

# MEXICO'S ALLEGED INFLUENCE ON POVERTY REDUCTION STRATEGIES IN LATIN AMERICA

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## Resumen

Este texto presenta un estudio de caso sobre los orígenes de Progres-a-Oportunidades, el programa de transferencias monetarias condicionadas por la cual México ha ganado una reputación internacional. El argumento central es que, a pesar de que México se presenta como un líder en esta área, esto es sólo una fachada. Más bien, México es utilizado por el Banco Mundial para impulsar sus políticas preferidas y el TLCAN ha limitado su habilidad de diseñar de manera autónoma sus políticas. Además, se demuestra que el supuesto papel de México como un poder emergente es engañoso y que la mejor manera de caracterizarlo es como una potencia media zozobran-te.

**Palabras clave:** transferencias monetarias condicionadas, México, Oportunidades, pobreza, política social, potencia media.

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## **Abstract**

This paper presents a case study of the origins of Progres-a-Oportunidades, the conditional cash transfer program for which Mexico has gained an international reputation. The main argument is that, though Mexico is held up as a leader in this area, this is little more than a façade. Rather, Mexico is used by the World Bank to propel its favoured policies and NAFTA has limited its ability to engage in autonomous policymaking. Furthermore, it is shown that the alleged role of Mexico as an emerging power is misleading and that we can best characterize it as a sinking middle power.

**Keywords:** conditional cash transfers, Mexico, Oportunidades, poverty, social policy, middle power.

## GENERAL OVERVIEW

Outside Mexico, especially in developed countries, there is a dominant perception that Mexico is a leader as regards to social policy in Latin America and the rest of the Third World.<sup>1</sup> This perception was derived from the very impressive international success of the Progres a/Oportunidades program (Prop), which is considered to have instituted a new approach to poverty alleviation: conditional cash transfers (CCTs). This paper argues that this perception is wrong. Prop was reproduced in many countries not because of Mexico's leadership, but because of the World Bank's (WB) power and influence. Furthermore, the paper argues that Mexico can be regarded not as an emerging power but rather as a sinking one.

The structure of the paper follows from this argument. After the general overview presented in the remainder of this section, the next section describes the origins of Prop and its main features. In particular it contrasts its permanence through three governments with the one-government-only feature of previous outstanding programs directed to the poor. The third section shows that the replication of Prop was promoted by the WB, not by the government of Mexico. I also show that Prop's design did not originate in Mexico, rather programs with a very similar design had been tried before in Honduras and in some states in Brazil, and that the idea of combating poverty with CCTs was already being

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1. Furthermore, Mexico is regarded as an emerging middle power along with Brazil, Russia, India and China (the so called BRICs): "*Countries that clearly should be considered to be emerging powers: Indonesia, Mexico, South Korea, and Turkey.* These countries exhibit the economic, institutional, and ideational traits to emerge as important regional economic and political powerhouses. In this role they might become major forces in affecting the governance of global poverty, whether by expanding domestic markets, making strategic investments in developing countries, becoming a major destination for international migration, or by engaging in global institutions" (my emphasis, Scott *et al.*, 2010).

discussed within international agencies when Prop was launched. This is reinforced in the fourth section by showing that other very important social-policy innovations introduced in Mexico (like the General Law of Social Development) have not been replicated. If Mexico had been an international leader in social policy making, the country would have also promoted these other innovations. In the fifth section further evidence is provided that Mexico was definitely not a leader in social policy in Latin America, but was a follower of the Chilean dictatorship reforms, which started in the 1970s. I argue that the overall impulse for social reform in Latin America (and Mexico as one of the followers) was part of the overall neoliberal reform agenda (the Washington Consensus), and I analyse the implications of this claim for the analysis of social-policy making in the region. Having done this, I explain why Prop can be seen as clearly fitting with this *Weltanschauung*. In the sixth and final section I argue that Mexico used to be an influential middle player in many areas of international affairs but has lost this role and is becoming a sinking middle player. The overall conclusion is that, in contrast with its leadership in other global policy arenas, which came to an end in the nineties, Mexico has never been a leader in social policy affairs.

The modern history of Mexico's international role has a dividing point in the 1980's. Before that date, Mexico was a champion of the principles of non-intervention, political asylum and Third World causes. In the development arena, Mexico tried to follow an independent policy and for many years succeeded in implementing an autonomous development path, similar to that of many other Latin American countries, based on import substituting industrialization, which was quite successful. In this period Mexico played a leading role in Latin America and, to some extent, in the Third World as a whole. In the 1980s, Mexico abandoned this self-reliant strategy and adopted the Washington Consensus pathway which requires countries in the periphery to follow the policy prescriptions of the developed countries, the International Monetary Fund (IMF) and the World Bank (WB). So Mexico moved

from self-reliance to subordination, dependency and obedience, especially in signing the North American Free Trade Agreement (NAFTA). In this way, Mexico cut itself off from the causes of the rest of Latin American (and the Third World). One cannot be married to the United States and be an important political leader in Latin America at the same time. Hence, Mexico lost its role as a leading country in the region.

In social policy making, Mexico followed the privatization-targeting trends initiated originally in Chile under Pinochet (1973–1988). It copied, like many other countries, the social-security reforms that replaced intergenerational solidarity with individual capitalization funds. Mexico also followed the trend of eliminating generalized subsidies and substituting them with targeted monetary transferences to the extremely poor, replacing a preventive quasi-universal policy with a compensatory-curative one.

