



## Social Protection Discussion Paper Series

### **Public Attitudes Matter: A Conceptual Frame for Accounting for Political Economy in Safety Nets and Social Assistance Policies**

**Carol Graham**

**December 2002**

Social Protection Unit  
Human Development Network  
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# Public Attitudes Matter: A Conceptual Frame for Accounting for Political Economy in Safety Nets and Social Assistance Policies

*Carol Graham*

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# Abstract

Political economy influences the design, implementation, and outcome of safety net and other social insurance programs, but there is no general consensus among policymakers about how to account for political economy concerns in policy decisions. This paper tries to provide a conceptual framework for doing so, with a focus on the establishment of permanent systems of social assistance and social insurance. This framework attempts to incorporate political attitudes about redistribution and equality of opportunity versus equality of outcomes, attitudes that vary a great deal among countries and regions. This paper discusses the instruments available to policymakers for evaluating their own political contexts, as well as strategies for introducing new approaches to safety nets and social welfare policy in the face of entrenched political attitudes.

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# **Public Attitudes Matter: A Conceptual Frame for Accounting for Political Economy in Safety Nets and Social Assistance Policies**

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It has long been recognized that political economy influences the design, implementation, and outcome of safety nets, as well as other social insurance programs. Yet there is no general consensus among policymakers about how to account for political economy concerns in policy decisions. In part this is because political economy contexts can differ a great deal among countries. But it is also due to the absence of a broader conceptual framework for discussing these issues in policy circles. This paper will attempt to provide such a framework, with a particular focus on the role of public attitudes. This is initial work in a new area, and thus the framework is intended as much to stimulate further discussion as it is to guide immediate policy efforts.

The primary focus of the paper is the establishment of permanent systems of social assistance, rather than temporary safety net programs. Short-term safety nets are of critical importance at particular times. But because developing countries can often finance temporary programs with support from external funds, particularly at times of crisis, they usually do not require the kinds of political economy choices that are necessary for longer-term programs.<sup>2</sup> The establishment of permanent social assistance systems ultimately requires the development of a politically sustainable social contract, and therefore fundamental public choices about the allocation of scarce resources. In addition, it is increasingly clear that even model economic reformers are vulnerable to volatility driven by fluctuations in international trade and capital flows, and that countries need to have permanent safety net systems in place that can expand and contract as necessary to provide social protection during periodic downturns.<sup>3</sup>

One reason for the lack of conceptual clarity on the political economy of safety nets and social assistance is that it entails understanding of diverse countries' political cultures and attitudes about social justice and redistribution, in addition to taking their macroeconomic

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<sup>1</sup> The author wishes to acknowledge the assistance of Sun Kordel and Isabel Aninat in the preparation of tables for this paper. The paper also draws on earlier work with Stefano Pettinato as a point of departure. The author also thanks Margaret Grosh, Christopher Chamberlin, and Philip Goldman for helpful comments.

<sup>2</sup> This, of course, applies to democratic governments. Authoritarian regimes are less likely to get external support but also less likely to face the same political economy constraints.

<sup>3</sup> I provide a number of detailed reasons why more permanent systems are necessary in Graham (2001). See also Lustig (2000).

and public institutional framework into account. Publics differ widely across countries in their views about the government's role in the provision of public services and about the extent to which there is a collective responsibility for individuals who are unable to provide for themselves.<sup>4</sup> There are also persistent differences in attitudes about how opportunities are distributed, and the government's role in equalizing both opportunities and outcomes.<sup>5</sup> These differences in attitudes, meanwhile, often develop into persistent patterns of political and economic behavior, and are of particular importance to the degree of political support that can be generated for redistribution or other forms of public assistance.

While these are broad and philosophical issues, they have important effects on the political economy of safety nets and other forms of public assistance. Little wonder that policymakers do not have a clear recipe for dealing with them. Yet they make a difference in whether or not particular policies are politically feasible and sustainable, for example in decisions about targeted versus universal approaches, permanent versus temporary programs, and the balance between investments in education and human capital and assistance to displaced workers.

This paper will propose a framework for incorporating public attitudes about social welfare into policy debates and choices. An underlying premise is that understanding such public attitudes will facilitate policymakers' ability to assess, frame, and navigate their respective political economy contexts when they design and implement social assistance policies.

There are, without a doubt, other factors that influence the political economy of social assistance policies, including the public institutional framework and the structure and balance of power of political institutions, among others. These are, no doubt, as important as attitudes in determining policy outcomes. This paper proposes using public attitudes as a framework for analysis, which then must take these and other factors—such as fiscal constraints—into account. While some previous political economy analysis has focused on the role of public attitudes in shaping social welfare policies, this analysis has been limited to the advanced industrial economies. To date, such an approach has not been taken in the analysis of developing economies. The paper is thus an attempt to go beyond the usual parameters in thinking about social assistance policies, and thus whatever contributions it makes are also tempered by the risks that come from operating in unknown territory.

The paper builds from several bodies of literature, including that on the political economy of reform; on safety nets and poverty; and on mobility, opportunity, and attitudes about redistribution in the advanced industrial economies. It will also build on the author's recent research on mobility trends and attitudes about redistribution in the developing economies, as well as earlier experience assisting in the design and implementation of safety net programs in Latin America, Africa, and Eastern Europe.

The paper posits that differences in political attitudes about redistribution—and equality of opportunity versus equality of outcomes—affect the design of social welfare structures, and that in turn yields insights into what safety net programs are likely to be successful and

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<sup>4</sup> I explore this in detail in Graham (1998).

<sup>5</sup> For a detailed discussion of government policy towards opportunity versus outcomes, see the introductory chapter in Birdsall and Graham (2000). For the effects of these attitudes on patterns of political behavior, see Chapter 1 in Graham and Pettinato (forthcoming).

politically sustainable in a particular context. The second half of the paper, entitled “avoiding land mines and identifying windows of opportunity,” discusses the instruments available to policymakers for evaluating their own political context; provides a set of themes around which program design choices can be framed; and suggests some strategies for navigating diverse political contexts in individual countries, based on lessons from experience. It focuses on three main issue areas.

The first of these is the intersection between political economy and the capacity of public sector institutions. While both politics and administrative capacity are usually viewed as constraints—and often are, this section will discuss how and when the political context can provide opportunities for improving the capacity of public sector institutions, as well as when the state of public sector institutions can be a catalyst for broader change in the structure of social service delivery.

The second issue is how and when widely held views about the role of the state in providing equality of opportunity or outcomes—such as the broad support for universal welfare programs in Costa Rica or the lack of support for state provision of welfare support in Asia—act as constraints (land mines) and/or catalysts (windows) for reform of social insurance systems. Instances where policymakers have been able to circumvent constraining attitudes—and the strategies they used—will be a particular focus.

The third issue is the choice between bottom-up (stakeholder-based) and centrally implemented strategies for change, and how to strike the appropriate balance of these two efforts, given a particular political economy context.<sup>6</sup> If central level constraints are large enough, then a bottom-up, demonstration-based approach may be the only feasible option for reform. In other cases, it is possible to use a more integrated approach which combines reform of central-level institutions with local-level, participation-based approaches to service delivery.

## **Do Public Attitudes Matter for Social Assistance? A Cross-Country Perspective**

Differences in public attitudes among advanced industrial economies are reflected in the structure of their social welfare systems. Americans, Japanese, and Australians, for example, spend much lower proportions of their gross national product on social welfare than do their European counterparts in the OECD (figure 1). Expenditure patterns in Japan (and other Asian countries) reflect a stronger reliance on the family as a safety net.<sup>7</sup> The lower levels of welfare expenditure in the United States reflect Americans’ long held attitudes about individual responsibility and opportunities for upward mobility which contrast with Europeans’ beliefs about society’s collective responsibility for those individuals that fall behind.

