

Human capital versus basic income: Ideology and models for anti-poverty programs in Latin America

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Conditional Cash Transfers (CCTs) are social policies aimed at poverty reduction, widely expanded in Latin America and increasingly present in Africa and Asia in recent decades (Brooks, 2015; Kabeer & Waddington, 2015). The conditional nature of direct transfers of public resources is a unique feature of these policies that emerged in the late 1990s and gained momentum from the early 2000s.

The foundational models of CCTs originated in Mexico and Brazil, differing significantly in their designs, which were replicated to varying extents across different regions. Building upon these differences, Fabián A. Borges posits in *Human Capital versus Basic Income: Ideology and Models for Anti-poverty Programs in Latin America* a gap in the existing literature. Studies focusing on explaining the widespread use of CCTs in different countries distinguish strongly between internal and external pressures. Some literature has focused on explaining the expansion of these social policies based on domestic, economic, and political pressures, including electoral competition and the existence of divided governments. Another portion of the literature explains it through pressures from international organizations and adoption by neighboring countries. The author argues that the implementation of CCTs in different countries stems from a diffusion process mediated by the ideology of the current government, a primary point that challenges other viewpoints in the literature that do not perceive diffusion as the mechanism facilitating the increase in the number of CCT policies worldwide. According to Borges, the dissemination of CCTs needs to be understood as a dynamic process in which countries follow general guidelines of these social policies without necessarily replicating them exactly or under pressure from supranational organizations.

With this initial consideration, the author presents two models of CCT policies—one focused on human capital development, exemplified in the Mexican case, and the second oriented toward creating a universal basic-income system, as portrayed in the Brazilian case. Building upon this distinction, Borges introduces a second element that contrasts with existing literature. The expansion of social policies is typically associated with the rise of left-wing governments in Latin America, yet existing research suggests no relationship between the presence of left-wing governments and the adoption of CCTs. The author asks, how can this apparent lack of relationship between the diffusion of CCTs and the left-turn in Latin America be explained?

The book argues that two models of CCTs exist in Latin America, and the ideology of the governing party defines the type of model implemented in a country. The pioneering CCT policy implemented nationally emerged in Mexico in 1997, with the *Progresá* (To Progress) program by the center-right Institutional Revolutionary Party (PRI), continuing as

Oportunidades (Opportunities) under the right-wing National Action Party (PAN) after the democratic transition. Following Mexico's lead, right-wing governments in Honduras in 1998, and Costa Rica in 2000 also adopted CCTs. The Latin American left was vocally critical of these policies, considering the rules conditioning resource allocation contrary to a universal social welfare project. Still, the center-left government of Lula da Silva eventually adopted a more universal version of CCTs with *Bolsa Familia* (Family Scholarship).

Regarding its structure, the book comprises 8 chapters divided into three sections. The first section discusses the political origins of the two CCT models that emerged in Latin America, Mexico, and Brazil. The second section presents the relationship between the diffusion of CCT policies and the ideology of the presidential regime. Alongside these emblematic cases, this section introduces cases from Costa Rica, Bolivia, and Argentina. The third part concludes with a review of the book's most critical points, research findings, and major contributions. The author also offers reflections on the scope and limitations of CCTs and a review based on recent changes in the policies of pioneering countries, with the rise to power of the left-wing candidate Andrés Manuel López Obrador in Mexico, and Jair Bolsonaro from the right in Brazil.

CCT MODELS: BETWEEN HUMAN CAPITAL DEVELOPMENT AND UNIVERSALIZATION

The book suggests that government ideology significantly determined the type of model adopted by Latin American countries and the origin of the international support they received. Although there remained a consensus on the effectiveness of CCTs upon adoption, the two approaches are conceptually and instrumentally different. In short, right-wing governments adopted the Mexican CCT model and relied on support from the Inter-American Development Bank (IDB) and World Bank. Meanwhile, left-wing governments adopted the Brazilian model, with a programmatic agenda that was more universalistic and approached international organizations with greater skepticism.

