selection aims to reflect the whole region of Latin America. However, some cases have been disregarded because of lack of data, including the Caribbean islands, Belize, Surinam, and Guyana. Hence, there are 17 remaining countries ranging from Mexico to the southern tip of Chile. In order to achieve statistical significance, it is ideal to have more than 30 cases (Field, 2018, Ch. 9). While there are 17 selected countries, the number of cases will be higher because this research analyses changes over time for each country, from the year 2000 to the latest records in 2018. As mentioned in the theoretical framework, the time frame has been set after the fall of the Washington Consensus and the 1997 economic crisis. This reflects the subsequent birth of a developmental welfare state (Riesco, 2009), ideological changes and the opposition to neoliberalism (Cameron, 2009; Weyland, 2009; Rovira, 2014), the surge in social expenditure (Ranis & Steward, 2002) and welfare improvements (Levy & Schady, 2013).

Variables and operationalization

It is possible to fit data indicating social policy outputs with measures of party ideology, populism, and welfare regimes on a multiple linear regression. In addition, GDP can be taken as a control for the size of the economies in the region. The indicator to measure the dependent variable has been obtained from the database of ECLAC (Economic Commission for Latin America and the Caribbean), and it is measured as the public expenditure according to the classifications of the functions of government. Social expenditure is defined as the resources allocated to the areas of education, health, social protection, housing and community amenities, recreation, culture and religion, and environmental protection. The unit of measurement is the percentage of gross domestic product, and the expenditure refers to that of the central government as independent from general government and non-financial public accounts. The control variable on GDP is taken from the same database and measured in millions of dollars at constant prices (ECLAC, 2019).

The independent variables have been obtained from distinct sources. As mentioned before, the allocation of resources can vary depending on party orientation (Chueri, 2020; Weyland, 2009) and populist values (Rovira, 2014; Houle & Kenny, 2016; Mudde, 2004). Therefore, there is an expectation that social expenditure differs on the presence of left wing, right wing, and populist parties. Hence, I selected two variables measuring economic ideological values and populist rhetoric in political parties from the Global Party Survey. The database is an international expert survey, constructed by 1861 party and election experts, that identifies key ideological values and positions from 1043 parties in 163 countries (Norris, 2020).

I selected the previous variables measured through a continuous score. In order to improve statistical significance, it has been suggested to move away from simplistic dichotomous classifications like left-right or populist and non-populist. Appealing instead to measures in degrees of intensity (Aislanidis, 2018, p. 1242). In addition to party ideology and rhetoric, I selected a third variable that reflects the criteria for social provision and allocation of resources of each country based on their welfare regime (Esping-Andersen, 1990). While the first two variables reflect social policy on the level of party and ideology institutions, the third one works on the state, market, and family institutions. This variable was not obtained from a database,

instead, I created categories based on the insights of welfare regime typologies (Esping-Andersen, 1990; Martinez Franzoni, 2008).

The first variable classifies political parties through differences in priorities for economic issues related to privatization, taxes, regulation, government spending, and welfare state. It measures a degree of intensity from left-wing (0) to right-wing (10) economic standpoints. Parties on the left encourage the government to play an active role in the economy, while parties on the right suggest a reduced role of government intervention. The second variable classifies political parties by their use of populist or pluralist rhetoric. It measures a degree of intensity from pluralist (0) to populist (10). Populism challenges the legitimacy of established political institutions and emphasizes that the will of the people should prevail. In contrast, pluralism believes that elected leaders should govern, constrained by minority rights, bargaining and compromise, and checks on the executive power (Norris, 2020).

For the third variable on welfare regime, I coded a categorical variable according to the typologies that have been identified in Latin America: productivist, protectionist and non-state familiarist. Each country in the region corresponds to a welfare regime, based on the allocation of social public expenditure, social protection, market protection, public and private funding, and labour commodification (Martinez Franzoni, 2008, pp. 87-91). In order to perform regression analysis, categorical variables need to be transformed into numerical variables. Hence, I created a set of three dummy variables that allow such categories to be measured as numerical values (Field, 2018, Ch. 9).

Statistical model

Once I had established a time frame for the 17 selected countries, I proceeded to filter the variables of interest for each case. I constructed a database in which I ordered each country with the party and political leader governing the executive power for each year. Then I matched that information with their corresponding values for social expenditure, GDP, left and right-wing ideology, populist rhetoric, and welfare regime type. The previous structure allows to perform a panel data multiple linear regression that accounts for time series. Such model requires both the dependent and independent variables to be continuous and allows to predict changes in social expenditure through the institutional changes mentioned before. This model would not simply indicate a correlation between the variables. Given that it uses an unstandardized measure of the relationship (b1) and a parameter (b0), the model will also indicate the outcome when the value of a given predictor is absent (Field, 2018, Ch. 9). In other words, it predicts the outputs of social expenditure when the independent variables are zero, and their effect with every unit of change.

$$Outcome\ i = (model) + error\ i$$

$$Outcome\ i = (b0 + b1X1 + b2\ X2 + bnXn) + error\ i$$

$$Social\ expenditure = (b0 + b1(left/right\ ideolgy) + b2(populist/pluralist) + b3(welfare\ regime) + b4(GDP)) + error\ i$$

Results

The previous variables fit into a multiple linear regression model on SPSS and the results show the following (Appendix B):

Table 1: Multiple linear regression model on Latin American social policy outputs

(Constant)	15.069***
	(.528)
GDP	1.135E-6***
	(.000)
Left-right wing ideology	-.594***
	(.050)
Populist-pluralist rhetoric	-.304***
	(.066)
Productivist regime	2.249***
	(.385)
Non-state familiarist regime	-.632
	(.344)
R^2	.527
Adjusted R^2	.519
N	283

N.B., OLS-regression unstandardized B coefficients with standard error in parentheses.
*** $p < 0{,}001$, ** $p < 0{,}01$, * $p < 0{,}05$.