These contrasts result in a higher tolerance for inequality among Americans than among Europeans, as well as a much more extensive social welfare system in Europe. While these are generalizations that obviously do not apply to all individuals, they have been well documented in numerous public opinion surveys, and have been noted since the writings of

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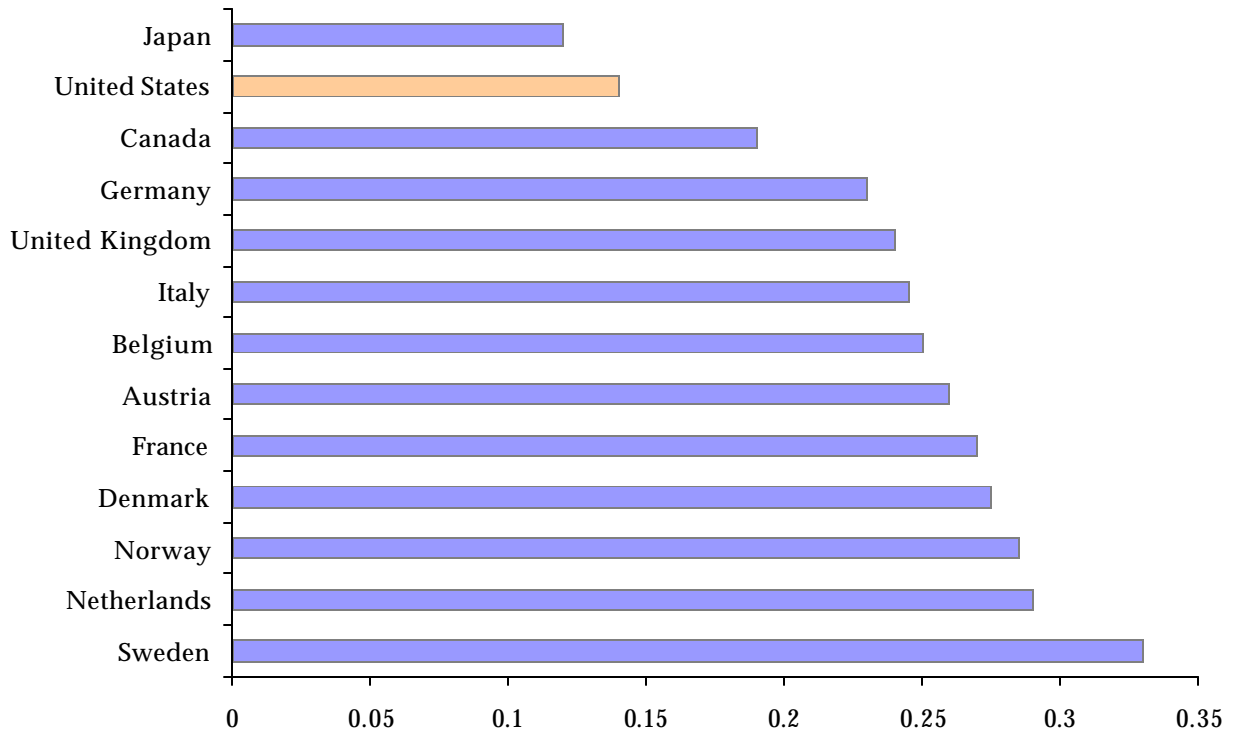
<sup>6</sup> This particular theme is discussed in detail in Graham, Grindle, Lora, and Seddon (1999).

<sup>7</sup> Indeed, these attitudes are so strong that, in the aftermath of the Asia crisis, one of the constraints cited to broader international financial institution support for safety nets was local resistance to the expansion of public support and fears of erosion of the family-based system. See Birdsall and Haggard (2000).



Alexis de Tocqueville.<sup>8</sup> One of the most recent papers along these lines is by Alberto Alesina, Rafael di Tella, and Robert MacCulloch (2000), who find that, holding other variables constant, inequality has significant and negative effects on the subjective well-being of all income groups in a selection of European countries, and particularly strong effects for the poor, which is what one would expect. In contrast, in the United States, the only group that is made less “happy” by inequality is left-leaning wealthy people.

**Figure 1 Governmental Social Spending as a Percentage of GNP, 1997**



Source: World Bank, Safety Nets website.

We based our analysis on data from the U.S. General Social Survey (GSS). The cumulative database of the GSS covers 30,000 individuals for the years 1972-93.<sup>9</sup> Controlling for the usual socio-demographic variables (age, gender, race, and marital and employment status) as well as income and education, we find that individuals who favor

<sup>8</sup> See, for example, de Tocqueville (1969); for a more recent discussion of actual trends as well as U.S. attitudes about individual mobility, see McMurrer and Sawhill (1998).

<sup>9</sup> The GSS is not a panel, and therefore does not cover the same individuals over time. It is the same data set that is used by Oswald and colleagues to analyze happiness in the U.S. Because income was only surveyed for part of the sample for each year, we could only examine the effects of income on various dependent variables for specific segments of the sample at a time.

redistribution in the United States are, on average, less happy or satisfied with their lives than those who do not (table 1).<sup>10</sup>

**Table 1 Happiness and Attitudes About Redistribution U.S., 1978–98**

<i>Dep.Var.: Happiness</i>	<i>1</i>		<i>2</i>	
	<i>coeff.</i>	<i>z-stat</i>	<i>coeff.</i>	<i>z-stat</i>
Age	-0.042	-10.29	-0.054	-9.08
Age <sup>2</sup>	0.048	11.30	0.061	9.83
Male	-0.143	-6.24	-0.126	-3.81
Black <sup>a</sup>	-0.473	-13.55	-0.421	-8.30
Other race <sup>a</sup>	-0.022	-0.31	0.000	0.00
Married	0.803	31.56	0.758	21.03
Education	0.038	9.22	0.029	4.77
Real income <sup>b</sup>	0.000	14.61	0.000	9.88
Unemployment	-0.726	-10.72	-0.684	-6.80
Retired	0.094	2.05	0.002	0.03
Equal wealth <sup>c</sup>	...	...	-0.063	-7.21
<i>Pseudo-R2</i>	<i>0.043</i>		<i>0.045</i>	
<i>Number of obs.</i>	<i>31817</i>		<i>15419</i>	

Ordered logits with year dummies (coefficients not shown)

a. Dummies for race; omitted category is white/caucasian

b. Real income in constant 1998 dollars. When we use the log of income with the same specifications in equation 1, we get a coefficient of .234 and a z-stat of 11.24.

c. Positive response on questions whether or not the government should reduce inequality (possible answers on a 7 point scale)

*Source:* Author.

Perhaps what is most remarkable about these attitudes is their persistence, despite a fair amount of evidence suggesting that actual mobility rates in the United States and Europe are not that different (McMurrer and Sawhill 1998; Erikson and Goldthorpe 1985). Public perceptions in the United States reflect a belief in high prospects for upward mobility. Recent work on voting by Roland Benabou and Efe Ok, for example, finds that even though the majority of Americans are well below mean income, many of them choose not to vote for redistribution because they believe that they will be above it in the future. They support their theoretical work with empirical data from the Panel Study of Income Dynamics (PSID) (Benabou and Ok 1998). Supporting the general direction of these findings, Alberto Alesina and Eliana La Ferrara (2000) find that those who believe that American society offers equal opportunities to all oppose redistribution, while those that believe that the mobility process is biased support redistribution.

<sup>10</sup> The question on the redistribution variable—EQWLTH—asks whether respondents agree that the government should reduce income differences, with possible answers on a seven-point scale. The lowest score on the scale is opposition to redistribution and the highest score is support for it. The question about redistribution of wealth is asked in most but not all of the survey years.

Given the relatively high levels of American income inequality and that a majority of the population is below mean income, a surprisingly small proportion of Americans support redistribution. Forty percent of respondents in the GSS agree that the government should reduce inequalities, while 33 percent disagree and 20 percent are neutral. Thomas Piketty (1995) shows theoretically how past mobility experiences influence political attitudes. Giacomo Corneo and Hans Peter Gruner (2000) test his theory using empirical evidence for the United States and Europe, and find that those individuals that have had upward intergenerational mobility tend to oppose government redistribution of income.

They also find that cross-country differences in attitudes about redistribution are explained by what they call “social rivalry effects” and “public values effects,” in addition to standard individual pecuniary motives. The first has to do with how individuals in a particular society view themselves relative to others in their neighborhood, and therefore whether they will benefit from redistribution. The second has to do with individual perceptions of how fairly opportunities are distributed in society. Those that think that non-work-related characteristics such as family background matter are more likely to support redistribution. Again, American attitudes about fairness of opportunity seem to distinguish the United States from the European countries in the study.

Americans also express more limited support for government responsibility for social welfare: lower percentages of Americans than Europeans see jobs, health care, the elderly, and housing as essential government responsibilities (Gilens 1999) (table 2). A recent survey of European attitudes, meanwhile, finds that the majority are content with their social welfare systems as they are and do not want them altered, even in instances where respondents say they know that their pension systems are headed for insolvency (Boeri, Borsh-Supan, and Tabellini 2001).

There is also clear evidence that public attitudes in turn shape American welfare policy. An influential study by Benjamin Page and Robert Shapiro found that, over a forty-five year period, changes in public opinion often preceded changes in government policy across a whole range of substantive issues. Of course it is also possible that policy changes can shape public attitudes, but this seems to occur less often and in a less notable manner.<sup>11</sup> A brief look at trends in U.S. welfare policy highlights the role of public attitudes in influencing policy.