In adopting targeted transferences Mexico introduced a conditional package that the beneficiaries of *Progresa* (later called *Oportunidades*) had to fulfil in order to maintain their beneficiary status. The leading phrase might as well be: “we pay and you obey”. In essence, it is a behaviourist policy. From the beginning, the WB was partially involved in designing this program. And when *Progresa* was put into operation, the WB was so enthusiastic that it very soon began to promote similar programs in other countries. In this process, the government of Mexico played a passive role. The spreading of (variations of) Prop in Latin America and beyond should not be interpreted as a reflection of the general influence of Mexico in the region, but rather a reflection of the WB's power. One indication of this is that other important innovations included in Mexican social policy formation have not had any influence outside Mexico, since these were not promoted by the WB.

### *The origins of Prop and some of its characteristics*

Prop was launched by President Ernesto Zedillo's government in 1997. In those years, when the Institutional Revolutionary Party (*Partido Revolucionario Institucional* —PRI) had been ruling for almost 70 years, it had become somewhat of a tradition that each new president should launch a new social program somehow directed to the poor. Luis Echeverría (1970–1976) implemented the Investment Program for Rural Development (PIDER), José López Portillo (1976–1982) launched the National Plan for Marginal Zones (COPLAMAR), Carlos Salinas de Gortari (1988–1994) created the National Solidarity Program (*Solidaridad*), and Zedillo (1994–2000) followed with Prop.<sup>2</sup> Salinas also created the Ministry of Social Development (*Secretaría de Desarrollo Social* — Sedesol) and put the *Solidaridad* Program under its wing. Although earlier anti-poverty programs did not disappear completely, to a large extent they did fade away. But Prop has had a different destiny: it has lasted for 15 years, under three presidents, and it keeps growing, albeit at a slower pace.

The continuation of Prop can be partly explained by the fact that, after Zedillo (the last PRI president), Fox (the first president from the *Partido de Acción Nacional* —PAN) had to decide what to do with the program. In the small group that he brought together before taking office in order to discuss and propose social development policy, we all (I was a member) agreed that Prop should not be closed down, out of respect for the beneficiaries of the program (by then already 2.5 million households); instead it should be re-designed. My particular recommendations included, among others, to replace individual household targeting in rural areas with community targeting (meaning that all members of poor communities should be included). But

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2. The only president absent from this list (since 1970) is Miguel de la Madrid (1982–1988), who did not initiate a major anti-poverty program in the context of the debt crisis.

above all, I recommended that the program be part of a newly designed development strategy where the subordination of social policy to economic policy be inverted, putting economic policy at the service of social policy and the population's well-being. My recommendations were not applied and, except for changing the program's name and one important change derived from the program's evaluations (extending scholarships to high school students), it remained basically unchanged. Social policy and the population's wellbeing are still subordinated to economic policy and the strategy of non-development, guided by the Washington Consensus, is stronger than ever.

Although highly praised, especially in the international arena, Prop has various design deficiencies and its main objective, diminishing intergenerational poverty, is not being attained. In other words, the program's graduates are not less poor than their parents. These results and the intrinsic reasons for the failure of Prop are analysed below. Here, I suggest the need to present a big question mark when someone states that replications of Prop are having a positive impact in reducing poverty in many countries.

For this paper I interviewed two very qualified people: Rogelio Gómez-Hermosillo who was the National Coordinator of Prop in the period 2001–2006 and after 2006 he became a consultant for the WB, travelling to many countries to promote the replication of Prop; and Ilyana Yaschine, who was Prop's Evaluation Director from 2002 to 2006.

Yaschine suggested that Prop is a successful program because its design was carefully thought-out, even though it is naive to expect that investment in human capital is enough to break the intergenerational transmission of poverty. In her view, various elements of the program's institutional design have contributed to overcoming problems typically associated with anti-poverty measures: its autonomy and centralized character avoids its "politicization"; its targeting mechanism cannot be easily manipulated; and it avoids the possibility of having its resources deviated to other uses by labelling the budgets of the ministries of health

and education, allocated to Prop for this exclusive use. So, according to Yaschine, despite the fact that Prop is an intersectoral program, it has solved this frequently intractable problem partly by institutional design and partly through direct support from the President of Mexico.

Monitoring and evaluation have been part of Prop's design since the beginning. According to Yaschine the ENCEL panel survey of 2007 shows no social mobility and very little effect on income among non migrant graduates of Prop.<sup>3</sup> Nevertheless, although the special section of the survey dealing with migrants has not been analyzed thoroughly, the first descriptive findings show that the strong difference is not between graduates and non-graduates of Prop but between migrants and non-migrants. Prop is also limited in its effects because good quality education and good quality health care are beyond its reach: the quality of both services is very poor. Moreover, Prop has deteriorated during the current government's term in office; it is increasingly used to solve political problems through the addition of new components. In this way, it has evolved from its initial design as an integrated coherent package to a miscellaneous non-integrated program.

Gómez-Hermosillo described some of the advantages of Prop, especially when compared to the system of targeted transfers implemented by the Chilean dictatorship: Prop works through detailed, public rules of operation (which later became a condition for most social programs); its targeting procedure is an active targeting model (as it looks for the poor) versus the passive targeting of the Chilean model (which waits for the poor to apply); and it is a program that enables the poor to exercise their rights *vis-à-vis* education and health care.

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3. A person is considered to be a Prop graduate when he or she finishes grade nine with the support of the program's scholarships, which are given to female heads of households. A graduate is a migrant if he or she is no longer living in the settlement where the scholarship was received.