The model considers the effect of left-right wing ideology, populist-pluralist rhetoric, and welfare regimes with a control for GDP. According to R^2, 52.7% of the variation in social expenditure can be explained by the chosen independent variables. The remaining 47.3% of the variation is unaccounted for other factors not included on this research. The F test indicates that the model has the ability to predict the outcome compared to not fitting a model at all, given that $f(277) = 61.769$, $p<.001$. The T test indicates that the model is statistically significant when explaining the outcome variable, given that $t(277) = 28.548$, $p<.001$. Overall, all the variables are significant on a 1% level, except for Non-state familiarist welfare regimes.

Regarding the assumptions of this model, there is minor concern for normality when observing that the histogram and PP plot slightly deviate from a normal distribution. However, leaving those set of cases on a side, most of the cases in the model are distributed normally. Moreover, there is no cause of concern on influential cases, given that Cooks distance is less than 1. In terms of homoscedasticity, no violation seems present on a scatterplot. There is concern for the independence of errors given that the Durbin-Watson test lies below 1, but the graphs do not indicate outliers of mayor concern. Finally, there is no multicollinearity given that the VIF test is less than 10 for all the variables (Appendix A).

Analysis

The results indicate that left-right ideology, pluralist-populist rhetoric, and welfare regimes, except for non-state familiarist types, were significant predictors for social expenditure in contemporary Latin America. For the first variable there is a relationship in which higher scores in right-wing ideology led to lower social expenditure. In contrast, higher scores in left-wing ideology led to higher social expenditure. Then, for every unit of increase in the ideology spectrum, social expenditure decreases by .594 units. For the second variable, the relationship shows that higher scores in populist rhetoric led to lower social expenditure. In turn, pluralist rhetoric can be linked to higher social expenditure. For every unit of increase in the rhetoric spectrum, social expenditure decreases by .304 units.

The previous results indicate that the combination of pluralist-left wing parties can be associated with higher social policy outputs, while populist-right wing parties lead to opposite results. This can be contrasted with the European phenomenon suggesting that radical right-wing parties have limited social policy for undeserving groups (Chueri, 2020, pp. 1-2). Populist parties separate society into two opposing groups, from which one is deserving of a change in the status of the political system (Mudde, 2004, p. 543). Then an interpretation to the statistical results could be that right-wing populist parties in Latin America also limit social policy for a group that they consider deserving.   It is not possible to know further on the combination of pluralist-right and populist-left parties, given that this would require further statistical testing on such categories.

Furthermore, is possible to say that ideology has stronger effects than rhetoric on social policy outputs because of their coefficients: .594>.304. This can be explained because populism has been defined as a thin-centred ideology (Mudde, 2004, p. 544), meaning that populist parties can easily flow between principles, and so their positioning on economic issues can change on the benefit of their rhetoric. Moreover, the distinctions between left- and right-wing ideologies are well defined, and parties adhere to more solid principles. As mentioned on the theoretical framework, the right is interested in the functioning of the market and the left guides economic resources though social criteria (Weyland, 2009, p. 147).

For the third variable on welfare regimes, the dummies need to be analysed in relation to a baseline. This is because the statistical analysis cannot run a test on categorical variables, only on numerical variables (Field, 2018, Ch. 9). Hence, it requires a different interpretation. In this case, productivist and non-familiarist regimes need to be interpreted in comparison to protectionist regimes, which serves as reference. Productivist regimes are associated with higher social expenditure when compared to protectionist regimes, by a difference of 2.249 units. The relationship is positive, meaning that the closer a country gets to productivist characteristics, the higher social policy outputs. The category of non-state familiarist regimes was not statistically significant. However, the coefficients give a rough indication on the behaviour of these type of countries. Such regimes lead to a lower performance on social policy outputs in relation to protectionist regimes, and by logic, also when compared to productivist types.

The results on the third variable match the expectations on welfare regime classifications. Productivist regimes are associated to higher allocation of public resources for social sectors unprotected by the market or labour commodification. There are only two productivist regimes in Latin America: Argentina, and Chile. Then follows the protectionist type, in which there is a mix between public and private social policy funding, consisting of Brazil, Panama, Costa Rica, Mexico and Uruguay. Finally, non-state familiarist regimes perform poorly on social policy provisions, and these include Ecuador, El Salvador, Guatemala, Colombia, Venezuela, Peru, Honduras, Nicaragua, Bolivia, and Paraguay (Martinez Franzoni, 2008, pp. 87-91). Overall, the results do not mean that right-wing and populist parties in non-familiar welfare regimes do not spend on social policies. It proves that that these combinations spend significantly less than parties and regimes on the other side of the spectrum.

Part II: Qualitative Analysis

Following the statistical results and the theoretical discussion, this section will analyse the most likely case where successful application of social policy translates into human development that fosters economic growth. The case will be selected from the productivist typology, considering that those regimes gave statistically significant results, and are highly associated with increased social expenditure. The only two countries that fall on such category are Argentina and Chile. From the two, Chile is ideologically distant from right wing economic policy and appears to be an exemplary developmental state with social policy strategies.

