

Adoption and Evolution of Cash Transfer Programs in Latin America

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Summary and Keywords

The last two decades witnessed an unprecedented decline in poverty across the developing world, a decline partly explained by the adoption of social cash transfer programs. Ironically, Latin America, traditionally the world's most unequal region, has been a global trendsetter in this regard. Beginning in the late 1990s, governments across the region and across the ideological spectrum began adopting conditional cash transfer (CCT) programs, which award poor families regular stipends conditional on their children attending school and/or getting regular medical check-ups, and non-contributory pension (NCP) schemes for low-income and/or uncovered seniors.

There is robust evidence that CCT programs achieve their short-term goals of reducing poverty while increasing school attendance and usage of health services. However, they do not improve learning and appear to be failing at their long-term goal of breaking the intergenerational transmission of poverty. Likely as a result of low-quality education, long-term CCT beneficiaries do not have significantly better economic prospects than comparable non-beneficiaries. CCTs also have electoral effects—there is robust evidence from across the region that they increase support for incumbent presidential candidates.

CCTs were a response to the two big transformations the region underwent during the 1980s: the debt crisis and subsequent lost decade and the transition of most countries to democracy. Increased economic insecurity following the crisis and subsequent neoliberal reforms represented both a threat to the survival of newly elected governments and an opportunity for politicians to win over voters through increased social assistance. Pioneered by Mexico and Brazil in the mid-1990s, CCTs were by far the most effective policies to emerge from that context. They quickly diffused across the region, often with support from international financial institutions. Counterintuitively, adoption appears to be unrelated to the ascendance of left-wing governments in the region during the 2000s. The politics of CCT design are less understood. The myriad ways in which design can be conceptualized and measured, combined with the relative newness of this literature, have limited the accumulation of knowledge. It does appear that left-wing governments adopt more expansive CCTs and de-emphasize conditionality enforcement.

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Whereas their initial adoption and expansion, which coincided with the 2000s economic boom, proved politically easy, further reductions in poverty will require politically difficult choices, namely, raising taxes and/or redirecting funds away from programs benefiting the better-off. Improving the long-term effectiveness of CCTs will require improving education quality, which in turn will require challenging the region's powerful teachers' unions.

Keywords: Latin American politics, conditional cash transfers, social pensions, poverty relief, left-wing parties, policy diffusion, Non-contributory social policy, Social policy, Welfare states, Latin America

The last two decades have seen an unprecedented decline in poverty across the developing world (Ravallion & Chen, 2017). This decline is in part explained by the widespread adoption of large-scale anti-poverty programs, which are responsible for preventing an estimated 150 million people worldwide from falling into poverty (Fiszbein, Kanbur, & Yemstov, 2014). Latin America has been a pioneer and a trendsetter in this regard. Beginning in the mid-1990s, governments across the region started adopting large-scale social cash transfer programs.¹ By 2015, 131.8 million people, or about one in five residents, across 20 Latin American and Caribbean countries benefited from conditional cash transfer (CCT) programs that award poor families regular stipends conditional on their children attending school and/or getting regular medical check-ups (see Figure 1; Cecchini & Atuesta, 2017, p. 22). Non-contributory pension (NCP) programs covered 17.7 million mostly poor, elderly people in 16 countries in 2015, or about a third of the elderly population (Robles, Rubio, & Stampini, 2017, p. 28).

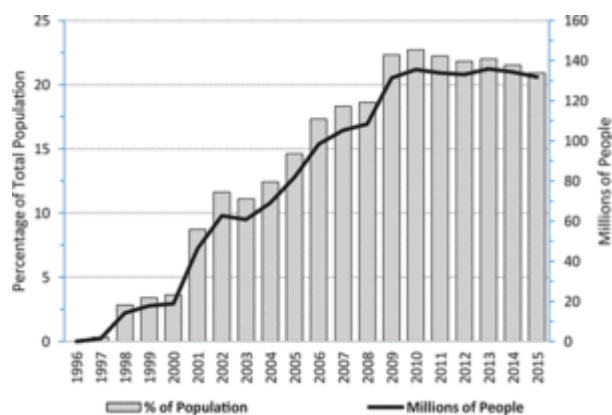


Figure 1. Population participating in CCT programs 1996–2016 (percentage of total population and millions of people).

Source: Cecchini & Atuesta (2017, p. 22).

Described by the United Nations as “one of the most significant developments in global social policy since the expansion of social security in industrialized countries” (Fajth & Vinay, 2010, p. 1), CCTs relieve poverty in the short term by boosting the incomes of needy families. In the long term, by keeping beneficiary children in school and in good health, CCTs (in theory) improve beneficiaries' future employment prospects and thus prevent them from becoming poor adults. In addition to increasing school enrollment

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(Baird, Ferreira, Özler, Woolcock, 2014; García & Saavedra, 2017), CCTs are credited with pulling 15.5 million Latin Americans—about 13 % of the region’s population—out of poverty (Stampini & Tornarolli, 2012).² Their success in Latin America prompted governments in settings as diverse as sub-Saharan Africa, Southeast Asia, and even New York City to enact their own programs. Though the overall effects of NCPs have been less studied, they provide a crucial safety net for millions of elderly Latin Americans, and their importance will only increase as the region’s population rapidly ages in the coming decades. Together, CCTs and NCPs were a major reason behind an unprecedented decline in income inequality in what has historically been the world’s most unequal region at a time when inequality was worsening in the rest of the world (Lustig, López-Calva, & Ortíz-Juárez, 2013, p. 130).³