There are contrasting accounts about the inception of Prop and the extent of the WB's involvement in the process. What is clear, however, is that the WB participated extensively in the design of Prop's evaluation model. According to Gómez-Hermosillo there were two figures centrally involved in the design and initial evaluation of Prop: Santiago Levy and the late José Gómez de León. Through a pilot program carried out in Campeche between 1995 and 1996, the architects of Prop wanted to test the effectiveness of identity cards for beneficiaries and whether or not the beneficiaries would attend designated health clinics. It is important to note that this pilot program was carried out during the first years of Zedillo's government. Since Prop was already being pilot tested at that time for specific difficulties envisaged, it means that its design was in someone's mind before then. In fact, in 1991 Santiago Levy published the results of a consultancy for the WB under the title, "Poverty Alleviation in Mexico", including a set of recommendations for poverty-reduction strategies, which suggests that he had already envisaged a program like Prop at that time.

### *The International Replication of Prop*

It is highly unlikely that Prop would have been replicated internationally without the intervention of the WB and the Inter-American Development Bank (IDB), although other international organizations also played a significant role, including the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Development Program (UNDP), and the United Nations Development Fund for Women (UNIFEM), which helped to organize international meetings where CCT experiences were shared with other countries. By contrast, Mexico's Ministry of Foreign Affairs (*Secretaría de Relaciones Exteriores*) did not promote Prop; it played only a passive role in its diffusion.

Both Gómez-Hermosillo and Yaschine confirmed that the Mexican government did very little to promote Prop; that it was the WB and IDB that did the promotion. Nevertheless the former thinks

that Mexico does have an influence in Latin America, that governments in the region look at Mexico, at Prop, at the General Law of Social Development (*Ley General de Desarrollo Social*—LGDS) and at the National Council for the Evaluation of Social Development Policy (*Consejo Nacional de Evaluación de la Política de Desarrollo Social* — Coneval, created by the LGDS) as an institutional model.<sup>4</sup> But he also said that neither the LGDS nor Coneval’s institutional design and model of evaluation have been replicated abroad.

The topic of other Mexican innovations in the social arena is covered in the next section of this paper. The role of the Ministry of Social development (Sedesol) in the international replication of Prop was to demonstrate the experience of the program. Gómez-Hermosillo mentioned three international meetings, organized by the WB for the purposes of sharing experiences. The first took place in Puebla, Mexico, in 2002, with the attendance of representatives from 20 countries; the second and third, held in Brazil and Turkey, respectively, with representatives from 150 countries attending.

Gómez-Hermosillo mentioned all the countries that he was aware of where Prop has been replicated, although he warned that not all CCT programs are exact replicas and that not all have been successful or have gone beyond the pilot stage. A very important point, mentioned by him, is that the replication of Prop

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4. Soon after Sedesol was created in 1992, the need for a law regarding social development started to be felt. But it was not until 2003 that the LGDS was finally approved by Congress, six years after Prop had been launched. The LGDS establishes the conceptual and institutional framework for social development policy. Prop is a specific program with its own budget (and has its own institutional design), and is completely coherent with the neoliberal approach to social and anti-poverty policy. The LGDS is pluralistic, allowing in principle for both a neoliberal approach and a universalistic one, that is, in Gøsta Esping-Andersen’s (1990, chapters 1 and 2) terms, a social democratic model of social policy. The LGDS promotes an anti-poverty strategy and a rights-based approach to social policy that imply the de-commodification of certain basic satisfiers of human needs, which is the opposite approach to the neoliberal model, which seeks to commodify as much as possible. The LGDS created both Coneval and its obligation to measure poverty using at least eight dimensions of living conditions, creating the first official multidimensional poverty measurement in the world.

requires a national network of schools (primary, secondary and high schools) and a network of health clinics that covers the country. This means that CCT programs require the pre-existence of universal basic services. Neoliberal programs (especially CCTs) cannot succeed unless they are supported by universalistic networks. You cannot condition cash transferences on school attendance and health clinic visits if these do not exist. This is why Prop excludes all human settlements that lack a clinic or a school, which are usually the smallest, most isolated and poorest communities. Gómez-Hermosillo added that not all countries are prepared to provide health care to healthy people, which is one element that is strongly present in Prop.

Two clear precedents of Prop were implemented in Honduras and Brazil. The first was initiated in 1990, with financing from the IDB: the Family Allowance Program (*Programa de Asignación Familiar*—PRAF-I), which can be considered to be the first targeted CCT program in the world. It also bears mentioning that it had a very sophisticated evaluation model.<sup>5</sup> As Cohen *et al.* (2006: 290) observe, “support was conditioned on the requirement that families send their children to school and to the [centers for] health control”. This precedent is very important because it shows that Mexico did not invent targeted CCTs, and that PRAF-I was a direct precedent of *Progresa*. This means, among other things, that the model of human capital promoted through CCTs was already well-established in the IDB’s international agenda (and perhaps also the WB’s) before the start of Prop.

In Brazil, the most well-known CCT programs are *Renda mínima* (1998), *Bolsa Escola* (2001) and *Bolsa Família* (2003). The antecedents for these three national programs were state and municipal level CCT programs, some of which date back to 1995 and before. So the local precedents of these national programs also emerged prior to *Progresa*.

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5. For a description and analysis of PRAF-I and PRAF-II see Cohen, Franco and Villatoro (2006).