Overall, social expenditure is significantly higher in Chile (Figure 1), regardless of having a smaller GDP than Argentina (ECLAC, 2019). Moreover, Argentina´s economic ideology has been maintained on the right-wing scale over the years, while Chile has been predominantly left wing oriented (Figure 2). As mentioned on the variable section, right-wing ideologies are associated with low welfare provisions and low government intervention, which goes against the assumptions of a developmental welfare state. Therefore, Chile covers the expectation of a case where social policy has been highly present over the years. Then, the following section will evaluate if social policy in Chile has resulted in human development and improved economic performance.
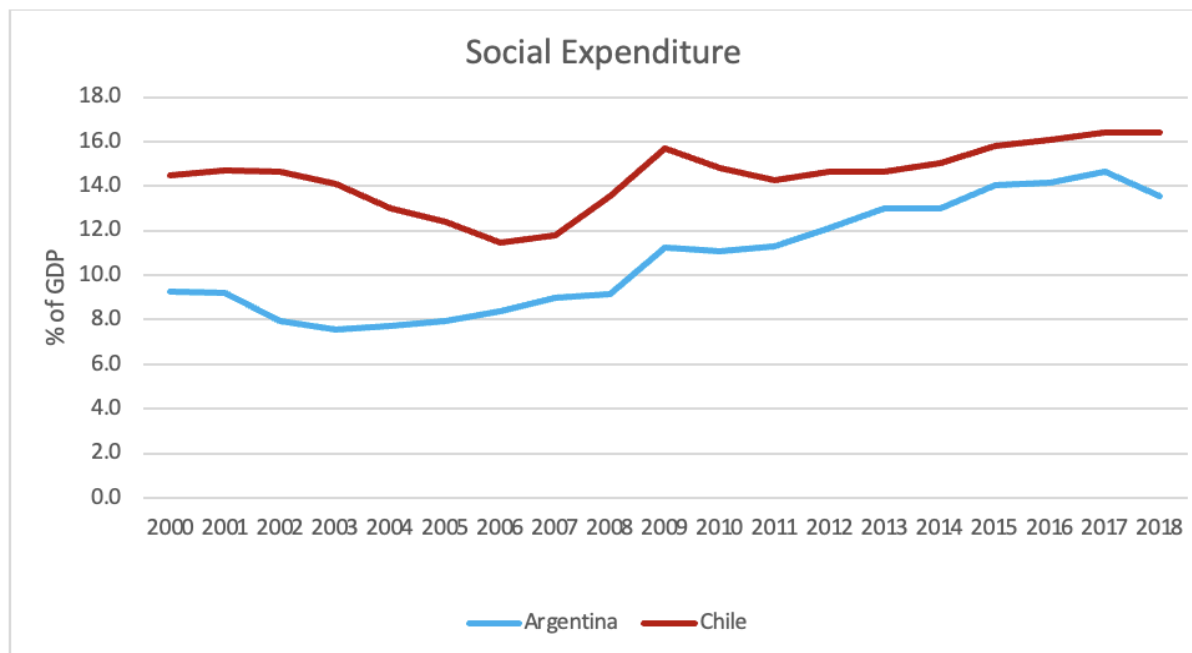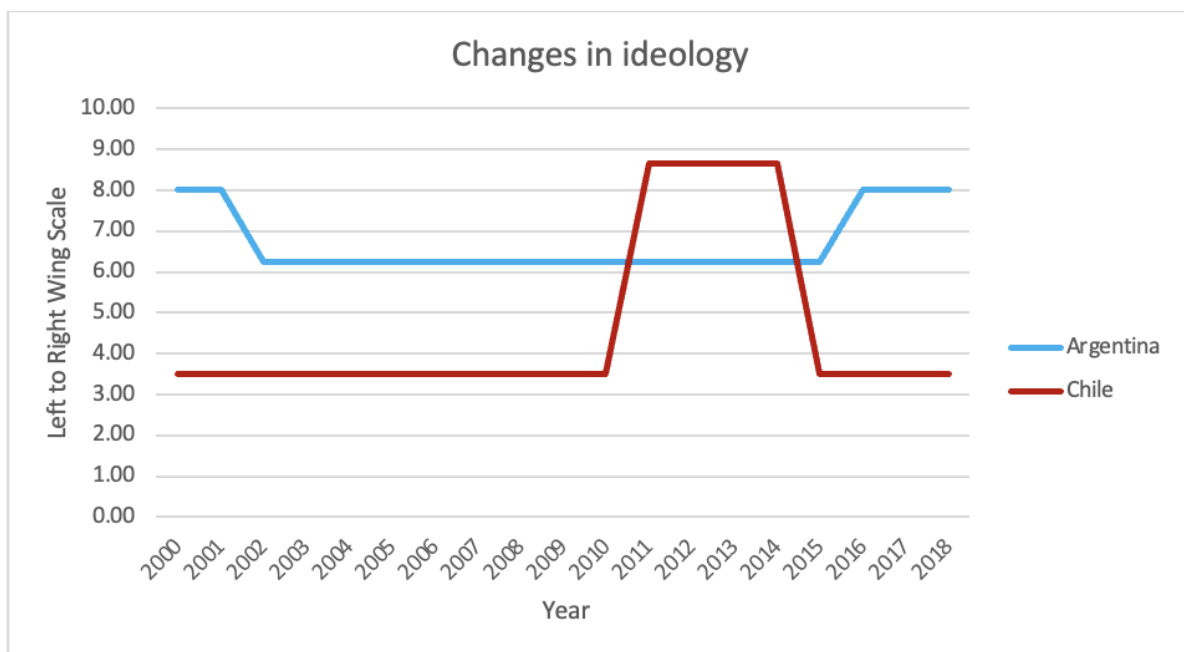
Figure 1