Focusing primarily on CCTs, the present article assesses the scholarly knowledge on cash transfer programs. “HOW ARE CASH TRANSFERS DIFFERENT?” provides a brief discussion of the ways in which the programs adopted since the 1990s differ from the policies that preceded them. This is followed by “EFFECTS OF CCTS,” a review of the short-term, long-term, and political effects of CCTs. “THE POLITICS OF ADOPTION” and “THE POLITICS OF DESIGN” analyze the politics of cash transfer adoption and design, placing particular emphasis on the effects of presidential ideology and policy diffusion. The article concludes by assessing the future of cash transfers in the region. It is argued that further reductions in poverty and inequality will require governments to make politically difficult choices.

How Are Cash Transfers Different?

The new generation of cash transfers marked a path-breaking development for Latin American social policy for two reasons: their progressivity and their use of transparent rules to select beneficiaries. With regard to the former, CCTs and NCPs provide safety nets for groups that have traditionally been excluded or, at the very least, underserved by the region’s social policy, namely, the rural poor, urban shantytown dwellers, and informal-sector workers. On the latter point, rather than a privilege dependent on support for a particular politician or party, these benefits constitute entitlements targeted to individuals based on predetermined objective criteria such as age, poverty, and gender.

Not only has the region historically been the most unequal in the world, its governments have traditionally pursued social policies aptly described as “reverse Robin Hood” (Lindert, Skoufias, & Shapiro, 2006, p. 13) in that they primarily benefit the economically well-off and politically organized (Mesa-Lago, 1978) at the expense of the rural poor and the urban informal sector that make up the majority of the population.⁴ This so-called Latin American model of social policy has consisted of dependable and, in some cases, quite generous contributory social insurance for formal-sector workers and, at best, minimal safety nets for the poor (Haggard & Kaufman, 2008). In other words, social policy has been “narrow but deep” (Hunter, 2017).

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By contrast, CCTs explicitly target low-income households. Whereas about 80% of contributory pension and 65% of unemployment benefits are spent on the richest 40% of the population, about 75% of CCT stipends go to the poorest 40% (Goñi, López, & Servén, 2008, p. 20). In contrast to traditional policies, which reflect the interests of urban groups (Haggard & Kaufman, 2008), both CCTs and NCPs have a rural bias (Robles et al., 2017).

Although highly progressive, these policies represent only a small fraction of the region's social spending. Despite covering one-fifth of Latin Americans (129.8 million, 20.2%) (Cecchini & Atuesta 2017, p. 22), spending on CCTs in 2015 represented just 0.33% of the region's gross domestic product (GDP) on average (Cecchini & Atuesta 2017, p. 32). Spending on NCPs, which cover far fewer people (17.74 million, 3.26% of the population) but pay more generous stipends, averaged 0.39% of regional GDP that year (Robles et al., 2017, p. 28).⁵ In fact, as cash transfers expanded, so did spending on social protection, increasing from 3.7% in 2000 to 5.0% of GDP in 2015 (Cecchini & Atuesta, 2017, p. 35). As Hunter (2017, pp. 9–10) notes, “Innovations are layered upon the old model but do not displace it. In other words, they have begun to address the needs of poorer segments of society but not at the expense of the occupational categories privileged by the old system.” Thus, the old “narrow but deep” welfare state coexists with and dwarfs the new “broad and thin” programs.

The selection of beneficiaries through transparent, well-publicized rules and the actual application of said rules—the two hallmarks of programmatic policy—also represents a break with the past. The limited funds spent on poverty relief were often distributed clientelistically: politicians (patrons) used handouts to buy the poor's (clients) political support. At the expense of their political autonomy, beneficiaries became captive constituencies for corrupt political machines. To reduce the power and minimize the discretionary authority of potentially corrupt subnational politicians, management of cash transfers is generally centralized under newly created social development ministries or even under the office of the presidency. Most programs deposit stipends electronically to beneficiaries' accounts, further minimizing the role of local officials and reducing opportunities for diversion of funds. Clear eligibility rules and national hotlines for resolving disbursement problems have all but eliminated the need for intermediaries (brokers) between beneficiaries and the state. Surveys and focus groups of Mexican (De La O, 2015) and Brazilian (Sugiyama & Hunter, 2013) CCT beneficiaries confirm that they “know that these programs cannot be traded in a *quid pro quo* fashion for votes” (Hunter, 2017, p. 11).

Objective selection criteria, however, do not entirely eliminate the possibility that programs will be manipulated for electoral purposes. For example, only five of the region's CCTs adjust stipends using predetermined formulas (Cecchini & Madariaga, 2011, p. 61).⁶ In the rest, it is possible for incumbents to increase stipends at politically opportune moments. Furthermore, only three programs are enshrined in law (Cecchini & Madariaga, 2011, pp. 161–165).⁷ Although cash transfers have developed large constituencies and

are politically popular, weak institutionalization leaves open the possibility that they could be politicized or rolled back during bad economic times.