According to Gómez–Hermosillo, Prop was subsequently replicated (with or without success) in 13 Latin American countries (Nicaragua, Colombia, Jamaica, Ecuador, Peru, Costa Rica, Panama, Argentina, Chile, Uruguay, Paraguay, Salvador and Guatemala), in around eight African countries (all of them at a pilot stage); in four Asian countries; and in New York City.<sup>6</sup>

### *Other social development innovations in Mexico*

The WB and the IDB did not react positively to the General Law of Social Development (LGDS), which was approved by the Mexican Con-

6. The details, according to Gómez–Hermosillo, are as follows: in Nicaragua, *Red de Protección Social* (1998–1999); in Colombia, *Familias en acción* (2001–2002), considered by Gómez–Hermosillo to be a complete replica of Prop, even though Colombia has for many years had the Identification System for Potential Beneficiaries of Social Programs (SISBEN) to target beneficiaries for its health programs; in Jamaica (2001–2002), the Program for Health and Education (PATH), also considered to be a complete replica; in Ecuador (2003–2004), *Bono de Desarrollo Humano*, a CCT program that covers 40% of the population but that does not enforce conditionalities; in Peru, *Juntos*, an incomplete replica which only grants scholarships to children in primary school; in Costa Rica, *Avancemos*; in Panama, *Red de Oportunidades*; in Argentina, the program *Jefes y Jefas de Familia*, which is some kind of “workfare” program, inefficiently targeted and “not conditional” (sic), that was started before Prop in Mexico. Later, another program was initiated in Argentina, called *Familias en Acción*, which incorporates elements of Prop. However, this program has been recently redesigned. Neither program in Argentina can be considered a replica of Prop. Chile is the original Latin American leader of targeted monetary transferences, starting during the 1970s, under Pinochet’s dictatorship. In 2003, Chile’s complex system of targeting, which still prevails, was complemented with a new program called *Puente*, which has become a unique point of contact between beneficiaries and the existing network of social assistance, facilitating access to all other services. It transfers money conditionally to families and gives psychosocial personalized assistance. It is clearly not a replica of Prop, since it covers seven areas, far beyond Prop’s coverage. In Uruguay, *Panes* is not a replica, since it promotes a “different approach to citizenship”. In Paraguay, *Tecopará* was initiated in 2004 and has recently grown. It is a sort of replica of Prop. In El Salvador, a good replica was launched in 2005, called *Red Solidaria*. In Guatemala, *Mi familia Progresa*, initiated in 2007, attempts to replicate Prop. In Africa, there are around eight countries with small pilot programs. With regards to Asia, Gómez–Hermosillo mentioned the following countries: Turkey, since 2003, with a complete replica of Prop; Bangladesh, with a program that only includes scholarships for girls; Indonesia, whose CCT program covers 11 million households; and Pakistan, which is currently giving unconditional transferences but wants to move to CCTs. Finally, New York City has recently launched the first CCT program in a developed country, called *Opportunities*. Gómez–Hermosillo described this program as an attempt to change risky behaviour patterns.

gress in 2004. The reasons for this lack of enthusiasm are obvious, as we will see. The LGDS introduced at least five major changes:

- It positioned social development in a framework of social rights;
- It introduced new organizations for coordinating social policy both within the federal government and between the federal and state governments;
- It established a model for the protection of social expenditures by restricting budget cuts and requiring its growth in real terms;
- It established a semi-autonomous institution, Coneval, and gave it the authority and the mandate to measure poverty with a multidimensional approach, specifying the eight indicators that it must use, as a minimum, and
- It established a model for the evaluation of social programs and policies, giving Coneval — not the executing agency — the mandate to hire evaluators and set the terms of reference.

The last two changes have been applied and Mexico now has a new model for evaluating social policy and an official multidimensional poverty-measurement method. These changes, however, are not promoted by international organizations and therefore have only very limited (or nil) effect outside Mexico.

In Mexico City, a different approach to social development policy is being implemented by the Federal District's government (Distrito Federal —DF).<sup>7</sup> Its symbol is the old-age universal pension. Everyone 68 years of age and more, living in Mexico City, are entitled to a monthly unconditional cash transfer. This program represents the opposite to the model of targeted CCTs. To begin with, its benefits are not limited to low-income senior citizens;

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7. DF is only a part of Mexico City's Metropolitan Area. It is similar, in some respects, to Washington, D.C. insofar as it is not fully considered to be a state. Nevertheless it has a population of almost 9 million people (compared to 18 million in the entire Metropolitan Area), a large public budget, and a government comprised of the three classic organs of a democracy (executive, legislative and judicial). DF has been governed by the leftist Democratic Revolution Party (Partido de la Revolución Democrática — PRD) since 1997.

everyone that meets the age requirement is eligible, since the cash transfer became a universal right specified by law. Second, there are no conditions attached. You do not have to ‘behave well’ to deserve a transfer payment; it is an entitlement. Although the model is not yet fully developed, it is becoming an alternative to CCTs and it is starting to have some international influence, as indicated by the interest shown by government officials and international organisms. But it is not only a different model; the DF’s General Law of Social Development (which was approved in 2000, prior to the federal one) was recently reformed to create the Council for Social Development Evaluation in DF (*Evalúa-DF*). It too includes poverty measurement and, in contrast to Coneval, its policy recommendations are obligatory for executing agencies, with an arbitration process when these reject Coneval’s recommendations. The poverty-measurement method adopted by *Evalúa-DF* is also multidimensional, but it is very different from Coneval’s, rendering poverty levels almost twice as high as the latter’s. Suffice to say that there is an emerging debate between these two approaches to social and antipoverty policies, even though this debate is (up to now) largely confined to Mexico.