Figure 2

Chile as a social democratic developmental state

The conditions for the emergence of developmental states in the global south can respond to variables such as the presence of left-wing party-political ideologies (Haggard, 2018, p.65). According to Sandbrook et al. (2007), the presence of such left-wing ideologies can lead to strategies that produce strong economic performance, and this can be framed as the emergence of a "social democratic developmental state". Such regimes have well organized institutions that provide economic security, social cohesion, and equality through redistributive mechanisms as land reform, job creation, progressive taxation, labour market regulation, social insurance, and welfare provision (p. 6). Under such characteristics, Chile has achieved remarkable sustained development in the region, successfully expanded social benefits and diminished poverty, which puts it in the category of a social democratic developmental state.

Historically, since the early 20th century, Chile started to present a good performance in social progress and welfare provisions. But the country went through significant political changes that altered policy making with time, and it is only by the end of century that we can clearly appreciate the characteristics of a social democratic developmental state. The trajectory of the country in social policy making starts in the 1920s with the creation of the first social security programmes. This was followed by a bigger involvement in primary education and preventive healthcare provisions, along with higher social welfare spending (Sandbrook et al., 2007, p. 149). By the 1960s and 1970s, with the administration of Salvador Allende, there was clear progress in human development with social expenditure representing 20% of GDP, 95% of primary education covered and 81% of births being medically delivered (Ranis & Steward, 2002, p. 17).

The previous achievements were taking form in several countries over Latin America by means of state-led development with social policy strategies (Riesco, 2009, p. 26). However, the policies of the Washington Consensus were about to change the path of the region. Starting in 1973, Chile became an experiment of neoliberal policies under the military dictatorship of Augusto Pinochet, who was supported by the United States (Sandbrook et al., 2007, p. 161). This marked a clear decline of social policy, stagnation of incomes, increased unemployment, reduced social expenditures and unsuccessful economic growth explained by a reduced role of the state in the economy until the end of military rule in 1989 (Ranis & Steward, 2002, p. 18).

It is exactly at this point in the 1990s, with the end of the dictatorship and the Washington Consensus, that democratic centre-left-wing forces started to align under the Concertación government, to create a social democratic developmental state (Sandbrook et al., 2007, p. 165). This period of transition was characterized by an expansion in social expenditures and sustained egalitarian economic growth (Ranis & Steward, 2002, p.18). In sum, the previous historical accounts lead us to take the assumption of Chile as a social democratic developmental state, that emerged from left-wing forces after the end of neoliberalism. Then, the following section will focus on the analysis of particular policies that resulted from this type of state, and their relation to human and economic development.

Social policy and indicators of development in Chile

Throughout the 1990s, policy makers in Chile reformed the policies of the dictatorship and increased access to social services, while avoiding a direct attack on market forces (Martínez Franzoni & Voorend, 2009, p. 373). In the era of post-neoliberalism, this matches Riesco´s (2009, p.32) observation of developmental states that assume a regulatory role with strong social policies but keep close ties with private enterprises. Social policy in Chile was reformed to enlarge public resources without altering the role of markets and private sectors. Moreover, this was mostly done through a top-down approach guided by technocratic elites and political parties in the Concertación government (Martínez Franzoni & Voorend, 2009, p. 375). In sum, this resulted in a fully reformed system.

In terms of social assistance, the country introduced "Chile Solidario", a programme of conditional cash transfers for the poor along with the "Programa Puente" that granted preferential access to other sectors of social policy (Martínez Franzoni & Voorend, 2009, p. 374). These also included psychological and social support for families experiencing extreme poverty (Henríquez & Reca, 2005, p. 120). In terms of pension reforms, the system was made universal to provide coverage to the bottom 60% of the income distribution, funding old age, disability, and survivor benefits (Martínez Franzoni & Voorend, 2009, p. 375). A pension system is contributory when it is dependent on formal labour status, and it is non-contributory when its coverage includes informal employment (Levy & Schady, 2013, pp. 200-203). Then, the universal system in Chile with coverage regardless of salaried status can be understood as non-contributory coverage.

Regarding healthcare and education, Chile has constantly spent above the Latin American average over the years, even making it to the top in some periods of time (ECLAC, 2019). By the beginning of the 21st century, the AUGE plan reformed the healthcare system to provide better quality and shorter waiting times in the public sector. In case of public sector deficiencies, the state would cover treatment in the private sector. Moreover, in terms of education, the system of school administration was decentralized along with more funding to private subsidized schools and public municipal schools (Martínez Franzoni & Voorend, 2009, pp. 373-374).

Moving away from specific policy provisions, there are other indicators that can be considered to illustrate progress in the country (See Appendix C). By 2018, Chile´s expenditure in health was the highest in the region, accounting for 4.9% of GDP against the Latin American 2.2% average. Expenditure in education was 5.2% of GDP, second after Costa Rica, and above the 4% average in the region (ECLAC, 2019). Moreover, nowadays, the Human Development Index of Chile is the highest in Latin America and 43rd in the world with 0.851 points (UNDP, 2019). By 2018, GDP per capita was the highest in Latin America, and the rate of growth was second after Bolivia with a positive increase of 2.5% (ECLAC, 2019). While these are relevant measures, these are only isolated indicators, and the following section will explain how social policy, human development and good economic performance are related (See Appendix C).