The Progres/Oportunidades program aimed at accumulating human capital, particularly among school-aged children. Support was contingent upon school attendance, medical checkups for all household members, and participation in nutrition training. Benefits increased with educational advancement as the opportunity costs of continuing school versus working intensifies with age. Beneficiary participation was strictly conditioned and had a more punitive approach than in the Brazilian counterpart. The primary objective was to incentivize lower-income households to invest in the education and health of their children, thus mitigating the effects of trade liberalization on the increase of poverty in Mexico and providing better conditions for the new generations to enter the labor market.

The Bolsa Familia model differs in its focus on developing a policy closer to a universal basic income. Besides targeting children, the program provided conditional transfers to childless individuals in extreme poverty. Bolsa Familia's population coverage is broader and less punitive when beneficiaries fail to meet their commitments. The program's main objective is to create a universal-access social safety net and alleviate extreme poverty in the long term.

MAIN FINDINGS ON THE EFFECTS OF PRESIDENTIAL IDEOLOGY

In addition to the analytical proposal of the book, in Chapter 5, Borges conducts several sets of quantitative tests to contrast his theory and confirm whether his hypotheses hold true in other countries. The first set of tests measures the effect of presidential ideology on the design and scope of CCTs in 18 countries over a 20-year period. To do so, he utilizes ordinary least squares

with panel-corrected standard error models, controlling for country-fixed effects and correcting for the first-order auto-regression. The initial models gauge the effect of a left-leaning president on CCT coverage. Among the findings is that a shift to a left-leaning president increases CCT coverage by 1.3%–1.6% of the population, compared to countries governed by right-leaning presidents. Likewise, left-leaning governments exhibit a higher social coverage of CCTs, in line with the universalistic nature of their policy design; hence, the more left-leaning the president, the more likely the entire poverty-stricken population is covered and possibly surpassed. The expenditure allocated to CCTs and the speed at which coverage extends is also greater in left-leaning governments.

The second series of tests analyzes the motivation behind right-wing and left-wing governments' CCT expansion. To measure the level of left-wing governments' response to poverty reduction, the author introduces the variables of poverty rate and income inequality. To determine if right-wing governments are motivated by human capital enhancement, the author introduces the years of schooling completed and the child labor rate. The author finds results contrary to expectations regarding CCT scope; policy coverage has a positive and significant relationship with school attendance, not the negative correlation expected. There was also no evidence of an effect of poverty and inequality levels on CCT coverage. Yet, when testing governments' motivations (to reduce poverty or enhance human capital), his hypotheses are confirmed, at least partially. The data indicate that if poverty and inequality were to increase from the regional average to the country level with the highest rates of both, left-wing governments would increase CCT coverage by 2.04% per poverty and 2.40% per inequality. Conversely, center and center-right governments do not behave as anticipated. If child labor were to increase from the regional average to the level of the country with the highest rates, center and center-right governments would decrease CCT coverage by 3.98%.

The third set of quantitative tests delves into the design differences among countries and analyzes 10 CCT policies created after the implementation of Bolsa Familia. Here, the author aims to verify that left-wing governments emulate the Brazilian model, while right-wing governments follow the Mexican model. To achieve this task, an index is constructed incorporating the main differences between the CCT models—target population, eligibility restrictions, support structure, and type of sanctions in case of noncompliance. The results indicate that four of five programs implemented by left-wing governments align with the basic income criteria, while three of five programs from right and center-right governments align with the human capital model. The author also finds that Argentina, Bolivia, and Uruguay surpass Brazil in the index, indicating that left-wing governments pursue a less restrictive social policy agenda than their center and right-wing counterparts.

The quantitative tests are followed by an analysis of the CCT diffusion mechanism. In Chapter 6, Borges identifies two diffusion trajectories corresponding to each CCT model. The model aimed at human capital development had vertical diffusion, driven by international organizations during economic crises in different countries. The IDB and the World Bank significantly influenced the implementation of transfer programs through loan conditions, motivating countries to follow the human capital model to mitigate the social repercussions of crises. The basic-income model followed a more horizontal diffusion, where President Lula da Silva promoted the Bolsa Familia program as replicable in neighboring countries and sub-Saharan African nations. His administration even offered technical support for countries willing to adopt the program. This model offered fewer conditions for beneficiaries, so some of the most poverty-stricken countries adopted it.