The U.S. welfare system was set up quite late compared to most European systems. Pensions were only introduced with the New Deal, and health insurance for government employees in the 1960s. Today, more than one in seven Americans—or 42 million people—lack health care insurance.<sup>12</sup> In contrast, the first social security system in Europe dates back to the era of Bismarck in Germany, and national health systems were in place in many countries by the first half of the 20<sup>th</sup> century.

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<sup>11</sup> Page and Shapiro study, cited in Gilens (1999), p. 25. Other studies come to the same conclusion, based on differences between state-based programs. These studies find that, controlling for differences in income, education, and urbanization, state policies across a range of issues reflect differences in attitudes (on a liberal to conservative scale) across states. See Gilens, p. 25.

<sup>12</sup> The 42 million figure is for individuals that lacked health care coverage in all 12 months of 1999 (Burtless and Siegel 2001).

In the United States, after the New Deal establishment of social security and public works employment in response to the Great Depression, the next sustained expansion of welfare policy occurred in the 1960s, with President Johnson's war on poverty. A major departure at this juncture was Aid to Families with Dependent Children (AFDC), which was the first national-scale effort to provide assistance for the *non-working* poor. By the early 1990s (prior to the 1996 reform), AFDC accounted for 9.4 percent of all welfare expenditures, with over 12 million people on the rolls, a number which had continued to expand despite the sustained economic growth of the 1990s.<sup>13</sup> Questions about the effectiveness of the welfare system began to increase, even among analysts sympathetic to its objectives and the poor.

**Table 2 Attitudes toward Government Responsibility in the United States, Germany, Italy, and Britain (percent)**

<i>How much responsibility does the government have for:</i>	<i>United States</i>	<i>Germany</i>	<i>Italy</i>
<i>Seeing to it that everyone who wants a job can have one?</i>			
Essential Responsibility	34	60	79
Important Responsibility	37	34	15
Some Responsibility	24	6	5
No Responsibility	4	1	1
<i>Providing good medical care?</i>			
Essential Responsibility	42	63	79
Important Responsibility	36	32	16
Some Responsibility	20	6	4
No Responsibility	3	0	1
<i>Looking after old people?</i>			
Essential Responsibility	41	51	69
Important Responsibility	40	42	23
Some Responsibility	18	6	8
No Responsibility	1	1	1
<i>Providing adequate housing?</i>			
Essential Responsibility	25	39	69
Important Responsibility	38	46	22
Some Responsibility	32	14	7
No Responsibility	5	1	1

*Source:* Smith, Tom W. "The Welfare State in Cross-National Perspective," *Public Opinion Quarterly*, S1, No. 3, Fall 1997, p. 417.

<sup>13</sup> See Murray, Serafini, and Twohey (2001) for the roll numbers. Budget figures are from CBO (1995 and 2000). The percentage figures translate into \$18 billion out of a budget of \$191 billion for 1995.

Several attempts at welfare reform in the 1980s failed—in part due to the complicated politics of welfare reform in almost all countries. By the mid-1990s, however, President Clinton, a Democrat who came into office promising to “end welfare as we know it,” was able to pass a major welfare reform law.

While the details of the reform law are well beyond the scope of this paper, its major underpinning features are important to the discussion.<sup>14</sup> First of all, the reform hinged on the objective of ending long-term dependency and getting welfare recipients back into the work force. For the first time, time-limits of five years were imposed on welfare recipients, and AFDC became TANF—Temporary Assistance to Needy Families.<sup>15</sup> At the same time, most states made efforts to make work pay.<sup>16</sup> Second, the law gave a great deal more freedom to the states for designing and implementing welfare programs, which received block grants—albeit to be spent according to federally set guidelines—from the federal government.

A remarkable number of observers—including those who were initially strongly critical of the reform—note that the reform has been remarkably successful thus far, cutting welfare rolls in half by 2000.<sup>17</sup> Even supporters of the reform, however, caution that some of this progress is due to the unprecedented expansion of the U.S. economy, and that in the event of a serious recession, many of the low-skilled jobs held by former welfare recipients will be the first to be cut.<sup>18</sup>

The most important distinction that seems to underlie both the logic of the 1996 welfare reform and that of American attitudes about welfare more generally is that between the *deserving* (working and/or disabled, elderly, or children) and *non-deserving* (able-bodied non-working) poor. This distinction has resulted in a tension between two objectives: that of getting welfare recipients back to work and that of improving the lives of poor families and children.<sup>19</sup> It is clear that there are tradeoffs, for example, when single mothers of small children must struggle to find sub-optimal child care arrangements so that they can work at jobs that provide marginally more income than their welfare payments did. On the other hand, there is a fair amount of evidence that the pre-reform system encouraged dependence and at least implicitly rewarded out-of-wedlock child-rearing.

Regardless of what position one takes on the issue of deserving versus non-deserving poor, it is very clear that American public opinion in general is much more in favor of providing welfare support to the former than to the latter, and that Americans of all income

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<sup>14</sup> For an excellent description of the 1996 welfare reform, see Sawhill (2001).

<sup>15</sup> States could exempt up to 20 percent of recipients from these limits.

<sup>16</sup> An additional (and federal) effort to make work pay was the expansion of the Earned Income Tax Credit (EITC).

<sup>17</sup> During that period, 6.5 million people moved off welfare (Murray et al., 2001 and information obtained during author’s attendance at the Children’s Roundtable, a semi-annual discussion of experts on welfare issues that pertain to children, The Brookings Institution, Washington, D.C., May 25, 2001). Budget figures have not changed that much, meanwhile, as most spending takes the form of block grants to states. Thus TANF and other “family support” now compose 8.9 percent of means-tested entitlements, or \$21 billion out of a \$236 billion budget. Figures are again from CBO (1995 and 2000).

<sup>18</sup> The evidence of the effects of the reform on children of single working parents who have had to go to work or risk losing their benefits is mixed to date. Part of the problem is that it is too early to fully evaluate the effects. But the few studies that do exist find no evidence of any marked deterioration, and in some instances there have been improvements in school performance for some age groups. See Morris and others (2000).

<sup>19</sup> See Sawhill (2001).

levels—including the poor (defined as those with incomes below 200 percent of the official poverty line)—question the effectiveness of welfare. For example, a recent National Public Radio (NPR)/Kaiser/Kennedy School survey (2001) finds no statistically significant difference between the poor and the rest of society when answering questions about the relationship between the welfare system and poverty: 47 percent of non-poor respondents and 45 percent of poor respondents say that the welfare system is a major cause of poverty.<sup>20</sup>

More generally, Americans are divided over the causes of poverty. Roughly half of those polled by the NPR/Kaiser/Kennedy School survey said that the poor are not doing enough to get themselves out of poverty and the other half said that circumstances beyond their control cause them to be poor. And, rather surprisingly, low-income Americans (those making less than 200 percent of the official poverty level or \$34,000 per year for a family of four) are only slightly more likely to feel it is due to circumstances.

Our own analysis is based on two questions in the GSS about the causes of poverty, which were asked of 1330 respondents in 1990 only. We found that blacks, low-income respondents, and those that place themselves on the liberal (left) side of the political spectrum are more likely to say that poverty is due to lack of jobs. In contrast, only less-educated respondents and those that place themselves on the conservative (right) side of the political spectrum say that poverty is due to lack of effort, while income level has no significant effects (tables 3a and 3b).

**Table 3a Attitudes About Causes of Poverty US, 1990**

<i>Dep. Var.: Poverty Due to Lack of Jobs</i>	<i>I</i>	
	<i>coeff.</i>	<i>z-stat</i>
Age	0.003	0.150
Age <sup>2</sup>	-0.008	-0.400
Male	-0.279	-2.450
Black <sup>a</sup>	0.817	4.240
Other race <sup>a</sup>	0.474	1.590
Married	-0.043	-0.350
Education	-0.077	-3.650
Real income <sup>b</sup>	0.000	-3.580
Unemployment	0.389	0.980
Political view	-0.169	-4.030
<i>Pseudo-R2</i>	<i>0.0394</i>	
<i>Number of obs.</i>	<i>1165</i>	

Ordered logit estimates

a. Omitted category is white/caucasian

b. Real income in constant 1998 dollars. When we use the log of income with the same specifications, we get a coefficient of -.275 and a z-stat of -3.870.

*Source:* Author.