The virtuous cycle

Hereby I will refer to Ranis & Steward ´s (2002) concept of the virtuous cycle between economic growth and human development. Then, I will explain how the use of social policy in Chile falls under such dynamics. According to the authors, there is a two-level mechanism in which the resources from national income can be allocated to activities that contribute to human development which in turn increase national income (p. 9). When there is good economic performance, the distribution of GDP between poorer households along with higher government social expenditure generates improvements in health and education that advance human development. Then, when people are healthier, better nourished and more educated, they contribute to economic growth. The logic behind it is that such improvements increase labour productivity, technological capabilities, and the acquisition of skills critical to develop key institutions and financial systems (pp. 10-11).

Human development would be greater if there is high economic growth, lower amounts of people in poverty, higher social expenditure by the government and higher income allocation to education and health in the household. However, an increase in GDP per capita is not automatic. The quality of investments and the policy environment determine the economic performance (pp. 10-12). Under the previous reasoning, countries can fall in virtuous or vicious cycle categories. If there is too much focus on economic growth without human development, countries fall in a vicious cycle of stagnation. In contrast, if there is a focus on human development, countries can move to a virtuous cycle of growth. Therefore, the authors conclude that the sequencing of policy cannot put growth first and worry about human development later, because it will undermine both growth and human development (p.13).

The case of Chile falls in a virtuous cycle because there has been a focus on social policies that led to human development. Moreover, the quality of their policies determined a good economic performance that increased GDP per capita. As mentioned in the previous section, there is a positive rate of economic growth (ECLAC, 2019), social assistance and pension programmes that lower the proportion of people in poverty (Martínez Franzoni & Voorend, 2009), social expenditure is high (ECLAC, 2019) and the sectors of health and education have seen important reforms (Martínez Franzoni & Voorend, 2009). As a result, the human development index is on a very high level (UNDP, 2019) and the GDP per capita has become the highest in the region (ECLAC, 2019).

An important factor in this process is the household allocation of income. It has been noted that higher distribution of the income on health and education can be explained by female education and control over such resources, because of their propensity to spend on things that contribute to human development (Ranis & Steward´s, 2002, p. 10). In Argentina and Chile, the family structure consists of females devoted to full time unpaid work at home, as contrasted to the rest of Latin America where females would have to work out of home more often (Martinez Franzoni, 2008, p. 86). Then, it is possible to think that the constant presence of the female on the Chilean household allows her to control the allocation of resources for the health and education of the children.

Moreover, it is relevant to note that the "Chile Solidario" programme mentioned earlier, specifically targeted working mothers. The conditional cash transfers were distributed to the women of the household with the expectation that money would be spent optimally (Henríquez and Reca, 2005). This can also be reflected in the Gender Human Development Index, in which Argentina and Chile perform highest in Latin America (Martinez Franzoni, 2008, p. 83), meaning that women are equally benefiting from social policy. In sum, it can be assumed that the allocation of income in the Chilean household contributes to human development as expected by Ranis & Steward ´s (2002).

Overall, Chile has had an important economic management that goes beyond the previously mentioned policies. In the 1990s, the growth rate was 4.5% per year when compared to the 2.1% of the 80s and 1.2% of the 70s. Unemployment was reduced to levels that allowed to discontinue public employment schemes, and a progressive tax reform was introduced to help finance the increasing social expenditure. Therefore, all of these factors led to the subsequent expansion in social policies and expenditures in health and education that stretched until the new century. Altogether, this allowed Chile to enter the virtuous cycle with high human development, supported by high levels of growth and social expenditure. In turn, such human development combined with effective policies led to an expansion in GDP per capita (Ranis & Steward , 2002, pp. 17-18).

Figure 3: (Ranis & Steward, 2002)

Conclusions, limitations, and further research

This aim of this thesis was to produce a comprehensive research of Latin American development through the study of social policy. In the effort to do so, I employed a mixed methods research design which allows me to make a final assessment of the initial research questions:

1. *To what extent is the use of social policy as an economic strategy explained by ideological changes in Latin America?*

2. *In turn, to what extent can development in Latin America be explained by changes in social policy?*

Regarding the first question, it is possible to say that 52.7% of the variation in social expenditure, as a reflection of social policy, is explained by ideological changes in Latin American governments. Particularly, by left-right wing orientation and pluralist-populist rhetoric. However, as an additional dimension to the initial question, I found that not only ideology, but also welfare regimes have an impact on the use of social policy. The regression model allowed me to prove the hypothesis that pluralist and left-wing oriented leaders spend more on social provisions throughout the region. Moreover, in productivist welfare regimes the allocation of resources and income result in higher social expenditure when compared to other types of regimes. These findings prove relevant because there are no quantitative studies on the changes in social expenditure over time in Latin America, and the behaviour of ideological forces in the region is not self-evident.

The quantitative study of this research led us to the second question. Once we understand the forces that define social policies and expenditure in Latin America, it is possible to analyse their effect on development. As expected, the most likely case study performed on Chile verifies that social policy leads to human development, which then results in economic growth. The trajectory of the country demonstrates that left-wing and pluralist governments were able to produce effective social policies that culminated in the highest HDI and GDP per capita of the region. This case is highly relevant because it proves that a successful development project can be achieved through the social policy provisions. Considering that Latin America is highly homogenous, with similar institutions built under the same colonial background, a replication of the Chilean model could be feasible elsewhere. However, this would require further research on the conditions of success for other countries.