Effects of CCTs

This section summarizes the main conclusions from the vast literature evaluating the short-term impacts of CCTs.⁸ This is followed by reviews of newer research on their long-term effects and political consequences.

Short-Term Effects

The general impression that emerges from the literature evaluating the short-term effects of CCTs in Latin America and beyond is positive. CCTs have significantly boosted the incomes of the poorest Latin Americans and in the process caused significant reductions in the incidence, intensity, and severity of poverty, thus reducing inequality. These results owe more to efficient targeting of beneficiaries than to the actual amounts being transferred, which remain quite modest (Cecchini & Atuesta, 2017, p. 38; Lindert et al., 2006).

Education

The overwhelming majority of studies find that cash transfers, whether conditional or unconditional, increase school enrollment, attendance, and grade completion, as well as lower the dropout rate (Baird, Ferreira, Özler, & Woolcock, 2014; Bastagli et al., 2016; García & Saavedra, 2017). These effects are generally larger for girls and at the secondary school level. Programs with stronger conditionality enforcement produce larger effects (Baird et al., 2014). There is also evidence that programs conditioned on achievements (i.e., not failing grades) have larger effects than those conditioned purely on service utilization (i.e., school attendance) (García & Saavedra, 2017). By contrast, these same studies concur that transfers have little (if any) effect on learning outcomes.

Health and Nutrition

There is robust evidence that cash transfers increase the usage of healthcare services, resulting in increased frequency of check-ups among children and expectant mothers and an increased likelihood that children will be up to date on their vaccinations (Bastagli et al., 2016; Manley, Gitter, & Slavchevska, 2013). Effects on nutrition are less consistent. By boosting poor families' incomes, CCTs do increase food consumption and dietary diversity. This does not, however, automatically translate into significant reductions in stunting, which serves as a proxy for both child's health and mother's nutrition and a strong predictor of child mortality and future educational performance. CCTs that directly tackle nutrition by conditioning stipends on mothers attending health and nutrition classes and/or by handing out micronutrient-fortified foods or nutritional supplements, as Mexico's *Progresas/Oportunidades* does, achieve better results (Bastagli et al., 2016; Manley et al., 2013).

Employment and Child Labor

CCTs are associated with reductions in both the prevalence (likelihood of working) and intensity (number of hours worked) of child labor (Bastagli et al. 2016; de Hoop & Rosati, 2014). Effects are stronger among poorer households and communities and vary by sex. Boys see stronger reductions in economic activities for pay, whereas girls experience larger reductions in household chores (de Hoop & Rosati, 2014).

Evaluations of CCTs debunk the widely held concern that “welfare makes recipients lazy.” Research from across the region and beyond finds no evidence that income-targeted benefits disincentivize work (Banerjee, Hanna, Kreindler, & Olken, 2017). There is, however, evidence that transfers explicitly targeting informal-sector workers, such as Argentina’s *Asignación Universal por Hijo* CCT (Garganta & Gasparini, 2015) and Mexico’s *Seguro Popular* health insurance (Levy, 2008), make beneficiaries less likely to seek out formal-sector employment out of fear of losing benefits (Banerjee et al. 2017, p. 162). This is problematic given the lower productivity, wages, and stability of informal-sector jobs (Levy, 2008).

Crime

Several recent articles point to reduced crime as an unexpected benefit of CCTs. Higher CCT coverage at the neighborhood and state level is, respectively, associated with less crime in São Paulo, Brazil (Chioda, De Mello, & Soares, 2016), and lower homicide rates in Brazilian and Mexican states (Lance, 2014). Similarly, Camacho and Mejía (2013) find that thefts in Bogotá, Colombia, decline during the days following CCT payments.

Long-Term Effects

But are these programs succeeding at their long-term goal of breaking the intergenerational transmission of poverty? The limited evidence available so far is not encouraging.

An ambitious study by Yaschine (2015) finds that 18- to 24-year-old Mexicans who received CCT benefits continuously for 10 years did not, on average, have better-quality jobs than comparable young adults who were enrolled in the program for less time or never enrolled at all. These results hold regardless of sex, ethnicity, or whether the individual in question had left his community. Though the long-term beneficiaries had much higher educational attainment than their parents, they remain just as likely to work in agriculture or manual labor.

Additional research describes the long-term effects of CCTs as “inconclusive” (Molina-Millan et al., 2016, p. 25) or, at best, “modest” (Araújo, Bosch, & Schady, 2016, p. 16). An analysis of the long-term effects of Ecuador’s *Bono de Desarrollo Humano* finds that children who received transfers for a decade performed no better in language and math exams than similar children who joined the program three years later. A second analysis comparing adults whose family incomes placed them either just below or just above the cut-off line for CCT eligibility finds that, 10 years later, the former (those who received transfers) were only one to two percentage points more likely to have finished high school

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than the latter (those who did not receive transfers). Beneficiaries, however, were no more likely to have gone on to university or be employed (Araújo et al., 2016).