<sup>20</sup> This was a nationwide telephone survey based on a random representative sample of 1,952 respondents 18 years of age and older.

**Table 3b Attitudes About Causes of Poverty US, 1990**

<i>Dep. Var.: Poverty Due to Lack of Effort</i>	<i>I</i>	
	<i>coeff.</i>	<i>z-stat</i>
Age	0.015	0.710
Age <sup>2</sup>	-0.011	-0.540
Male	-0.017	-0.150
Black <sup>a</sup>	-0.362	-1.910
Other race <sup>a</sup>	-0.480	-1.580
Married	0.124	0.970
Education	-0.080	-3.680
Real income <sup>b</sup>	0.000	0.060
Unemployment	0.329	0.820
Political view	0.167	3.860
<i>Pseudo-R2</i>	<i>0.0219</i>	
<i>Number of obs.</i>	<i>1170</i>	

Ordered logit estimates

a. Omitted category is white/caucasian

b. Real income in constant 1998 dollars. When we use the log of income with the same specifications, we get a coefficient of 0.125 and a z-stat of 1.76, also not significant.

*Source:* Author.

A comprehensive analysis of American opinions about welfare by Martin Gilens finds that Americans are more concerned about helping the poor become self-sufficient than they are about saving taxpayer dollars (Gilens 1999). While support for welfare in general varies slightly by income group, support for means-tested programs does not. Most people do not think welfare benefits are too high. Yet many think that the rolls are filled with undeserving respondents (Gilens 1999, p. 57).

The distinction between deserving and non-deserving poor may be a more important determinant of public support for welfare in the United States than is that between targeted and universal programs, which has received much more attention, at least in the academic literature. This latter issue has caused a great deal of debate, with scholars such as Theda Skocpol making the very effective argument that unless programs are universal—or at least benefit the middle class as well as the poor—they will not be politically sustainable. She cites the growth—and seeming sacrosanct nature—of programs such as Social Security and Medicare, and contrasts that with the cuts to targeted welfare programs. Others, such as Robert Greenstein, say that Americans will support targeted programs if they are deemed to be effective and targeted at a politically salient group, such as children, and cites the Head Start program as an example.<sup>21</sup>

There is a great deal of merit to both of these arguments, and they apply across countries and political cultures. The relative importance of either given a particular context depends in part on public views about redistribution. A related issue is the proximity between the middle

<sup>21</sup> For an excellent summary of this debate, see Skocpol (1991) and Greenstein (1991).

class and the poor. In theory, greater proximity and /or similarity between the middle class and the poor should translate into broader political support for redistribution in favor of the poor.

Joan Nelson's work (forthcoming) on developing economies suggests that social policies and social welfare policies which have the support of the politically relevant middle strata, as well as the poor when they have overlapping interests, are more likely to be sustainable. Peter Lindert (1996) finds that differences among industrial countries' political tendencies to spend on social transfers are largely explained by income skewness: the size of the gap between the rich and the middle versus that between the middle and the poor. A wider lower gap means less affinity of the middle class for the poor, and therefore less social spending. The United States, which has a large gap between the middle and the poor, has the lowest level of social spending of the countries in the sample.

Gilens (1999, p. 43) states that "most Americans consider themselves middle class, and the self-interest thesis would therefore lead us to expect that the public would be more supportive of government help for the middle class than for the poor." Yet American support for welfare still seems to hinge on the concept of welfare as support for the deserving poor rather than as a more general social safety net or social insurance system. Gilens, for example, finds that most of the U.S. public supports welfare for the poor but not for the middle class. This is distinct from the Europeans' universal vision of social welfare policies and safety nets.

Thus, despite the large gap between the middle class and the poor in the United States, public support for welfare seems to hinge on the recipients of welfare being "deserving" poor and not middle class. The concept of "deserving" poor varies among respondents, however. Because of the large gap between the poor and the middle, one might expect support for means-tested support for the poor to decline when there are economic downturns and those in the middle feel more vulnerable. Yet that is not the case: support for welfare increases. It may be that at times of downturns, those in the middle may feel more sympathetic to the plight of the poor precisely because they are more vulnerable to becoming "deserving poor" themselves. In addition, Gilens finds that support for welfare—even among higher-income respondents—is higher among Americans who are related to or know someone who has been on welfare.

One factor that clearly affects American attitudes about welfare—and is also an issue when comparing the political economy of support for welfare across different societies—is race. Americans' support for welfare is directly linked to their perceptions of the racial composition of poverty. While blacks are disproportionately poor compared to whites, they only compose 27 percent of all poor people. In contrast, in a recent survey cited by Gilens, the median response to a question asking respondents to estimate the percent of the poor population that is black is 50 percent. Other surveys confirm this tendency to overestimate (Gilens 1999, pp. 68-69).

Gilens also finds that, the more likely Americans are to overestimate the percentage of the poor population that is black, the less likely they are to support welfare. There is a strong association, for example, between welfare spending preferences and the belief that "if blacks would only try harder they could be just as well off as whites." Over 50 percent of white Americans who agree with this statement think that welfare should be cut, while only 20 percent of those who disagree with the statement think that spending should be cut. The same does not occur with other immigrant groups, meanwhile (Gilens 1999, p. 177). A separate



study by Erzo Luttmer (2000), based on GSS data, finds evidence of “racial group loyalty”: individuals increase their support for welfare spending as the share of local recipients from their own racial group rises.

Differences in resource allocations across states confirm the effects of these attitudes on policy. Luttmer notes that relatively racially heterogeneous states provide lower welfare benefits. An earlier study by Larry Orr (1976), controlling for average state income and for regional differences, finds that a state with an all-white case-load would offer almost \$2000 per year more in AFDC support than would one with an all-black case-load. State policies for the “deserving” poor, in contrast, do not differ by race.<sup>22</sup>

Attitudes about welfare spending also have effects on how individuals vote on questions pertaining to welfare spending. In a study based on approximately 20,000 census blocks in California, and a 1992 proposal to limit welfare spending (Proposition 165), Luttmer (2000) shows that actual voting outcomes can be extraordinarily well explained by predicted welfare support, even when controlling for county-fixed effects, census tract-fixed effects, and the fraction black in the census block group.<sup>23</sup> Not all electoral decisions about welfare expenditures are clearly phrased referendums on cutting benefits, as Proposition 165 was. Yet the strength of the results suggests that survey data on attitudes about welfare can be a useful predictor of political support for welfare policies in a number of contexts.

Beyond the issue of welfare spending, ethnic or racial fragmentation seems to have effects on the allocation of public goods in general. Alesina, Baqir, and Easterly (1999), in a study of U.S. cities, metropolitan areas, and urban counties, find that the shares of spending on productive public goods—education, roads, sewers, and trash pickup—are inversely related to the city’s (or larger metro area’s) ethnic fragmentation, even after controlling for other socioeconomic and demographic determinants.<sup>24</sup>

This discussion is not intended to imply that U.S. attitudes about welfare apply across countries, nor that the U.S. welfare system is a model for other countries. It uses the U.S. example—for which we have a great deal of data—to demonstrate the extent to which attitudes about redistribution have effects on welfare policy. In addition, the discussion has highlighted a number of issues that are generic to the political economy of social assistance policies across all country contexts. These are: targeted versus universal assistance; the deserving versus the “undeserving” poor; racial heterogeneity and immigration; and tradeoffs between objectives, such as discouraging dependency and improving the lives of children and families. All of these issues differ across countries and cultures. Yet they must be taken into account for social welfare systems to be politically sustainable over time.

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<sup>22</sup> A separate study by Christopher Howard (1997), cited in Gilens (1999), finds that there are no racially-linked differences between states on unemployment insurance benefit levels.

<sup>23</sup> The dependent variable was a “no” vote on Proposition 165, and the independent variable was predicted support for welfare based on GSS data, along with a number of control variables. The adjusted R-squared ranged from .40 to .75, depending on the specification.

<sup>24</sup> Easterly, in a separate article with Levine (1997), finds that ethnic fragmentation is negatively correlated with economic growth in a selection of African economies.

## The Developing Country Context: Evidence from Latin America

An obvious problem in taking public attitudes into account in political economy issues is the absence of adequate data, data which is particularly rare for the developing economies. We have collaborated in the development of such a data set for Latin America. While we obviously cannot assume that lessons from Latin America will apply directly to other regions, they can help us in further developing our framework for thinking about these issues. In addition, the diversity of the 17 Latin American economies in the sample—as well as their different welfare systems—allows us further room for drawing more generally applicable conclusions.