In terms of limitations, there is always a possibility of error in the operationalization of the dependent variable. The use of social expenditure as an indicator to reflect social policy might be inefficient. This is considering the argument that more expenditure does not necessarily mean more quality on the sequencing of policy. Perhaps, other indicators can be taken into account for further research. For instance, the percentage of people that benefit from a welfare policy, the level of education completion on the population or the access to healthcare and social protection. However, the difficulty of finding data for Latin America is the most significant factor preventing the quantitative analysis of specific policy outcomes. To sum up, the selected variable reflects the complexity of studying social policy.

Moreover, the qualitative section was also subject to some obstacles. Proving the relationship from social policy to human development and then to economic growth is a complex task. This research follows the logic in a simple and linear way. However, it is important to recognize that this is a multidimensional dynamic, and so the process of human and economic development can always be influenced by other variables. Amongst them, foreign investments, the balance of imports and exports, the influence of international organizations, migratory flows, political crises, natural disasters or even a global pandemic.

There are multiple questions that arise from this thesis. Why has Chile successfully developed in contrast to other Latin American countries with a similar background? Why have countries like Venezuela taken a negative direction on social policy provisions and state led development? Why did Argentina, regardless of having a high HDI, stagnated in economic growth and faces constant economic crises? Why is Latin America so slow in development when compared to their Asian counterparts? With these into account, there are several possibilities for further research continuation. Perhaps, case studies performed country by country would help to create a comprehensive plan for the development of Latin America.

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Appendix A: Multiple linear regression model assumptions

Assumption	Checks
Variable type	Outcome: Continuous Predictor: Continuous, Interval-Level Dummies transformed from categorical to numerical.
Additivity and linearity	See graph.
Normality	See graph.
Outliers	See graph.
Influential cases	Cooks distance = .004
Homoscedasticity	See graph.
Independent errors	Durbin-Watson = .316
Multicollinearity	VIF < 10

Appendix B: Regression model results

```
GET
FILE='/Users/migue/Desktop/Thesis/Databases/Latin America Data Set.sav'.
DATASET NAME DataSet1 WINDOW=FRONT.
REGRESSION
 /DESCRIPTIVES MEAN STDDEV CORR SIG N
 /MISSING LISTWISE
 /STATISTICS COEFF OUTS R ANOVA COLLIN TOL CHANGE ZPP
 /CRITERIA=PIN(.05) POUT(.10)
 /NOORIGIN
 /DEPENDENT SocialExpenditure
 /METHOD=ENTER GDP LeftRightIdeology PluralistPopulistRethoric Productivist Protectionist
  NonStateFamiliarist
 /SCATTERPLOT=(*ZPRED ,*ZRESID)
 /RESIDUALS DURBIN HISTOGRAM(ZRESID) NORMPROB(ZRESID)
 /SAVE COOK.
```

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin–Watson
1	.726[a]	.527	.519	2.0410456	.527	61.769	5	277	<.001	.316

a. Predictors: (Constant), NonStateFamiliarist, Left–right ideology, Productivist, GDP (Millions of USD), Pluralist–populist rethoric

b. Dependent Variable: Social expenditure %GDP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1286.617	5	257.323	61.769	<.001[b]
	Residual	1153.945	277	4.166		
	Total	2440.562	282			

a. Dependent Variable: Social expenditure %GDP

b. Predictors: (Constant), NonStateFamiliarist, Left–right ideology, Productivist, GDP (Millions of USD), Pluralist–populist rethoric

Residuals Statistics[a]

|	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	7.304369	15.222955	10.487563	2.1359943	283
Std. Predicted Value	−1.490	2.217	.000	1.000	283
Standard Error of Predicted Value	.180	.499	.290	.064	283
Adjusted Predicted Value	7.310118	15.199324	10.485297	2.1346785	283
Residual	−5.1220927	7.5867553	.0000000	2.0228703	283
Std. Residual	−2.510	3.717	.000	.991	283
Stud. Residual	−2.521	3.754	.001	1.002	283
Deleted Residual	−5.1708589	7.7363563	.0022659	2.0695279	283
Stud. Deleted Residual	−2.546	3.846	.001	1.007	283
Mahal. Distance	1.207	15.865	4.982	2.724	283
Cook's Distance	.000	.066	.004	.008	283
Centered Leverage Value	.004	.056	.018	.010	283

a. Dependent Variable: Social expenditure %GDP

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	15.069	.528		28.548	<.001					
	GDP (Millions of USD)	1.135E-6	.000	.209	4.403	<.001	.392	.256	.182	.755	1.325
	Left-right ideology	-.594	.050	-.515	-11.932	<.001	-.480	-.583	-.493	.916	1.092
	Pluralist-populist rethoric	-.304	.066	-.231	-4.594	<.001	-.330	-.266	-.190	.675	1.481
	Productivist	2.249	.385	.275	5.848	<.001	.311	.332	.242	.773	1.294
	NonStateFamiliarist	-.632	.344	-.108	-1.839	.067	-.336	-.110	-.076	.498	2.006