*On the determinants of the success of ideas:  
The case of the neoliberal credo*

As mentioned above, the broader behavioural and political implications of targeted CCTs can be summarized by the following phrase: *we pay and you obey*. In other words, targeted CCTs seek to induce certain behaviour through market mechanisms. Joseph Stiglitz ironically compared this to parents trying to bribe their children to take the garbage out.<sup>8</sup> The analogy would have been even better had he said ‘trying to bribe your children to eat their food’. This connection, between conditional transfers and market

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8. Joseph Stiglitz, roundtable discussion on “Emerging Powers and the Global Politics of Development,” University of Manchester, June 22, 2010.

mechanisms, allows one to view CCTs from a different perspective. The current economic orthodoxy attributes economic problems to the inexistence of markets and sees the solution in the creation of markets. Accordingly, low levels of attendance to health clinics and school abandonment are seen as problems stemming from the absence of markets. Prop creates these markets by paying the poor to visit health clinics and send their kids to school. This perspective lends itself to the expression 'creating incentives', which is used by orthodox economists when referring to Prop or similar programs.

Stiglitz further argued that changes can be attained without having to pay for them. As an example he referred to the strategy adopted by Bhutan, a very small country in South Asia with a population of less than one million inhabitants. Bhutan's strategy is oriented towards convincing people about the importance of, among other services, education, instead of paying them to go to school. He added that Bhutan may be more successful than Mexico, where the government pays for increased school attendance. Of course, Stiglitz was not aware of the fact that, before the launching of Prop, even in the very poor rural areas of Mexico, more than 95% of children attended primary schools. During the 1930s, President Lázaro Cárdenas had already implemented a strategy similar to the one currently being pursued in Bhutan by launching a massive program to create rural schools, which in turn generated a huge demand, without paying families to send their children to school.

Stiglitz also referred to the Grameen Bank of Bangladesh which ended up convincing the world about the importance of micro-credit in the fight against poverty. In this case, a micro-credit program was applied massively and successfully in a very poor and densely populated country, serving as an example for the rest of the world. The World Bank rejected, during many years, the idea that micro-credit could be an important instrument in the fight against poverty. This resistance was perhaps based on the fact that the Ohio School dominated thinking on micro-credit with an extreme rightwing ideological position that excluded its use for poverty reduction. The

Grameen Bank became internationally known when the WB gave it a forum and stopped resisting micro-credits, illustrating once again the enormous power of the WB in influencing the international dissemination of policy ideas.

As a matter of fact, ideas have 'ideological colours' and the World Bank has a filter that rejects ideas whose ideological colour does not correspond to neoliberal ideology. In the case of Prop, there was no resistance because the program is completely coherent with neoliberal ideology and with the belief that market mechanisms solve everything. This illustrates that the success of ideas does not depend on their quality but on the balance of power in social struggles.

From a logical, historical and empirical point of view, a basic social strategy that exclusively targets the extremely poor is inadequate. Nevertheless, this strategy has become dominant and it has spread throughout the world (especially in the Third World) as part of the counterrevolution of capital, because it serves the interests of the hegemonic classes. From a logical point of view, it is much better to prevent poverty than to 'cure' it. From a historical point of view, when one compares Europe, where universal welfare States have prevailed, with the United States, where targeting the poor prevails, one finds a much lower level of poverty in the former, despite the fact that the latter has a much higher GDP per capita. Lastly, from an empirical point of view, Stewart and Cornia (1995) have shown that, in seven countries that eliminated general food subsidies and substituted them with targeted cash support for the extremely poor, the population's condition worsened.

The bottom line is this: the WB would have us believe that targeted programs to the extremely poor are better because with them there is no wasting of public resources by giving support to households that do not need them, thereby avoiding the *inclusion error*. However, what we are not told is that targeted programs highly increase the *exclusion error*, that is, they leave out households that do need public support. Universal welfare programs eliminate exclusion errors. Thus, from a logical, historical and empirical perspective, it is clear

that social policies based exclusively on targeting are inadequate and that successful ideas are not necessarily good ones.

The example of the rise of neoliberal ideas in Latin America is illustrative here. Before 1973 most Latin American countries followed a development path based on industrialization through import substitution in which the wellbeing of the population was promoted by the search for social justice. The State intervened in the economy setting minimum wages and subsidizing the prices of basic products, promoting growth through credit provided by public development banks, fiscal incentives, trade protection, and specific policies for industry, agriculture, etc. In the social sphere the State provided free basic education and created social-security institutions that provided pensions, income protection and health services for workers in the growing formal economy. It was a combination of Keynesianism, trade protection and incipient welfare-State building following what Esping-Andersen (1990) calls the corporatist model. This happened in a period in which the ideas of neoliberalism, developed basically by Friederich von Hayek and Milton Friedman, were totally marginal as Keynesianism was the official intellectual credo in developed countries.

In 1970, in a hidden corner of the planet, in a relatively small country called Chile, democracy gave way to a socialist government which challenged many of the privileges of capital. This was a country with no previous experiences of military regimes. Nevertheless, with the support of the US government, a *coup d'état* was carried out and President Salvador Allende was murdered. The military government, led by General Pinochet, instituted a fierce and repressive dictatorship that implemented, with the assistance of economists from the University of Chicago (followers of Milton Friedman), drastic reforms in an experiment involving an entire society. The economy was completely liberalized, the market was declared the economic ruler and far reaching social reform was carried out, which instituted, among many other things, the private capitalization of pensions, the privatization of health services and targeted cash transfers for the extremely poor instead

of generalized subsidies. This happened well before Thatcher and Reagan came to power, while in the rest of the world Keynesianism and public intervention in the economy still prevailed. It also preceded what has been termed capital's counter-revolution.