The Latinobarometro survey covers all of the Spanish speaking countries with the exception of the Dominican Republic and Cuba, and including Brazil—a total of 17 countries with approximately 17,000 observations each year—and has been conducted annually from 1997 to 2000.<sup>25</sup> Unless otherwise specified, the results reported here are from the final year of the sample, 2000, which has the most complete questionnaire. Where possible, we used the entire pooled sample to check the robustness of findings. The pooled sample has the advantage of being a time series, but the disadvantage that several of the most pertinent questions are not included in all of the years.

The surveys vary in terms of how close to nationally representative they are. Countries such as Brazil and Bolivia that have large portions of remote rural populations pose much bigger challenges to achieving representative coverage. The surveys have an urban bias, but still cover a substantial part of the rural population. In respective years of the survey, we have been able to suggest a number of questions about perceived social status, subjective well-being, and attitudes about redistribution and individual mobility.

One of the most striking things that comes out of the Latin American data is a marked similarity between Latin American and U.S. attitudes about the causes of poverty, about redistribution, and about intergenerational mobility. When Americans (in the GSS) are asked about the causes of poverty, for example in the question “a major cause of poverty is lack of effort by the poor themselves,” 36 percent say that lack of effort is very important, while 43 percent say that it is somewhat important, and 21 percent say that it is not important.<sup>26</sup> When Latin Americans are asked a similar question about the causes of poverty, a surprisingly similar 36 percent say that poverty is due to no effort on the part of the poor, while 63 percent say that it is due to bad circumstances.

When we look at the determinants of attributing poverty to lack of effort, as we did in the United States, regressing a positive response on poverty due to lack of effort as the dependent variable, we find that the only significant variables are wealth and leaning to the right on the political scale (the latter is self-reported). The unemployed, meanwhile, are more likely to answer negatively (table 4). As discussed above, for the United States, believing that a lack of jobs is important as a cause of poverty is negatively and significantly correlated

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<sup>25</sup> There are approximately 1000 interviews per country. The poll is conducted by a respected private firm, MORI, based in Chile, with the support of the European Commission and the Inter-American Development Bank (IDB). The effort began in 1995 with a sub-set of countries; full coverage began in 1997. I was involved in the effort to launch the survey while spending time on a fellowship at the IDB, and continue to provide input on the design of the survey each year. Because MORI still has to cover costs, the most recent data is available to the public only for purchase. Lagged data is available free of charge from the IDB.

<sup>26</sup> Author’s calculations based on GSS data.

with being on the right of the political spectrum, as well as with income, education, and being male (table 3a).<sup>27</sup> We do not have this question for Latin America.

**Table 4 Attitudes About Causes of Poverty Latin America, 2000**

<i>Dep.Var.: Poverty Due to Lack of Effort</i>	<i>1</i>		<i>2</i>	
	<i>coeff.</i>	<i>z-stat</i>	<i>coeff.</i>	<i>z-stat</i>
Age	-0.004	-0.53	-0.001	-0.12
Age <sup>2</sup>	0.000	0.11	0.000	-0.29
Male	0.081	1.93	0.074	1.75
Married	-0.061	-1.29	-0.077	-1.62
Wealth	0.353	3.21	0.210	1.88
Years of education	-0.006	-0.93	-0.005	-0.89
Unemployment	-0.185	-2.06	-0.154	-1.70
Retired	0.050	0.48	0.073	0.69
Political scale	0.051	5.50	0.047	4.97
Happy	...	...	0.235	10.8
<i>Pseudo-R2</i>	<i>0.0431</i>		<i>0.0517</i>	
<i>Number of obs.</i>	<i>10500</i>		<i>10428</i>	

Logit estimates with country dummies (coefficients not included).

Source: Author.

A rather interesting finding is that, when we include happiness in the equation on poverty being due to lack of effort, we find that happier people, on average, believe that poverty is due to lack of effort in both Latin America and the United States (including the happiness variable renders both wealth and unemployment variables insignificant for both regions). While an explanation for this is beyond the scope of this paper, one could posit that believing poverty is a phenomenon that is inflicted on people creates more distress than believing that it is a result of lack of individual effort.<sup>28</sup>

In an earlier paper (Graham and Pettinato 2001), we found that in Latin America those who believe that there are high prospects for future upward mobility—and believe that opportunities for equal advancement in one’s country are equally shared—are more likely to be satisfied with their lives in general. (The equal opportunity variable is discussed in greater detail below.) We do not have a similar question on prospects of upward mobility for the United States.

<sup>27</sup> Regression results for both sets of conclusions are available from the author on request.

<sup>28</sup> For both Latin America and the United States, we find that reporting leaning toward the right rather than to the left of the political scale is positively and significantly correlated with happiness, although the direction of causality is far from clear. We expand on issues of subjective well-being and their relation to macro- and microeconomic phenomena in several other papers, which are best summarized in Graham and Pettinato (forthcoming).

When we look at attitudes about inter-generational mobility, we find remarkable similarities between the United States and Latin America. When Americans are asked about their children's future standard of living compared to their own today, 57 percent say that their children will do better and 23 percent say that they will live the same. In Latin America, for the same question, 58 percent of respondents say that their children will live better while 26 percent say the same. When respondents in Latin America are asked about their own economic status in the future, 41 percent say better and 42 percent say the same. Unfortunately, we do not have a comparable question for the GSS.

A rather striking contrast occurs when respondents are asked about their own status compared to that of their parents. In the United States, 64 percent of respondents say that they live better, 21 percent say the same, and 15 percent say worse. In Latin America, in contrast, only 16 percent of respondents said that they lived better than their parents, while 21 percent said the same and 59 percent said worse. This is not a surprise given the economic crises of the 1980s, the difficult adjustments that were then necessary in the late 1980s and early 1990s, and the fact that concerns about stable employment remain high and real wages are still not back to their 1970s levels in many countries in the region.

Do attitudes about inter-generational mobility affect attitudes about redistribution? In our analysis of GSS data for the United States, neither attitudes about parents or children's standard of living has a significant effect on attitudes about the government's role in redistribution (EQWLTH). For Latin America, for the 1998 survey only, we have a question about what the country needs most to get ahead: productivity growth or more redistribution. When we use the response to that question as the dependent variable and include views about inter-generational mobility on the right hand side, the only significant variable is wealth level, which—not surprisingly—is positively correlated with supporting productivity.<sup>29</sup>

When one looks at mean levels of support for productivity versus redistribution region-wide, however, we find that a surprisingly high 53 percent of respondents support productivity over redistribution. Across countries, mean levels of support for productivity are higher in poorer and more unequal countries (figure 2). Within countries, it is wealthier people who, on average, are more likely to support productivity over redistribution, which is what one would expect.

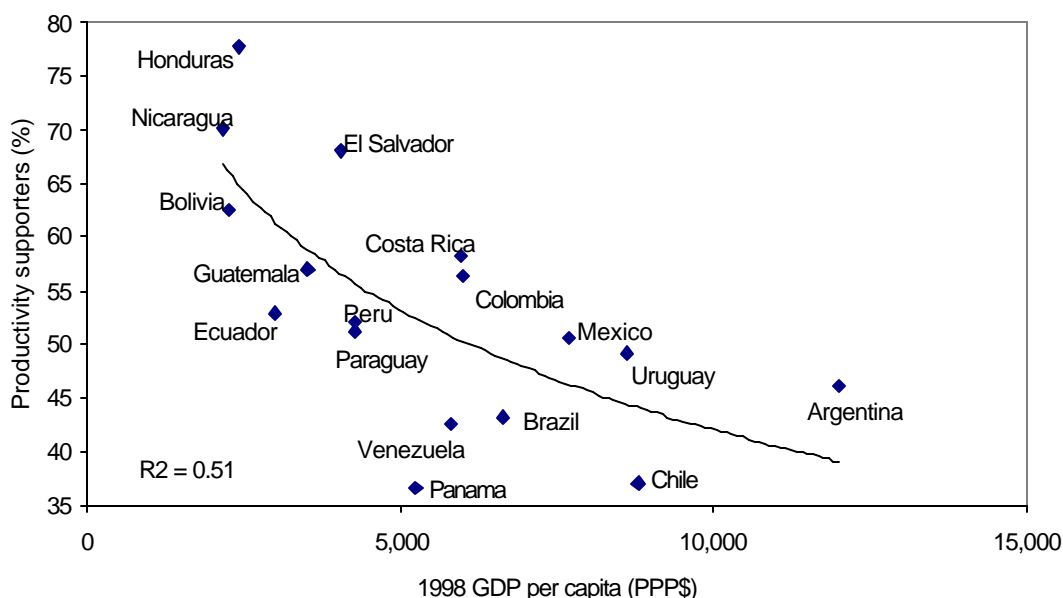
We explain the across-country differences in two ways. The first is a timing-of-reform explanation. Most poor and unequal countries in the region (mainly in Central America) are earlier along in the process of market reform, and most citizens recognize the need to establish sustainable growth as a prerequisite to getting ahead, particularly given the region's experience with high levels of debt and inflation and stagnant growth. Secondly, it is these same countries that have very weak state institutions and underdeveloped social welfare structures. Thus, the average citizen is probably quite skeptical about redistributive policies being either fair or efficient.<sup>30</sup>

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<sup>29</sup> Regression results available from the author.