Political Effects

That cash transfers are awarded programmatically and are (largely) shielded from political manipulation does not mean that these programs have no political consequences. In a clear example of retrospective economic voting, research from across the region, utilizing diverse methodologies, finds robust evidence that CCTs increase electoral support for presidential candidates from incumbent parties (De La O, 2013; Zucco, 2013). These effects hold even for governments that did not initiate the program in question (Díaz-Cayeros, Estevez, & Magaloni, 2009; Zucco, 2013). CCTs may even have tipped the balance in close presidential elections, most notably Mexico in 2006 (Díaz-Cayeros et al., 2009) and, more speculatively, Brazil in 2014 (Zucco, 2015).⁹ More broadly, CCT beneficiaries are also more likely to express support for the government (Manacorda, Miguel, & Vigorito, 2011) and incumbent presidential candidates (Layton & Smith, 2015).

CCTs may also improve the quality of democracy. Mexican states with higher levels of CCT coverage in 2000 had lower corruption levels five years later (Grimes & Wängnerud, 2010). Programs are also associated with increased political participation and voter turnout among beneficiaries (De la O, 2013; Hunter & Power, 2007, p. 16; Layton & Smith, 2015). In fact, evidence from Brazil reveals that CCTs foster a sense of personal autonomy and citizenship rights (Sugiyama & Hunter, 2013).

The Politics of Adoption

It is, at first glance, surprising that Latin America, with its history of extreme inequality and Reverse Robin Hood policies, pioneered highly progressive cash transfer programs that have since spread around the world. The following sections review what we know about the causes of their adoption.

Democracy and Political Competition

The seeds of the widespread adoption of cash transfers in Latin America were planted in the 1980s, a decade marked by two macro-level transformations: the most severe economic crisis in the region's history and the transition of most countries from dictatorship to democracy (Haggard & Kaufman 2008; Huber & Stephens 2012). The crisis forced governments to cut social spending precisely when it was most needed, further increasing poverty and inequality. The Washington Consensus market reforms adopted in response to the crisis caused significant de-industrialization and the downsizing of public bureaucracies (Carnes & Mares, 2014; De La O, 2015). Many of those who lost their jobs during that "lost decade" fell into the informal sector and thus lost access to contributory social benefits. This social crisis constituted both a threat to the survival of newly elected gov-

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ernments as well as an opportunity for politicians to win over labor market outsiders by expanding social assistance (Garay, 2016).

There is strong evidence that democracy made CCT adoption possible. Although the first national-level CCT was adopted by Mexico, a non-democracy, cross-national studies find a positive relationship between democracy and adoption.¹⁰ Analyzing 114 developing countries, Brooks (2015) finds that more democratic countries are more likely to adopt cash transfers. Relatedly, looking at a sample of mostly democratic Latin American countries, Díaz-Cayeros and Magaloni (2009) find that long-standing regimes (i.e., established democracies) are also more likely to adopt CCTs.

Both the cross-national quantitative and case study literatures find that CCT adoption was a response to intensifying political competition. Brooks (2015) finds that countries with divided governments are more likely to adopt cash transfers. Case studies of Mexico and Brazil emphasize the role of increasing political competition in the adoption of their pioneering programs. The launch of Mexico's CCT coincided with the weakening of the Revolutionary Institutional Party's (PRI) 70-year hold on power (De La O, 2015; Garay, 2016, Ch. 6). In Brazil, increasing competition from the left pushed the centrist Fernando Henrique Cardoso to provide federal funding for municipal-level CCTs in 1997 and launch two federal CCTs in 2001 (Garay, 2016, Ch. 4; Melo, 2008).

Ideology and Latin America's "Left Turn"

The 2000s saw CCTs implemented in nearly every country in Latin America and left-of-center presidents elected in a majority of the region's countries (see Figure 2). There are strong a priori reasons to presume that these two trends were related. Power resource theory, the dominant explanation of social policy adoption and expansion among industrialized countries (Huber & Stephens, 2001) and Latin America (Haggard & Kaufman, 2008; Huber & Stephens, 2012; Martínez Franzoni & Sánchez-Ancochea, 2016; Pribble, 2013; Segura-Ubierno, 2007), attributes expansion of and cross-national variation in social policy to the relative strength of the left and organized labor. PRT predicts that left-leaning governments will be more likely to both adopt new social policies and make existing policies more generous and universal.

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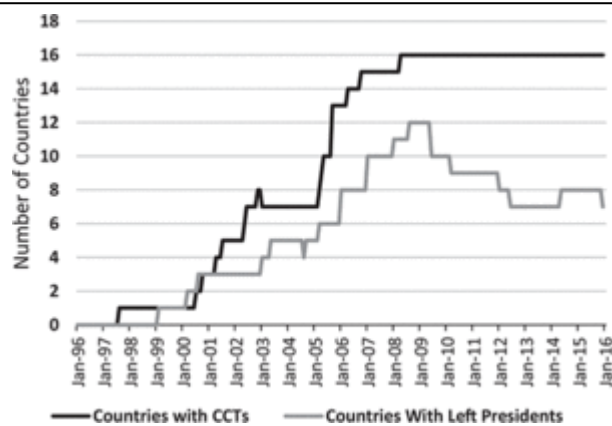


Figure 2. Number of CCTs and leftist presidents in Latin America (1996–2015).

Source: News reports and the Dataset on Political Ideology of Presidents and Parties in Latin America.