A word must be said about the neoliberal ideology. To better understand this ideology and the sort of society it promotes, let's look at how this model is described by the Latin American author Pilar Vergara, who carried out a detailed study of the policies addressing extreme poverty in Chile during the dictatorship (1973 to 1988). Vergara (1990) identifies the following neoliberal principles related to social policy and programs for extreme poverty alleviation:

- First of all, there is the 'principal of State subsidiarity', according to which the State should refrain from all forms of intervention except where private individuals or enterprises cannot perform functions adequately.
- The two main social values of neoliberalism, individual freedom and equality of opportunities, require as a fundamental condition the principle of state subsidiarity.
- Equality of opportunities is defined as an absence of discrimination in opposition to State intervention. It will be met only when it is the market — which submits all decisions to impersonal and uniform rules — and not the arbitrary and discretionary power of public bureaucracies, that regulates the supply and access to social benefits.
- In order to achieve real equality of opportunities, all members of society must be able to satisfy, at least at a minimum level, their basic needs. In other words they cannot be extremely poor. As long as this objective has not been reached, the individuals affected by extreme poverty are unable to participate in the market; they cannot exercise their freedom and for them equality of opportunities does not exist. Therefore the government should intervene only in cases of extreme poverty. Beyond that, remaining inequalities can be attributed only to the effort and merits of individuals (or to the lack thereof). "Authentic equality of opportunities," stated the

Social Report of Chile's military government in 1983, "counters equality of results, which, besides conspiring against freedom, implies standardizing, collectivizing, in short, eliminating the individual. In this way, a dualism emerged in Chile regarding the State's social role: privatization and free choice in the market for some and for others (the extremely poor) social assistance and dependency on state subsidies to attain subsistence but not social mobility" (Vergara, 1990: 37-40).

It is important to understand that the fight against extreme poverty is an integral component of neoliberalism. It is not an external element to the model but an essential one that comes from Hayek's ideas: *everyone must have the required capabilities to play the market game*. Thus we should not be surprised to find that the WB and most governments throughout the world speak of fighting extreme poverty, not poverty in general. Besides maintaining peace and order through the provision of minimal public services (national defence and police), undertaking measures to combat extreme poverty is the only other circumstance where State intervention is justified in the neoliberal credo. This neoliberal model was (and still is) promoted heavily (by applying the conditions imposed by the IMF and the WB) all over the Third World.

Esping-Andersen (1996: 1-2) points out that the malaise that afflicts advanced social-security systems since the eighties influences social thought in emerging industrial democracies. Neoliberals suggest that the road to growth and prosperity is paved with flexibility and privatization. Their recommendation for Latin America and centre-east Europe consists, therefore, in emulating Chilean privatization and not the Swedish welfare state. This is a further reason to take a closer look at the Chilean experience, which has acquired the status of a paradigm, not only for Latin America but for the Third World as a whole. Before looking at the components of this experience, though, it should be noted that the individual capitalization of pensions in Chile was not extended to the military or the police. The pensions of the privileged groups

of the military regime were thus protected from the negative impacts generated by individual capitalization.

The reforms from the Pinochet era sought to build an atomized and depoliticized society in which there would be no bases for collective action and the State would not be in the centre of the distribution problem. In this context, social reforms had the following central elements: 1) elimination of generalized subsidies; 2) privatization of the pension system, which was converted to individual capitalizations; 3) privatization of health services for the middle and upper classes: the Health Insurance Institutions (Instituciones de Salud Previsional — ISAPRES), with very expensive premiums and which covered only 16% of the population in 1990 (the rest of the population remained in the public health system, which deteriorated very quickly); 4) the reactivation of old programs and the creation of new ones, based on mechanisms to target the extremely poor, and 5) the private operation of basic educational services, with subsidies targeted only to the extremely poor.

In this way, a conceptual universe was configured in which the only recognized needs are biological ones and basic education, and the only recognized right is the right not to be extremely poor, thereby allowing one to play the market game. As equality of results was rejected as we have seen, and as no other inequality of opportunities is recognized except that of extreme poverty, it follows that there should not be any other redistributive policy besides that directed to extreme poverty. The credo considers that those who are not extremely poor do not confront any inequality of opportunities and, therefore, do not require any special policy directed towards them. The inequality of results stemming from the market game is not considered a social responsibility but rather an individual one, the fruits of each one's performance. As such, no other form of State intervention is justified in order to moderate resulting inequalities.

A clear cut separation is established between economic and social policies. The purpose of the first is to attain an optimal functioning of markets and, therefore, the State is not allowed to

subsidize production, which would distort market signals. The pure neoliberal social policy, for its part, should consist only in supporting the extremely poor. This should apply to all fields. For instance, schools and health clinics should be operated by private enterprises that would sell their services at competitive market prices. The extremely poor would be subsidized by the State through vouchers, used to pay for services. Subsidizing demand does not distort markets, according to the credo. Likewise, targeted cash transferences are only for the extremely poor, who have to be identified so that the non-extremely poor can be excluded. It follows that targeted subsidies or transferences are the only policy proposal that, being consistent with the subsidiarity principle—which postulates that the State intervenes only when and after the market and the family have failed—has a ‘curative’ character contrasting acutely with universalistic welfare programs which prevent poverty.