<sup>30</sup> We discuss this in detail in Graham and Pettinato (2000).

**Figure 2 Productivity Supporters vs. GDP Per Capita Latin America, 1998**



Source: Author.

The same question was not in the year 2000 survey. There is a question about how equally opportunities are shared in the respondent's particular country. Although we include a dummy for being poor (below .45 on the wealth index for the sample), it has no significant effect in either direction on believing that opportunities are equal. In other words, the poor are as likely to believe that opportunities are equally shared as any other group, a rather surprising finding given the depth and extent of poverty in the region. The more educated, however, are not as likely to believe that opportunities are equally shared, while the wealthy are more likely to believe that they are (table 5). When we include attitudes about inter-generational mobility in the equation, we find that respondents' evaluation of their situation compared to their parents has no effect, but that believing that one's children will live better is significantly and positively correlated with believing opportunities are equally available.

### **Attitudes and Outcomes in Latin America**

At a very general level, attitudes about redistribution in Latin America seem remarkably similar to those in the United States and therefore quite different from those in the average European country with a more developed social safety net. While the explanations for this are no doubt complex, it is plausible that some of the strong faith in individual effort over state redistribution in Latin America comes from a very weak tradition of effective redistribution in the region, with countless attempts in the past having been captured by relatively privileged interest groups at the expense of the very poor.<sup>31</sup>

<sup>31</sup> For numerous accounts of clientelism or politics dominating allocation decisions in public safety net programs, see Graham (1994).

**Table 5 Attitudes About Equal Opportunity Latin America, 2000**

<i>Dep.Var.: Poverty Due to Lack of Effort</i>	<i>1</i>		<i>2</i>	
	<i>coeff.</i>	<i>z-stat</i>	<i>coeff.</i>	<i>z-stat</i>
Age	-0.023	-3.28	-0.019	-2.54
Age <sup>2</sup>	0.000	2.50	0.000	1.97
Wealth	0.571	3.68	0.434	2.60
Years of education	-0.012	-2.20	-0.016	-2.65
Male	0.022	0.58	0.040	0.98
Married	0.048	1.12	0.080	1.75
Unemployment	0.016	0.21	0.034	0.40
Retired	0.125	1.37	0.098	0.99
Poordum <sup>a</sup>	0.054	0.82	0.010	0.14
Kids std. Living <sup>b</sup>	...	...	0.338	11.23
Parents std. Living <sup>c</sup>	...	...	0.015	0.56
<i>Pseudo-R2</i>	<i>0.0313</i>		<i>0.0378</i>	
<i>Number of obs.</i>	<i>14799</i>		<i>12974</i>	

a. Dummy for being poor, defined as below .45 on the wealth index

b. Score on the question of "will your children live better than you"

c. Score on the question of "do you live better than your parents"

*Source:* Author.

The record was not only regressive, but also inefficient, with many countries spending high percentages of their public expenditures on the social sectors, but with very little to show for it in terms of effects on poverty reduction. In addition, misallocated public expenditures were often accompanied by unsustainable fiscal deficits, resulting in high levels of inflation and high levels of external debt, further discrediting state redistribution in many countries.

The weak record of redistribution comes in large part from weakness in public sector institutions and underdeveloped social insurance systems. Thus, in many countries, such programs were piece-meal or sector-specific, and led to general tax revenues being redistributed to some sectors of the labor force (usually a minority) and not to others. Organized workers in the public sector and those in strategic industrial sectors, such as minerals or oil, were the most likely to have coverage. While workers in these sectors are not privileged by industrial country standards, they are relative to the majority of workers in their own countries, particularly those in the informal sector. In Brazil, for example, only 18 percent of the poorest income groups—who account for over 40 percent of the population—are covered by the public social security system, and receive only 3 percent of the benefits that the system pays out. In Venezuela, personnel expenditures absorb over 90 percent of the education budget, reflecting the power of the teachers' unions there (Birdsall and James 1990; Angell and Graham).

Little wonder, then, that two trends dominated the debate on social expenditures in the region in the 1980s. The first was a move toward more targeted policies and programs and

away from universal forms of social insurance.<sup>32</sup> The second, in part an outgrowth of the first, was the introduction and proliferation of the social funds of the 1980s and 1990s—lean, semi-autonomous social programs that allocated funds based in large part on the demand of local-level organizations and municipalities. Some of these funds, although not all of them, played an important role in cushioning the impact of adjustment policies for poor—although not the poorest—groups.<sup>33</sup>

With almost two decades of experience with both targeted programs and social funds, there is still strong consensus on the need to target the limited public funds that are available for social sector spending to the neediest sectors. There is less consensus on the merits of social funds. Programs that operate largely outside the mainstream public sector institutions and allocate expenditures according to demand-based criteria, while having a number of advantages, have limited capacity to target and a great deal of heterogeneity in outcomes. In addition, such programs usually are not part of a broader social contract, and cannot replace more broadly based social assistance and insurance systems in the long term.

Given the extent of need and limited public funds, some targeting will always be necessary. On the other hand, too much emphasis on targeting in the context of high numbers of eligible poor can result in the very poorest being left out. This is a particular concern if the program uses demand-based criteria in the allocation process, as the experience of the Trabajar program in Argentina suggests. A recent study of an effort to limit Trabajar funds found that it was the poorest recipients who ended up losing program support, as the more vocal demands of more organized, less poor groups were more successful at accessing increasingly limited funds (Ravallion 1999). In other words, effective targeting of the poorest in the context of high levels of eligible poor requires sufficient funds.

Public attitudes about redistribution, the causes of poverty, and about opportunities for mobility will be critical to developing such a social contract—and more permanent forms of social assistance—in most countries in the region. Differences among individual Latin American countries will also be definitive. These differences are in part reflected in the level and composition of public expenditures, which vary a great deal among countries. There are countries in the region with a long tradition of social welfare and social insurance systems, and for the most part these are countries where these programs are still largely intact, even if they have been altered substantially to incorporate concerns about efficiency as well as new thinking about the role of the private sector, about individual contributions, and about targeting expenditures on the neediest groups.

Table 6 provides a snapshot of the different levels of public resources devoted to social sector expenditures in the region. It does not, however, reflect how or if the expenditures are targeted. Thus, countries that have not made much effort to target expenditures to the poor, such as Brazil, spend a similar high percentage of their public expenditures on the social sectors (and a higher percent of their GDP on social expenditures) than countries such as Chile, which have made major in-roads in targeting expenditures to the poorest, with consequent effects on poverty reduction.

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<sup>32</sup> For a review of the record in this area, as well as the philosophical debates, see Grosh (1994) and van de Walle and Nead (1995).

<sup>33</sup> For a critical review of social funds, see Tendler (2000).

**Table 6 Social Spending In Latin America**

<i>Country</i>	<i>Social Spending/GPD</i>		<i>Social Spending/total public expenditure</i>	
	<i>199091</i>	<i>199697</i>	<i>199091</i>	<i>199697</i>
Argentina	17.7	17.9	62.2	65.1
Bolivia	6.0	12.0	25.8	44.2
Brazil	19.0	19.8	59.5	59.1
Chile	13.0	14.1	60.8	65.9
Colombia	8.1	14.3	29.7	38.2
Costa Rica <sup>a</sup>	18.2	20.8	64.4	65.1
El Salvador	5.4	7.7	21.9	26.5
Guatemala	3.3	4.2	29.8	42.1
Honduras	7.8	7.2	33.1	31.9
México	6.5	8.5	41.6	52.9
Nicaragua <sup>b</sup>	10.3	10.7	38.3	35.6
Panama	18.6	21.9	40.0	39.9
Paraguay	3.0	7.9	39.9	47.1
Peru	2.3	5.8	16.7	40.9
Dominican Republic	4.5	6.0	36.9	39.0
Uruguay	18.7	22.5	62.3	69.8
Venezuela	9.0	8.4	33.9	39.0
<i>Average for the region<sup>c</sup></i>	<i>10.1</i>	<i>12.4</i>	<i>41.0</i>	<i>47.2</i>

a. Figures for 1996-97 are based on 1996 results only, due to lack of information.

b. Figures for 1990-91 are based on 1991 results only, due to problems with hyperinflation in 1990.

c. Simple average of the figures of the countries.