However, none of the quantitative analyses has found evidence of such a relationship (Brooks, 2015; Díaz-Cayeros & Magaloni, 2009; Osorio, 2014; Sugiyama, 2011).¹¹ As an *ex post facto* explanation for this robust non-finding, scholars have noted that CCTs offer “something for everyone” (Brooks, 2015, p. 553; Sugiyama, 2011, p. 257). The left could get behind broad-based programs that reduced poverty while expanding access to education and healthcare. The right could support them for being cheaper than the alternatives, market-oriented, targeted toward the “deserving poor” (i.e., children are poor by no fault of their own), and geared toward improving the stock of human capital. And as politicians of all stripes soon learned, CCTs deliver significant electoral benefits.

CCTs also appealed to international financial institutions (IFIs), which went on to fund and promote them. Cash transfers were compatible with three emerging “economic-ideological” trends in the international policy community: the shift away from a rights-based view of social entitlements toward an obligations-based conception, the move toward market and incentive-based anti-poverty policies, and the increased acceptance of narrow poverty targeting (Adato & Hoddinott, 2010, pp. 13–14). Additionally, by addressing concerns such as female empowerment, human capital, and community participation, these programs fit well with the “mainstream discourse on poverty reduction” (de Britto, 2008, p. 185).

Yet, a deeper look at the political processes behind CCT adoption across the region reveals that left-leaning politicians, including some whose names have become synonymous with CCTs, most notably Brazil’s Luiz Inácio “Lula” da Silva (2003–2010), were initially skeptical, if not outright opposed, to these policies (Borges, 2018, pp. 152–154). The left initially opposed Mexico and Brazil’s pioneering programs. Upon taking office, left-leaning leaders in Nicaragua and Venezuela dismantled existing programs. Even in Bolivia and Argentina, where left-wing presidents adopted CCTs, leaders were late converts, responding to proposals from rival parties. Borges (2018, p. 151) attributes the left’s objections to opposition to narrow targeting and concern that CCTs would detract from the

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construction of universal policies, concerns that CCTs would be used clientelistically, and the association of CCTs with right-wing governments and IFIs.¹²

The Role of Policy Diffusion

The adoption, in rapid succession, of similar policies in country after country implies that governments were learning from and/or emulating neighboring countries. Policy diffusion offers an explanation as to why neighboring countries facing different conditions sometimes adopt strikingly similar policies and institutions. Latin American countries share political, economic, and cultural traits and interact constantly. Governments have a history of emulating neighbors' social policies. Chile's landmark pension privatization influenced pension reforms across the region during the 1990s (Madrid, 2003; Weyland, 2006).

There are strong a priori reasons to suspect that the spread of CCTs was a diffusionary process. Weyland (2006, pp. 18–19) defines policy diffusion as having three characteristics: an S-shaped curve pattern, geographic clustering of policies, and commonality among diversity. First, the tally of CCTs operating in the region closely resembles the famous S-shaped curve (see Figure 2). Second, it constitutes an example of geographic clustering that, over the span of little more than a decade, the vast majority of the region's countries came to possess, a policy that had not even existed years earlier. Third, given that CCTs were adopted by governments of the left (Bolivia and Guatemala) as well as the right (El Salvador and Mexico), and by the region's richest (Argentina and Chile) as well its poorest (Bolivia and Honduras) countries, their proliferation offers a clear example of commonality among diversity.

Cross-national research on Latin America (Osorio, 2014; Sugiyama, 2011) and developing countries more broadly (Brooks, 2015) concur that governments become more likely to adopt these programs as the share of neighboring countries with such programs increases. Furthermore, the case study literature provides substantial evidence that late adopters were emulating the pioneering experiences of Mexico and Brazil (Borges, 2018; Lana & Evans, 2004). These experiences were widely publicized by the media, academics, and IFIs. The latter, most notably the World Bank and Inter-American Development Bank, provided substantial technical and financial support for the adoption and operation of CCTs (Ancelovici & Jenson, 2013; Osorio, 2014, Ch. 5; Sugiyama, 2011).

Adoption of Non-Contributory Pensions

NCPs constitute a direct backlash against the privatization of traditional pay-as-you-go pension systems during the market reform era (Madrid, 2003; Weyland, 2006). The inadequacies of privatized pension systems were widely known by the 2000s. Such programs had failed at both increasing pension coverage, particularly among women and informal-sector workers (Arza, 2017; Mesa-Lago 2008), and at ensuring that all contributors received a livable pension upon retirement (Arza, 2012, p. S53, Carnes & Mares, 2013, p. 116; Pribble 2013, p. 72). In line with this argument, cross-national research finds that

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countries that had previously privatized their systems were more likely to adopt NCPs (Carnes & Mares, 2014).

As was the case with CCTs, NCP adoption was a response to increased economic insecurity in the aftermath of market reform. Unlike CCTs, however, left-wing presidents are more likely to adopt NCPs and their adoption does not appear to be a case of policy diffusion (Carnes & Mares, 2014). With regard to insecurity, the likelihood of adoption increases in line with the share of the workforce employed in services (a proxy for de-industrialization), average unemployment duration, and the level of labor-market informality (Carnes & Mares, 2014).