Finally, the book explores the trajectories and evolution of CCTs in Bolivia, Costa Rica, and Argentina in Chapter 7. This section employs a qualitative methodology to identify causal mechanisms behind the relationship between presidential ideology and the type of CCT model adopted by these countries. In Costa Rica, a pioneering country in antipoverty policies, center-leaning President Oscar Arias implemented a model similar to Progres/Oportunidades. The

Avanceamos (Let's Advance) program focused on low-income secondary school students to reduce high dropout rates in this educational stage. Subsequently, the program shifted toward poverty reduction after the country's recession in 2009, expanding its beneficiary coverage, especially when Laura Chinchilla came to power in 2010. In Bolivia, the left-leaning President Evo Morales' *Bono Juancito Pinto* (Juancito Pinto Bonus) aimed to eradicate extreme poverty. This CCT program came closest to a universal basic income policy, targeting families with children in public schools. By 2009, the program covered 70.5% of the population in extreme poverty. In Argentina, Cristina Fernández de Kirchner's Universal Child Allowance sought to alleviate the consequences of economic crises and high inflation in the country, particularly school dropout rates among children and youths in primary and secondary education. This chapter concludes that the three cases follow the trajectory expected by Borges' theory. In the cases of Bolivia and Argentina, left-leaning presidents were initially skeptical of implementing CCT-type policies. Yet, once adopted, their approach was even more universal in coverage and less conditional than the program in Brazil. In Costa Rica, *Avanceamos* emphasized creating conditions to enhance human capital through higher educational levels attained by young individuals. Regarding the influence of international organizations, in Costa Rica's case, the IDB had some level of participation in program design. Additionally, the IDB supported the previous CCT programs in Argentina, but it did not influence Fernández de Kirchner's or Morales' programs.

CONCLUDING REMARKS

Fabián A. Borges' book presents an innovative and well-founded approach that advances the study of social policies, comprehending their interrelation with political dynamics across various trajectories of CCT diffusion and design. Its focus is particularly relevant amid political shifts in the Latin American region, where populist governments from both the left and right have gained ground.

This perspective provides a unique and nuanced understanding of the political and ideological factors that influence the adopting of these policies in different countries. One of the book's strengths is its use of case studies to illustrate the different CCT models, particularly the Mexican and Brazilian policies. The author provides a detailed analysis of the political origins of these models and the international support they received. Including cases from other Latin American countries adds further depth to the analysis and provides a broader perspective on the diffusion of CCTs in the region.

The book provides a comprehensive review of the evolution of key CCTs in Latin America, offering readers a detailed analysis of the political context behind Bolsa Familia and Progres/Oportunidades. The author's argument is substantiated both quantitatively and qualitatively. Once countries adopt CCT policies, ideology becomes the defining element in determining the type of model to implement. This assertion appears supported by the cases of Bolivia, Costa Rica, and Argentina.

In the conclusions, the author notes the future of CCTs, especially with the ascent of López Obrador to the Mexican presidency and Bolsonaro in Brazil. The former dismantled the *Prospera* program (To Prosper, successor to Progres/Oportunidades) and instead adopted different forms of unconditional support, aligning with the universalistic trend of left-wing governments. Bolsonaro maintained the inherited CCT from Bolsa Familia for electoral reasons but gradually reduced its scope and coverage. Likewise, the theory finds confirmation of the shifts in the CCT policies with the ideological spectrum changes, in Argentina with the center-right president Mauricio Macri, and in Costa Rica with the center-left president Carlos Alvarado. The author warns about the potential danger of CCTs deviating into highly clientelist social policies, as previously witnessed in the region.

The book delivers significant insight into the potential and constraints of CCTs, offering a timely evaluation rooted in recent policy shifts within pioneering nations and beyond. In terms of limitations, the text could have expanded its exploration into the level of dependency on external markets that either enable or hinder the spread of CCT policies across countries, as well as the dependency on foreign capital and international funding. Moreover, exploring the potential ramifications of the Covid-19 pandemic on the strengthening or weakening of CCT policies in the region would have been a valuable addition. Still, *Human Capital versus Basic Income: Ideology and Models for Anti-poverty Programs in Latin America* stands as a well-researched and eloquently written piece, offering insightful perspectives into the political and ideological drivers influencing the uptake of CCT policies across Latin America. It comes highly recommended for scholars and policymakers invested in understanding social policies and fostering poverty alleviation within the region.

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