a. Dependent Variable: Social expenditure %GDP

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Social expenditure %GDP

Histogram

Dependent Variable: Social expenditure %GDP

Mean = 4.29E−15
Std. Dev. = 0.991
N = 283

Scatterplot

Dependent Variable: Social expenditure %GDP
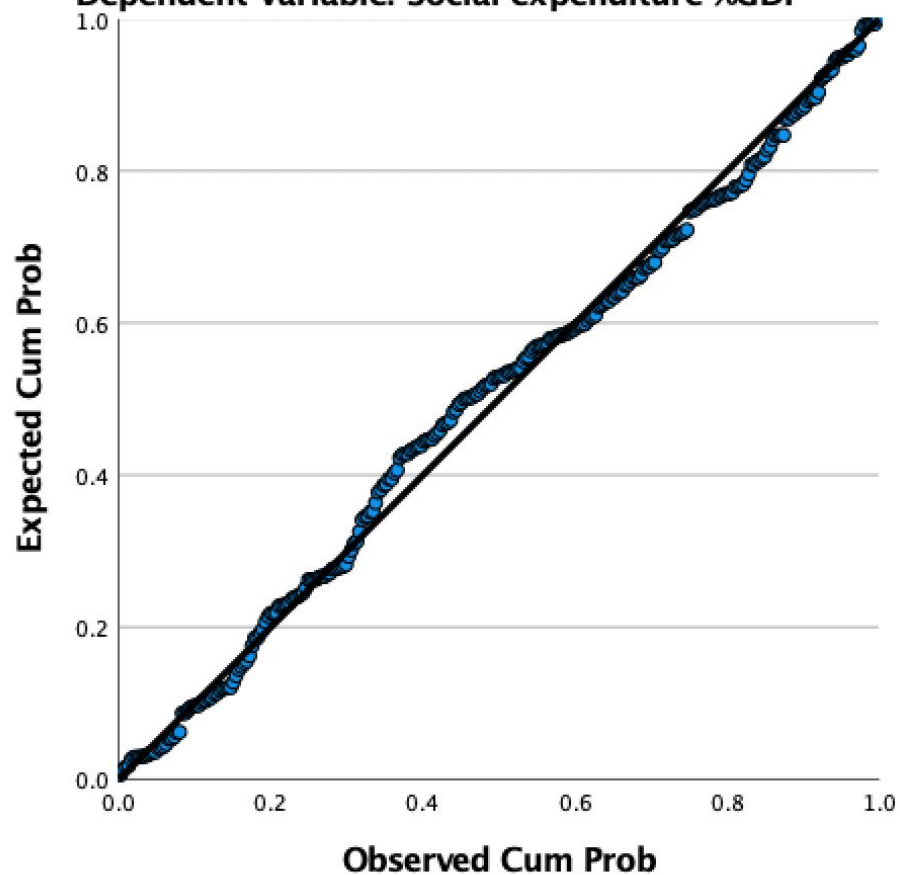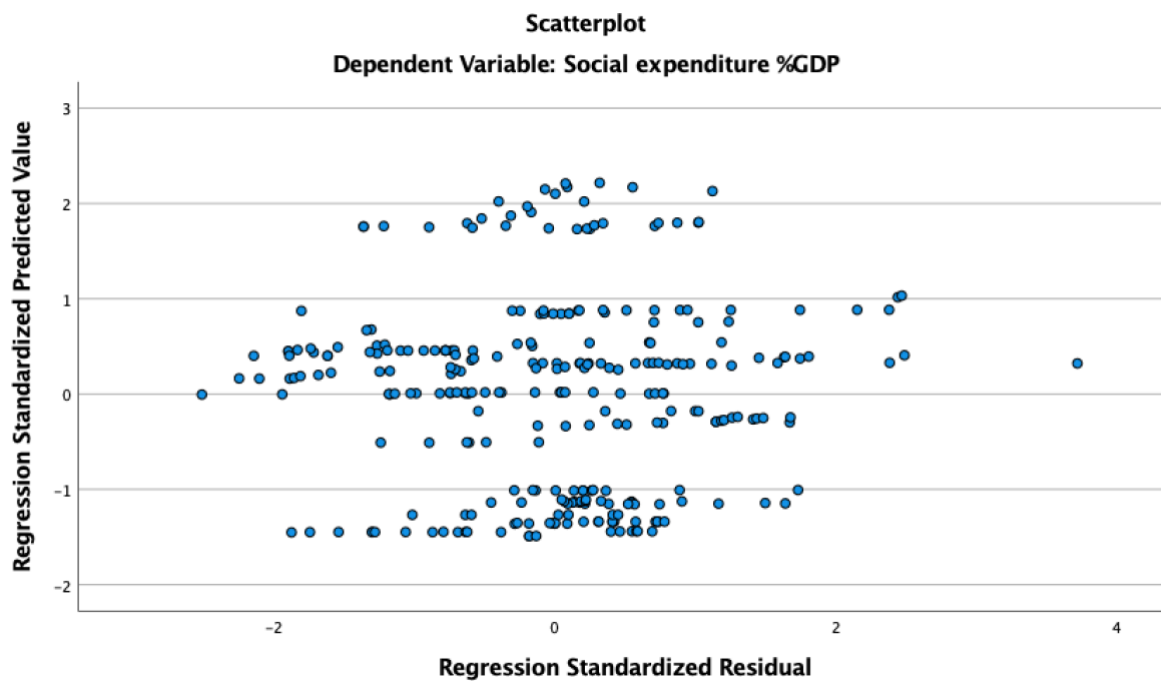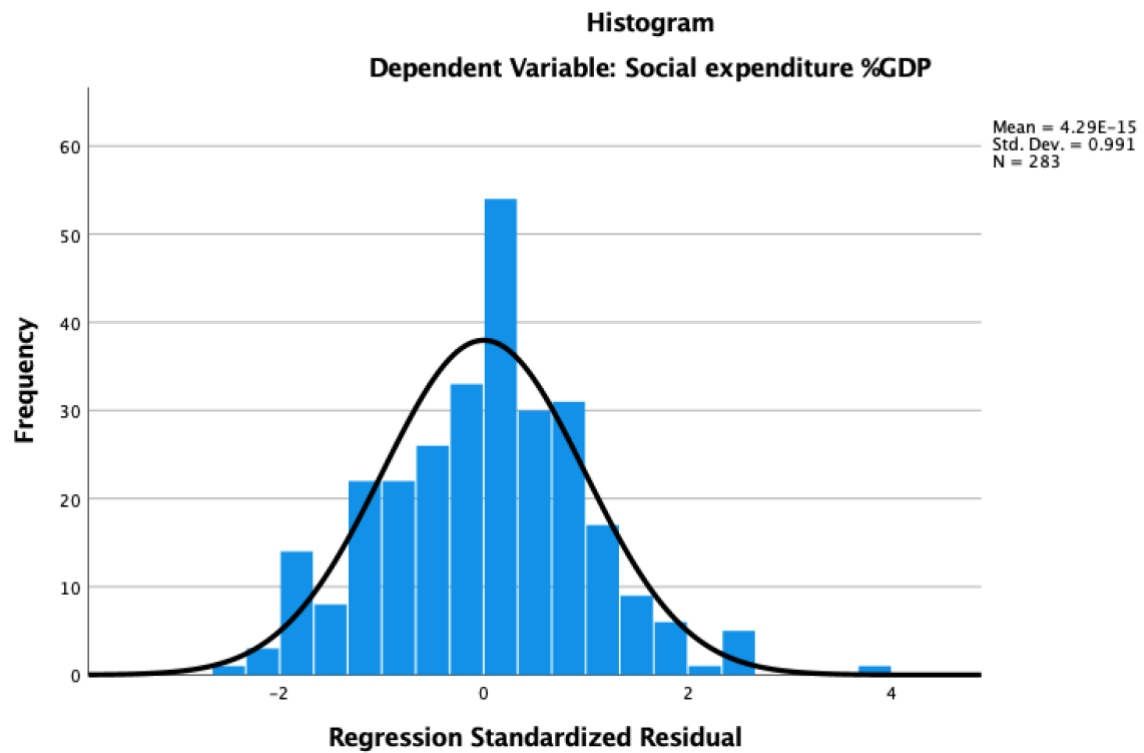
Appendix C: Economic indicators for Latin America