As a conclusion and synthesis of the foregoing, the neoliberal credo considers that taxes must be absolutely proportional (all should pay the same proportion of their income or expenditure) and re-distribution should be attained only through social expenditures targeted exclusively to the extremely poor. This, again, contrasts acutely with universalistic welfare States that spend similar amounts on everybody but redistribute through progressive taxation. Gøsta Esping-Andersen (1990) has typified the former model as the liberal or residual model of welfare states.

Mexico has been a follower, like many other Latin American countries, not a leader in this neoliberal social reform, and has put into practice some of the elements of Pinochet’s model: the social security reform adopted in Mexico in 1997 is an almost perfect copy of the Chilean reform; the elimination of generalized subsidies to basic goods and its substitution with targeted transferences to the extremely poor are also replicas of the Chilean model.

*Mexico: a sinking power/player*

In order to gather elements for this section, I interviewed Jorge Eduardo Navarrete who was Mexico's ambassador to Venezuela, Germany, the United Nations, the United Kingdom, China, Chile, Brazil, Austria and Yugoslavia. He was also undersecretary of Energy Policies and Development, within the Ministry of Foreign Affairs. Navarrete is a scholar and currently carries out research at the National University of Mexico (UNAM). I boldly told him my perception that Mexico is more of a sinking middle power than an emerging one, and asked him for help to substantiate this affirmation or reject it. He agreed with my perception, gave me some bibliographic hints and sent me some of his recent work, including papers that deal with the BRICs.

Navarrete pointed me towards the work done by Olga Pellicer, which turned out to be particularly important. Pellicer is a very well known scholar on international relations in Mexico and an ambassador to Austria and to the United Nations in Geneva. I consulted two of her books: "Voice of Mexico in the General Assembly of the United Nations" (*Voz de México en la Asamblea General de la ONU 1946-1993*); and "Mexico and the World: Changes and Continuities" (*México y el mundo: cambios y continuidades*). I will refer to the first book as Pellicer (1994) and to the second as Pellicer (2006). The second is more important for this section. It is a collection of papers written between 2000 and 2006 on the international role of Mexico. It contains dozens of phrases that support the idea of a 'sinking player'. On the contrary, her analysis in the first book, of speeches given by Mexican presidents and ministers of foreign relations at the General Assembly, show how important Mexico's presence in the world used to be.

Referring to Mexico's role in political multilateral organizations in recent years, she writes the following:

*The general impression is that of a loss of the brilliance and influence of other époques. Mexico no longer has the power of initiative that in different*

moments characterized it in the international forum, when it was an active promoter of central projects for international life in the seventies and eighties. In recent years the Mexican government has confused being the host of international conferences with having definite objectives in multilateral contexts. The result is that, despite numerous conferences taking place in Mexico, the country is not the 'father' of any of the great issues that occupy a central place in multilateral politics nor is it a recognized leader in negotiations (my emphasis, 2006:15).

In a different chapter of the same book, she suggests that "reflection on the role of Mexico in international politics in the 21<sup>st</sup> century has to take into account three determining factors: geopolitical position; belonging to a category of intermediate or emerging economies; and a defined project in foreign policy held by the political leadership". And she adds: "these three factors act together, at least in the present century, to blur Mexico's place in international politics. Indeed, we do not have a defined regional identity; *we are an intermediate country with no aspirations to become a middle power*; the political leadership does not have clear strategies nor foreign policy objectives" (my emphasis, 2006: 19–20).

In discussing the first determinant, Pellicer states that "Mexico is the only developing country that has a border with today's world superpower. *It's not easy being a neighbour to the USA, especially nowadays*" (my emphasis, *idem*: 20). Porfirio Díaz, the dictator overthrown by the Mexican Revolution, famously stated: "poor Mexico, so far away from heaven and so close to the USA". Our author states that Mexico does not belong to North America (it is not a US ally) nor does it belong to Latin America. Some analysts have tried to characterize Mexico as a country of multiple belongingness, but Pellicer concludes that it does not have a strategic alliance with any country in Latin America, implying that it is a solitary player (*idem*: 21–22).

Pellicer lists some factors to be considered in the leadership required from a middle power: size, demographic weight, participation in the international economy, military capabilities and the will

to be influential, expressed in clear strategies *vis-à-vis* international affairs. And she points out that Mexico, above all else, “lacks a concrete foreign policy project” (*idem*: 23). This is further elaborated in a section entitled “objectives and strategies of foreign policy; a pending task”, where she contrasts previous eras — especially when “Mexico acted on the basis of the principles of international law, which made possible a degree of relative independence *vis-à-vis* the United States — with the present one in which the defining element of Mexico’s foreign relations, “*is a lack of direction, thematic improvisation [...] without a unifying thread*” (my emphasis, *idem*: 24).

The idea of middle powers is taken up again by Pellicer in another chapter, where she says that one of the most important changes on the international scene has been the “emergence of middle [powers] that seek to occupy a more institutionalized place in international politics. The most evident cases are India and Brazil. The ambition of the latter to have a seat in the UN’s Security Council is not some crazy idea about Brazilian diplomacy, rather it reflects an old, clear and well-structured project to gain presence and influence in international affairs” (*idem*: 29).