Country case studies highlight the importance of social movements and political competition. Direct mobilization by social movements was crucial to the expansion of Bolivia's Renta Dignidad, the region's only universal NCP (Anria & Niedzwiecki, 2016; Carnes & Mares, 2016). Mexico's 65 y Más was the result of bottom-up political competition. As Mexico City's mayor, Andrés Manuel López Obrador (AMLO) launched the country's first subnational NCP in 2001. Several state governments then followed suit. AMLO promised a national version of Mexico City's program during his unsuccessful first bid for the presidency in 2006. Despite AMLO's defeat, NCPs became firmly entrenched in the political agenda. Originally opposed to large-scale NCPs, Felipe Calderón (2006–2012) went on to oversee a massive expansion of one of the region's most ambitious programs (Willmore, 2014).¹³

Future research should explore why Dominican Republic, Nicaragua, and Honduras have yet to adopt programs (CEPAL 2018, p. 156).

The Politics of Design

Not all cash transfer programs are created equal. Whereas three in five (61.5%) Bolivians are covered by CCTs, just 1.8% of Chileans are (see Cecchini & Atuesta, 2017). Whereas Bolivia's Renta Dignidad covers 97% of poor households with elderly members not covered by contributory pensions, El Salvador's program covers only 9.4% of this group. Differences in cost are equally stark. Whereas Argentina spends 0.59% of GDP on CCTs, Guatemala spends just 0.06% (Cecchini & Atuesta, 2017, p. 31). And these are just two of the ways in which program design can be conceptualized and measured. A fast-growing literature has sought to explain the politics behind the substantial variation in the design of CCT and NCP programs.

Garay (2016) attributes variation in the "inclusiveness" of pro-poor social policies (measured in terms of scope of coverage, benefit generosity, and extent to which programs allow for beneficiary participation) to competition for labor-market outsiders' votes and popular mobilization from below. Through in-depth case studies, she finds that although electoral competition prompted Chile and Mexico to adopt pro-poor policies, these poli-

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cies were substantially less inclusive than those adopted by Argentina and Brazil, which saw significant popular mobilization in addition to electoral competition.

Focusing strictly on CCTs, De La O (2015) evaluates programs on the extent to which they limit the president's discretionary authority. High-quality programs are those that feature precise targeting of beneficiaries based on economic need and clear rules on "graduation" of beneficiaries; they also strictly enforce conditionalities in both education and healthcare, and are subject to independent evaluations. She finds causal evidence that countries with divided governments and with strong checks and balances on executives adopt programs that minimize discretion. Though not emphasized, De La O (2015) also finds that left-wing governments adopt more discretionary programs and expand coverage levels at faster rates than non-left governments.

Borges (2018) classifies CCT with regard to the extent to which they prioritize human capital accumulation over poverty reduction, which is, in turn, attributed to presidential ideology. Arguing that there exists an "inherent tension" between the "twin goals" of reducing poverty in the short term and increasing human capital over the long run, he demonstrates the existence of two distinct types of CCTs based on those goals. If increasing human capital is the priority, policymakers should narrowly target beneficiaries, pay higher stipends to those most likely to drop out of school, and strictly enforce conditionalities. If reducing poverty is most important, targeting should be broad, and conditionality enforcement should be lenient. An analysis of 10 programs reveals that left-wing presidents enacted new CCTs and reformed existing ones to emphasize poverty reduction over human capital. Centrist and right-wing governments emphasize the latter over the former.

The myriad ways in which CCT design can be conceptualized, combined with the newness of this literature, has limited the accumulation of knowledge. Given that they were written almost simultaneously, De La O (2015) and Garay (2016) do not cite one another. Borges (2018) cites both, but only to distinguish his argument from theirs. The following paragraphs attempt to tease out their main points of agreement and disagreement.

Garay (2016, pp. 12–13) denies the existence of a relationship between cash transfers and the left turn on the grounds that the Latin American left has traditionally represented the interests of labor unions over those of labor market outsiders and the fact that pro-poor policies were adopted by parties from across the ideological spectrum. This much is true but does not rule out that the design of pro-poor policies will differ depending on who is in power, as Borges (2018) and, to a lesser extent, De La O (2015) find. And in fact, Argentina and Brazil, the two cases of "inclusionary" social policy Garay analyzes, had left-wing governments during most of the period of study. Although the left also governed Chile during that period, it did so in a coalition with centrists. For their part, De La O (2015) and Borges (2018) ignore civil society's role in shaping social policy.

The three authors differ on the importance of policy diffusion. Garay (2016, p. 14) outright rejects the widely held view that the adoption of pro-poor policies was an example of diffusion. She argues that adoption was not a response to direct pressure or strong incen-

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tives by an international actor. This does not, however, invalidate the substantial evidence that policymakers across the region were influenced by the Mexican and Brazilian programs and were assisted in emulating them by IFIs. Second, she points to the substantial differences in program design across countries. On this point, Weyland (2006, p. 17) has argued that diffusion does not require the spread of a “neat, concrete, well-defined blueprint, largely replicating the original model” (Weyland, 2006, p. 17). Imitators may simply follow the original policy’s general “principles.” Despite their differences, all CCTs share the same basic design and goals. Finally, Garay notes that some countries, most notably Venezuela, did not adopt these policies. Yet nothing in the existing diffusion literature implies that all peer countries must ultimately adopt a policy.