CEPALSTAT | Databases
Economic Commission for Latin America and the Caribbean

ECONOMIC INDICATORS AND STATISTICS Technical Note
Annual National Account in dollars
Total Annual Gross Domestic Product (GDP) at constant prices in dolllars
(Millions of dollars)
Get xml result format

Country	Years 2018	2019
Argentina	450 168.8	440 769.2
Bolivia (Plurinational State of)	29 058.6	29 702.8
Brazil	2 331 508.7	2 364 409.9
Chile	283 029.4	286 013.8
Colombia	382 113.4	394 571.1
Costa Rica	49 677.4	50 712.6
Ecuador	88 507.2	88 554.7
El Salvador	22 517.0	23 053.9
Honduras	21 278.9	21 843.4
Mexico	1 310 595.5	1 309 880.9
Nicaragua	12 006.7	11 541.0
Panama	49 099.5	50 575.7
Paraguay	37 271.7	37 260.6
Peru	206 442.8	210 881.6
Uruguay	50 420.1	50 532.1
Venezuela (Bolivarian Republic of)	161 205.3	116 067.8
Latin America and the Caribbean	5 780 391.6	5 788 565.7

CEPALSTAT | Databases
Economic Commission for Latin America and the Caribbean

ECONOMIC INDICATORS AND STATISTICS Technical Note
Annual National Account in dollars
Rate of growth of Total Annual Gross Domestic Product (GDP) per capita at constant prices in dolllars
(Percentage)
Get xml result format

Country	Years 2018
Argentina	-3.5
Bolivia (Plurinational State of)	2.8
Brazil	1.0
Chile	2.5
Colombia	1.0
Costa Rica	1.6
Ecuador	-0.5
El Salvador	1.9
Honduras	2.0
Mexico	1.1
Nicaragua	-5.1
Panama	2.0
Paraguay	2.0
Peru	2.2
Uruguay	1.2
Venezuela (Bolivarian Republic of)	-18.2
Latin America	0.1

CEPALSTAT | Databases
Economic Commission for Latin America and the Caribbean

ECONOMIC INDICATORS AND STATISTICS Technical Note
Annual National Account in dollars
Total Annual Gross Domestic Product (GDP) per capita at at constant prices in dolllars
(Dollars per inhabitant)
Get xml result format

Country	Years 2018
Argentina	10 147.8
Bolivia (Plurinational State of)	2 559.5
Brazil	11 130.5
Chile	15 111.7
Colombia	7 694.4
Costa Rica	9 936.6
Ecuador	5 180.6
El Salvador	3 506.9
Guatemala	3 114.0
Honduras	2 219.4
Mexico	10 385.8
Nicaragua	1 857.0
Panama	11 755.1
Paraguay	5 358.2
Peru	6 453.5
Uruguay	14 617.5
Venezuela (Bolivarian Republic of)	5 580.5
Latin America	9 065.2