Source: ECLAC, Social Panorama of Latin America, 1998 (LC/G. 2050-P), Santiago, Chile, 1999.

## The Chilean Experience

Chile has perhaps gone the furthest of any country in the region in reforming its social sector institutions, revamping its social security, education, health, and social welfare institutions along these lines, with different degrees of success depending on the sector. As a result of its high degree of pre-existing administrative capacity in the social sectors, coupled with the targeting efforts, Chile's record in protecting the welfare of the poorest of the poor during the extensive economic crisis of the early 1980s, both through public works employment programs and through targeted mother and child nutrition programs, has received a great deal of positive attention, and attempts have been made in a number of countries to copy different elements of its social sector reforms.<sup>34</sup>

Despite this record, over time Chile has had to adapt its social welfare policies to changing realities as its economy has developed extensively and per capita income has increased, as well as to changing political circumstances and attitudes. The targeting of social welfare expenditures, for example, occurred in the 1970s and 1980s, under the auspices of an

<sup>34</sup> See, for example, Cowan and de Gregorio (2000); and the chapters on Chile in Graham (1994) and (1998).



authoritarian political regime, when political debate was repressed and labor unions were outlawed. With the democratic transition in 1990, policymakers had to adapt the system to broader and more “normal” political pressures, while still maintaining an emphasis on targeted programs. The concerns of teachers’ unions, for example, were pre-eminent in the adaptations to the education reforms that were made in the post-authoritarian era.<sup>35</sup>

Social expenditure in general increased at an effective annual rate of 8.5 percent from 1991 to 1995, in contrast to the previous decade, when it actually declined (but increased for the very poorest groups). The post-1990 increases, meanwhile, while maintaining support for targeted and means-tested expenditures, were the largest for more universally available services: health, education, and social security.<sup>36</sup> The increase was made possible through a bipartisan consensus on an increase in taxes on business profits.<sup>37</sup> It was a response, meanwhile, to the government’s need to address the genuine concerns of the middle strata and the near poor who had not fared as well as the poorest in many of the reforms, particularly in the health and social security arenas.<sup>38</sup>

Now, after almost a decade of sustained high levels of growth, in keeping with Chile’s past record of using public works employment as a safety net, the Lagos government is reinstating a number of public works employment programs to deal with an unemployment rate of over 8 percent and several years of slow growth. Plans are being laid to create well over 100,000 extra jobs via a number of public sector agencies, including the Social Contingency Fund.<sup>39</sup>

## Other Examples

Uruguay and Costa Rica are two other countries noted for their social welfare structures. While Uruguay has not gone as far as Chile in terms of targeting expenditures and introducing private sector involvement and choice into the delivery of services, it has introduced individual accounts in its social security system, as well as a major education reform with some elements of decentralized management. Costa Rica, meanwhile, continues to maintain a more universally based system, but in recent years has been confronted with issues of declining quality of services due to the inability to keep up with the scale and scope of demand for services. Argentina also has had a very well developed social insurance system for decades, but it is heavily tilted toward the middle strata rather than the poor.<sup>40</sup>

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<sup>35</sup> These changes were not without criticism, meanwhile, as many critics argue that the centralization of personnel relations that occurred eroded the effectiveness and flexibility that was introduced by the voucher reforms. For details, see Gauri (1999).

<sup>36</sup> Arrellano (2000) and information obtained during author’s attendance at the conference at which draft papers for the project were presented and discussed, Santiago, July 1997.

<sup>37</sup> For a detailed discussion of this tax reform, see Boylan (1996).

<sup>38</sup> For the tradeoffs for the middle strata in the social security reform, see James (1998). For the fate of the middle strata and the near poor more generally with market reforms, see Birdsall, Graham, and Pettinato (2000).

<sup>39</sup> “Mensaje del Presidente de la Republica, Ricardo Lagos, Al Congreso Nacional, 21 de mayo 2001,” *El Mercurio*, 21 May 2001; and discussions with Kirsten Sehnbruch, doctoral candidate, University of Cambridge, June 2001.

<sup>40</sup> To a large extent this reflects the power of the Peronist labor movement at the time that it was established. Even the semi-private pension system, established in the 1990s, is much more favorable to middle-income workers than to lower-income ones.

Given the discussion above about racial and group loyalty and welfare expenditures in the United States, as well as the more general effects of ethnic and racial fragmentation on spending on public goods, it is noteworthy there is a great deal of racial homogeneity in the countries where social insurance systems were developed early on. This contrasts quite sharply with many of the Andean countries and Mexico, for example, where the indigenous population constitutes a much higher proportion of the total.

In historical terms, while the former set of countries was far from the center of the Spanish colonial empire, the latter was very much at the core of the administration of a colonial elite that was notorious for its exploitation of the local population. Brazil, meanwhile, also a country with a very limited safety net and high levels of inequality and poverty, is both very large, and racially and geographically fragmented. At a very general level, those countries that have the most developed social insurance and safety net systems in the region are much more like the homogeneous countries of Europe, and those that do not are more like the racially and geographically heterogeneous United States.

These are very broad generalizations. Yet they find an echo in different attitudes about redistribution among the countries in Latin America. Argentina, Chile, and Uruguay, for example, are among the strongest supporters of redistribution in the region (figure 2). And all three countries have lower than average mean scores for believing that opportunities are equally shared (table 7). In other words, publics in these countries are more likely than the average Latin American respondent to support some sort of government role in redistribution and/or the provision of a safety net.

**Table 7 Perceptions of Equal Opportunity, Latin America, 2000**

<i>Country</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Freq.</i>
Argentina	0.141	0.348	1187
Bolivia	0.211	0.408	1057
Brazil	0.147	0.354	979
Colombia	0.227	0.419	1183
Costa Rica	0.290	0.454	987
Chile	0.216	0.412	1171
Ecuador	0.242	0.429	1160
El Salvador	0.259	0.439	987
Guatemala	0.294	0.456	975
Honduras	0.322	0.467	994
México	0.309	0.462	1182
Nicaragua	0.217	0.413	989
Panama	0.238	0.426	981
Paraguay	0.281	0.450	602
Peru	0.254	0.436	1031
Uruguay	0.250	0.433	1167
Venezuela	0.507	0.500	1142
Total	0.259	0.438	17774

*Note:* Mean country scores on a question asking whether opportunities were equally shared, with possible answers "not equal" having a value of "0" and "equal" having a value of "1."

*Source:* Author.

In addition, only a few countries in the region—Argentina and Brazil—have unemployment insurance systems—at least as traditionally defined—and of the two, only Brazil’s provides coverage on a significant scale.<sup>41</sup> Chile only passed unemployment insurance legislation in 2001, and the system is still in the developing stages. At best, the system, which is based on employer and employee contributions to individual accounts, will cover 10 percent of the labor force.<sup>42</sup> One reason for the lack of unemployment insurance in the region is that it is designed to cover workers with stable jobs in the formal sector, while a large proportion of the labor force—including most poor workers—is in the informal sector.

Not surprisingly, fear of unemployment has strong and consistently negative effects on perceived well-being among respondents of all income levels. These concerns are slightly stronger for those at the lower end of the income ladder than for the wealthy. They are also stronger for those that are less educated and those that work in the private sector.<sup>43</sup> Mean scores for fear of unemployment are also lower in the countries that have more developed safety nets and/or unemployment insurance than they are in most other countries in the region. While these fears are, no doubt, also driven by overall macroeconomic conditions and open unemployment rates, the existence of a safety net must help ameliorate them (table 8).

Thus far, this paper has attempted to show how public attitudes—about redistribution, causes of poverty, and opportunities for upward mobility—have effects on the political viability of social welfare policies. They can also influence the design and choice of policies. It has also been demonstrated that attitudes in Latin America—a large sample of developing countries—are much more like those of the United States than they are like those of European countries. This suggests that more limited individual-contribution and work-based safety nets are more likely to be politically sustainable in those countries.

Such an approach also makes sense given the large informal sectors and the limited fiscal capacity of these economies. In particular, the continued reliance on the value-added tax (VAT) to generate most general revenues is a regressive form of taxation in general, which presents a number of tradeoffs when designing social assistance policies that are funded by these revenues. Thus, the development of more permanent and broad-based social assistance systems will be limited and gradual by necessity. This should not, however, discount the importance of the need to make progress on this agenda.