De La O (2015, p. 67) acknowledges that diffusion explains CCT adoption but argues that program design was determined by domestic factors. Borges (2018), by contrast, posits that diffusion explains design. As noted, the left initially opposed CCTs. This changed only after Brazil’s Lula, a widely admired left-wing leader, embraced CCTs following the failure of his own anti-poverty initiative. Under Lula’s watch, Brazilian CCTs were expanded and transformed into a broader and increasingly generous safety net more attuned with the left’s universalistic aspirations. Brazil’s Bolsa Familia emerged as an alternative to Mexico’s Progresa/Oportunidades that appealed to other left-wing leaders. Borges then demonstrates that countries governed by the left adopted CCTs that emulated the Brazilian left’s program while countries governed by centrist and right-wing presidents emulated the Mexican right’s program. Thus, diffusion was not homogenous throughout the region, but rather mediated by ideology.

Moving beyond policy design, path-breaking research by Niedzwiecki (2018) analyzes the determinants of CCT implementation across subnational settings. She finds that coverage as a share of eligible population tends to be lower in Argentine provinces and Brazilian states with opposition governors. This pattern, however, does not apply to healthcare programs. Case studies based on in-depth field research at both state and municipal levels confirm both findings. Niedzwiecki argues that the discrepancy between both sectors is explained by the degree to which the federal government can claim credit for each type of policy. Citing the research showing that CCT beneficiaries reward incumbent presidents (see “POLITICAL EFFECTS”), she argues that, unlike healthcare initiatives, CCTs are clearly attributable to the federal government. Opposition-controlled governments thus see federal programs in this area as a political threat and seek to obstruct their implementation.

The Politics of NCP Design

Research explaining the significant cross-national variation in NCP design is much more limited. Arza (2017) sorts the region’s programs into three broad categories. Countries with high contributory pension coverage, namely, Argentina, Brazil, Chile, and Uruguay, either incorporated labor market outsiders into existing pension systems or created basic pensions linked to the existing pension system. In an example of the former, Argentina significantly expanded coverage by temporarily making the contributory system’s eligibil-

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ity rules more flexible (Arza, 2012, p. S49). Countries with lower contributory coverage were more likely to set up parallel programs. Bolivia and Mexico established stand-alone NCPs with expansive coverage levels but modest benefits. Whereas Bolivia enacted the region's only universal NCP, Mexico targeted all seniors without a pension (Willmore, 2014). Non-contributory coverage levels in both countries have since surpassed contributory levels (Arza, 2017, p. 5). Finally, most of the remaining countries enacted means-tested stand-alone NCPs. These programs are like part of broader poverty-relief strategies that include CCTs. Ecuador, for example, provides a minimum pension for low-income seniors through its Bono de Desarrollo Humano CCT. Future research should further explore to what extent political variables explain design choices.

Conclusion: Cash Transfers at a Crossroads

Social cash transfer programs have become a central part of Latin American social policy. Their expansion is as much a product of their politics as their effectiveness. Support for cash transfers in the region transcends ideology and extends well beyond their direct beneficiaries. The absence of significant backlash against them stems from decisions to target the “deserving poor”—children, who are poor by no fault of their own, and the elderly, who cannot be expected to work—and, specifically with regard to CCTs, the decision to condition benefits on “good behavior.” But, perhaps more importantly, backlash against CCTs was avoided because the expansion of benefits for labor-market outsiders did not threaten the interests of labor-market insiders and the wealthy (Holland & Schneider, 2017).

However, the favorable conditions that buttressed the expansion of cash transfers have ended. Governments' ability to spend their way to lower poverty declined sharply following the end of the global commodity boom in 2013 and subsequent regional recession. After declining steadily for a decade, income inequality has stagnated since 2010 (CEPAL, 2018, p. 88). And, after declining to its lowest recorded levels in 2014, poverty increased in 2015 and 2016 (CEPAL, 2018, p. 88). Furthermore, independently of these cyclical economic trends, cash transfers have reached a point of diminishing returns. Further progress on poverty and inequality will require some combination of better targeting, increased coverage, and more generous stipends, all of which will involve politically difficult trade-offs.

With regard to coverage, it would seem, at first glance, that CCTs have reached a saturation point. After expanding dramatically during the second half of the 2000s, coverage and investment stabilized after 2010 (Cecchini & Atuesta, 2017). The total number of beneficiaries in 2013 was equal to 89.5% of the region's poor and 250.9% of its extreme poor population (Robles et al., 2017, p. 8).¹⁴ Yet these numbers obscure significant targeting problems. The expansion of CCTs was accompanied by a substantial increase in leakage to non-poor households (Stampini & Tornarolli, 2012; Robles et al., 2017). Thus, an estimated 40.4% of CCT and 50.1% of NCP beneficiaries are not poor (Robles et al., 2017, p.

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16). At the same time, an estimated 49.5% of extremely poor and 62.7% of poor households with children remain excluded from CCTs (Robles et al., 2017, p. 8).