Mexico’s situation presents a sharp contrast. She poses the question: What is Mexico’s project as a regional leader or as a middle power? And responds by saying that the project does not exist. Mexico used to be a country where one political party dominated government and Congress. But since 1997, when the PRI lost the majority in the Chamber of Deputies and lost control of Mexico City’s government (which was won by the PRD), and since the year 2000 when the PRI lost the Presidency of the Republic, Mexico has become a country characterized by multi-party politics, one in which there are frequent disagreements between the government and Congress on foreign-policy issues, as Pellicer points out (*idem*: 31).

Since 9–11, US foreign relations have been dominated by security issues. The US security doctrine, formulated by the most conservative ideologists on the Bush team, put the fight against international terrorism in the centre of their agenda (internal and external), as Pellicer observes (*idem*: 45–46), adding the following:

Based on a new vision regarding the USA's role in the world, the theory of 'preventive wars' was formulated; the principle of 'those who are not with me are my enemies' was proclaimed; and the attempt was made to convert international political organizations, like the United Nations, into legitimators of the crusade against terrorism (*idem*: 46).

"These changes", argues Pellicer, "had a great impact on the [USA's] relationship with Mexico, since one of the 'priorities' of the [newly created] Home Security Office (HSO) is precisely border security. This is what has become relevant, relegating other issues, like migration of workers, which used to be a priority, to a second level of importance" (*ibidem*). She goes on to add: "The rhetorical figure of ordered and safe borders, shared by both governments, *has not been translated into an approach that privileges cooperation vis-à-vis the simple adaptation of one of the parts to the decisions of the other*" (my emphasis, *idem*: 47-48).

Pellicer points out, in a chapter on Mexico's relationship with Latin America, that, even though calls for Latin American brotherhood — and to promote an alliance among countries in the South to counterbalance the weight of the USA — have been a constant in Mexican political discourse, "in reality, relations with Latin America are weak and erratic, both in the economic and political fields and even with regards to programs for cooperation. This weakness has become more accentuated in recent years". Our author explains that Mexico's relationship with Latin America has been built basically through agreement (*concertación*) groups, whereas in bilateral relations some special relationships have been privileged, for example, with Cuba, Central America and Chile. "Since NAFTA", Pellicer points out, "a new border was drawn between Mexico and Latin American countries, *leading to the view, in South America, that this watershed agreement made Mexico part of North America, not Latin America*. Among other consequences, this course of action has led to difficulties, up to now insurmountable, to reach regional economic agreements with the countries of Mercosur [Mercado Común del Sur]" (*idem*: 72). In this context, underlines

Pellicer, "the Brazilian leadership has become accentuated as well as its rivalry with Mexico on Latin American affairs" (*idem*: 75).

According to Pellicer, Latin America confronts many challenges, on the face of which, "Mexico's participation has not been very active and, as a whole, one could say that *the level of Mexico's leadership has decreased, at least in relation to other recent periods*" (my emphasis, *idem*: 77).

In order to illustrate the contrast, I now turn briefly to Pellicer (1994). Mexico has played an active role in the UN since its foundation, says Pellicer. "Our country pointed out in 1945 the deficiencies and limitations it saw in the project of establishing an international organization at the end of the Second World War in Dumbarton Oaks and succeeded in incorporating important parts of its perspective" (1994: 12). From the very first General Debate, continues our author, "Mexico denounced the pernicious effect of the extensive use of the veto by the great powers" and proposed its elimination. Later it proposed its regulation. In the early 1970s, Mexico recommended that the Security Council be restructured to reflect the growing importance of developing countries. Beyond this, Mexico's representatives argued continuously in favour of structurally reforming the UN, including with regards to the primacy of the General Assembly and the need to reform the Security Council. Later, in the eighties, Mexico defended the idea of multilateralism, which was in crisis as the US and other western countries withdrew their financial support from United Nations Educational, Scientific and Cultural Organization (UNESCO). In its proposals for the structural reform of the UN, Mexico has insisted, as described by Pellicer, on the following points: strengthening the General Assembly and the capacity for the Secretary General to take action, revitalizing the Economic and Social Council, and accepting the jurisdiction of the International Court of Justice (1994:11-17).

According to our author, Mexico's diplomatic practice in the UN (in previous years) cannot be correctly grasped without understanding its conception of the power of small and medium countries in a multilateral setting and the use of this power through the

General Assembly. The idea is that, “although great powers, sitting on the Security Council, have the main responsibility of maintaining peace and international security, this does not exempt the rest of the members of the United Nations from responsibilities, especially when controversies among great powers put international peace and security at risk” (*idem*: 16–17). This role was defined, years later, as a conciliatory role; a moderating role and a moral responsibility (*idem*: 18–19).

### FINAL REMARKS

Although Mexico has never been a leader in social policy issues in Latin America (nor elsewhere), it used to play an outstanding role as a middle power in the United Nations and in some multilateral organizations in the South. Prop’s success in international replication, during a period in which Mexico’s international role changed (*i.e.* became a sinking power), does not mean that Mexico has suddenly become an emerging power in social policy, but rather that the World Bank decided to disseminate Prop throughout many countries as an outstanding prototype of its neoliberal credo in the social arena. As stated previously, ideas have ‘ideological colours’, and the World Bank has a filter that rejects alien ideological colours. Recent evidence that Prop is not eliminating the intergenerational transmission of extreme poverty (which is its central long-term goal) might (if properly disseminated) diminish the international enthusiasm for CCTs, but this will depend, to a large extent, on how the World Bank reacts to this evidence.

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