Extending coverage to the excluded poor would reduce poverty. But doing so would require aggressive (and costly) efforts to track down eligible households, particularly in remote rural areas, as well as better adapting enrollment rules to the needs of urban families with precarious incomes, which tend to cycle in and out of poverty (Robles et al., 2017). Funding for this could be freed up by adopting a more proactive approach to “graduating” non-poor households. However, revoking the benefits of tens of millions would be unpopular. Most non-poor beneficiaries remain vulnerable to falling into poverty, particularly during tough economic times. Another possibility would be to “redistribute” funds from contributory social insurance to cash transfers. This would pit the interests of the poor against those of the better-organized middle class and would be equally (if not more) contentious. Raising additional revenues would be more difficult still. Coverage expansion was funded through increases in consumption taxes. Further tax increases would likely require raising income taxes, which would generate resistance from the rich (Holland & Schneider, 2017).

If funding obstacles could be overcome, further decreases in poverty could also be achieved by increasing stipends. However, as Holland and Schneider (2017, p. 994) note, “If non-contributory benefits become more generous, more workers will choose informal employment (and the coverage of universal and non-contributory programs) to the costly contributions and low expected benefits from formal employment.” This would have pernicious effects on the overall health of Latin American economies (see Levy, 2008).

And even if coverage were extended and/or stipends increased, CCTs would still be ineffective at accomplishing their long-term goal of breaking the intergenerational transmission of poverty. Though preliminary, research on their long-term effects discredits the hopeful belief that school attendance alone will equip students with the skills needed to seize higher-paying opportunities. Those findings, along with the robust evidence that CCTs have essentially no effect on learning, point to improving school quality as the most urgent social policy facing the region (Levy & Schady, 2013).

Education reform, however, is the definition of contentious politics. As Holland and Schneider (2017, p. 1000) further note, “Quality-enhancing reforms are hard, given that they require long time horizons, investments to build stronger bureaucracies, and in some cases reforms that run afoul of powerful interest groups like teacher unions.” The issue’s politics are further complicated by the fact that low-quality public education has led much of the middle class to invest in private education, thus reducing their incentive to align with the poor to press for improvements in quality.

Despite these challenges, cash transfer programs have been a tremendous success. At a low cost, CCTs and NCPs relieved poverty and in the process reduced income inequality. CCTs increased the use of educational and health services and reduced child labor without causing parents to exit the labor market. There is even evidence that CCTs empower beneficiaries and increase their political participation, thus improving the quality of the

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region's democracies. The success of CCTs has transformed them into Latin America's most successful policy export.

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Notes:

(1.) Social cash transfers refers to “regular, non-contributory cash transfers targeting the poor, to support their living expenses” (Leisering, 2018, p. 115). This includes both CCTs and NCPs. For brevity, the remainder of the paper uses the term “cash transfers.”

(2.) Defined as less than \$2.50 a day.

(3.) Beyond social policy, the decline in inequality was explained by rising minimum wages and declines in the wage premiums awarded to college-educated workers. Whereas the former raised wages at the bottom of the income distribution, the former compressed wages near the top of the distribution (Lustig, López-Calva, & Ortíz-Juárez, 2013; see also Huber & Stephens, 2012, Ch. 6).

(4.) This occurs because contributory programs are seldom financially self-sufficient. They are partly funded through general tax revenue, which the poor and informal-sector workers contribute to.

(5.) The elderly cannot be expected to work and are thus awarded stipends nearing a living wage. Able-bodied parents of children enrolled in CCTs are expected to supplement stipends with labor income (Robles et al., 2017, p. 2).

(6.) These are Argentina, Chile, Colombia, Mexico, and Uruguay.

(7.) These are Brazil, Chile, and Uruguay.

(8.) This section presents general trends in the evaluation literature as reported in meta-analyses. Given the sheer breadth of this body of research, studies with dissenting results are bound to exist. For example, to select the 201 high-quality studies included in their meta-analysis, Bastagli et al. (2016) reviewed 38,000 studies.

(9.) During Mexico’s 2006 elections, Felipe Calderón (2006-2012) of the incumbent right-wing National Action Party (PAN) defeated Andrés Manuel López Obrador of the left-wing Democratic Revolution Party (PRD) by less than 250,000 votes, or 0.6% of votes cast. Although the outgoing PAN administration of Vicente Fox (2000-2006) did not launch the CCT, it did expand it to urban areas. During the second round of Brazil’s 2014 elections,

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President Dilma Rousseff (2011–2016) defeated Aécio Neves by 3.5 million votes, or 3.28% of votes cast. For dissenting view of the pro-incumbency effects of CCTs, see Corrêa (2015).

(10.) Although the 1994 election was widely considered free and fair, experts do not consider a country democratic until there has been peaceful alternation of power. Alternation occurred following the 2000 election.

(11.) Sugiyama (2012) does find that left-wing local governments were more likely to adopt subnational CCTs in Brazil.

(12.) The first national-level CCTs were launched by right-wing governments in Mexico, Honduras, and Costa Rica.

(13.) This echoes the case of Brazil, where the success of CCTs at the subnational level pushed an initially reluctant president, Fernando Henrique Cardoso (1995–2003), to enact a federal program.

(14.) Regional averages obscure national differences. Most notably, Honduras, Panama, and Paraguay have comparably low coverage levels (Robles et al., 2017, p. 12).

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