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<sup>41</sup> Ecuador has a small, non-traditional system; Venezuela has a severance pay system that is in flux; and in the Caribbean, Barbados has a traditional scheme. For an excellent overview of unemployment insurance and related systems in the region, see Mazza (1999).

<sup>42</sup> The law has been the subject of much debate, with a great deal of opposition from the right. Depending on how one reads the law, as little as 7 percent of the labor force will have coverage.

<sup>43</sup> We report these results fully in Graham and Pettinato (2001).

**Table 8 Fear of Unemployment, Mean Responses By Country, Latin America, 2000**

<i>Country</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Freq.</i>
Argentina	0.617	0.394	914
Bolivia	0.656	0.343	955
Brazil	0.677	0.381	829
Colombia	0.709	0.333	1049
Costa Rica	0.661	0.371	818
Chile	0.598	0.375	933
Ecuador	0.752	0.315	1084
El Salvador	0.545	0.375	768
Guatemala	0.685	0.352	878
Honduras	0.643	0.372	877
México	0.561	0.355	979
Nicaragua	0.720	0.344	799
Panama	0.612	0.362	895
Paraguay	0.725	0.348	564
Peru	0.738	0.310	944
Uruguay	0.546	0.367	569
Venezuela	0.732	0.355	1032
<i>Total</i>	<i>0.661</i>	<i>0.361</i>	<i>14887</i>

*Note:* Mean country scores on a question asking how concerned respondents were about losing their jobs, with "not at all concerned" having a value of 0, and "a little concerned" 0.3, "concerned" 0.6, and "very concerned" 1.0.

*Source:* Author.

## **Avoiding Land Mines and Identifying Windows: Strategies for Assessing, Framing, and Navigating the Political Context**

Social assistance and/or social welfare policy is particularly vulnerable to political attitudes and political context. Most publics have fairly broad consensus on the "public" nature of goods such as education and health, as the broader benefits for society as a whole are fairly obvious. Yet assistance to those unable to provide for themselves, especially those that are able-bodied, is more controversial, at least in some societies. This is a particularly difficult issue in the developing countries, where established social contracts and broadly based social insurance systems are the exception, and at the same time there is a great deal of poverty. In most countries, the nature of the social contract still needs to be established, including reaching agreement on how to finance it, which will ultimately entail redistribution from some sectors to others.

To date there has been much thinking about the debate over targeted versus more universal services. In the developing countries, given the extent of need and limited public funds, some targeting will always be necessary. The political choices that need to be highlighted may not always be between targeted and universal services, but rather about the near poor and the poor, and the poor and the poorest; about the working poor versus the non-

working poor; about central versus locally financed and implemented programs; about the formal versus the informal sector. Resolving these issues will ultimately be key for developing countries to move from temporary and usually externally financed social assistance strategies to social welfare structures which are part of a domestically financed social contract.

There are very few developing countries where such issues have been resolved, and this paper only suggests ways of thinking about them. What is clear is that public attitudes about these issues, in addition to the socioeconomic and institutional structures in particular countries, will play a determining role in the process. Dismissing or neglecting deeply entrenched public attitudes is likely to result in unsustainable programs. This does not mean that new approaches cannot be introduced, nor that public opinion cannot change over time. But strategies for implementing reform must include navigating the constraints posed by public opinion and attitudes, as well as recognizing windows of opportunity.

This section of the paper attempts to provide policymakers with three sets of tools. The first of these is tools with which to assess public attitudes—and the broader political economy context—in a particular country setting. The second is a set of themes around which to frame choices about the feasibility of particular kinds of programs, given a country setting. The third is a menu of strategies for navigating the political context, options which are organized around three context-dependent variables: the structure and capacity of public institutions; the nature of public attitudes about social assistance; and the balance between centrally-driven and decentralized reform initiatives.

### *Assessing Public Attitudes*

An obvious question for policymakers is how to measure or assess public attitudes, and how to apply these assessments to concrete policy questions. The most obvious assessment instruments are public opinion surveys. As the study of California voting patterns discussed above suggests, public attitudes about social welfare spending, as expressed in surveys, can be a fairly accurate predictor of political support for policies or proposed changes in policies.

The Latinobarometro is a good example of the kind of survey instrument that can play such a role. It is the most extensive survey of its kind in the developing economies; similar survey data for other developing countries and regions would be extremely valuable. At present there are efforts to develop an Asia-barometro, as well as similar surveying efforts in a few selected African countries. An issue that is critical to these and related data collection efforts, meanwhile, is adequate financing.

A major problem with the Latinobarometro, for example, is that due to cost constraints, in many countries the surveys are not nationally representative. They are particularly skewed for countries with large and remote rural populations, such as Bolivia and Brazil.<sup>44</sup> The Latinobarometro is also missing some important questions for which we have analogous data for the developed economies, and which have an influence on the design of policies. One key issue, for example, is the extent to which Latin publics are willing to pay taxes—and progressive taxes in particular—to support the development of more effective and permanent

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<sup>44</sup> For this reason, in some of our regression analysis, both here and in other work, we treat the entire survey as one region-wide sample rather than one which is representative at the country level. For most specifications, we find that the results are very similar whether or not we include country dummies.

forms of social insurance. Additional resources are necessary for such surveys to cover a broader range of questions, to closer approximate national representation, and for the data to be made publicly available.

In addition to survey instruments, each country's own history of trajectory of social assistance efforts (or lack thereof) is surely a helpful guide to determining what scope and scale of effort is politically feasible. Publics in countries that have traditionally relied heavily on family systems of support, such as the East Asian economies, are unlikely to be comfortable with very large-scale, generous public programs, as was well demonstrated by reluctance in these to set up new safety nets in the aftermath of the 1997 economic crisis.

On the other hand, publics such as those in the former communist countries, who are accustomed to comprehensive public schemes, are unlikely to favor highly targeted assistance policies, at least in the short term. While attitudes certainly can and do change over time—and are often influenced by success stories from other countries—attention to past trajectories can at the least provide useful information about the intersection between public attitudes and assistance policies.

### ***From Attitudes to Policy Choices: A Frame for Making Choices***

One issue is how to gather sufficient information. Another is how to apply that knowledge to political questions. These questions will, no doubt, vary according to country context. Yet there are several issues which are generic to the political economy of all social assistance policies, and will help determine key choices, such as whether a targeted or more universal approach is optimal, or whether programs should be federally or locally funded and administered.

To a large extent, these issues will hinge on the question of who the public deems to be deserving of assistance and to what extent that choice is dictated by similarities and differences between those needing assistance and the general public. The greater the fiscal constraints, the more likely that attitudes about who “deserves” assistance will play a role. Such attitudes, as well as the political debate, can also be swayed by the lobbying or influence of particular interest groups with a claim on social assistance benefits. These groups are rarely the neediest.

### **Who is Deserving: The Poor versus the Middle**

First of all, how close (in the income distribution) and similar (in terms of type of employment, residence, etc.) are the poor and the middle strata. In some countries—particularly more developed economies—the poor are a distinct “underclass.” In others, and in most emerging market countries, there is a fair amount of movement in and out of poverty from the ranks of the middle strata.<sup>45</sup> While in such cases there is usually a separate category of extremely poor people, who do not share traits with the middle strata (and who may require separate sorts of assistance policies), the political economy of social assistance should be seen in terms of the congruence of interests between the poor and the middle.<sup>46</sup>

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<sup>45</sup> For documentation of this, see Birdsall, Graham, and Pettinato (2000); and Pritchett, Suryahadi, and Suarto (2000).

<sup>46</sup> A good description of the different needs of the extreme poor is found in Lipton (1988).

### **Who is Deserving: Racial Diversity**

An important question is the degree of racial homo- or heterogeneity between the poor and the rest of society. As the earlier discussion about the United States notes, while much of the public supports broad-based policies such as health and education regardless of the racial composition of society, large racial differences seem to create political divisions when it comes to means-tested assistance for the “non-deserving” (able-bodied unemployed) poor. In such circumstances, crafty packaging and marketing of assistance policies—as well as public education—may be necessary (for example, to overcome the U.S. public’s misperceptions about the extent of the poor population).

### **Who is Deserving: Regional Balance**

A related question is the extent to which poverty is regionally concentrated. Again, it may be more difficult to marshal political support for assistance policies for populations that are remote or “invisible” to the average citizen as opposed to those that are closer and with whom there is some sense of affinity. Remote populations are much less likely to have representation in organized and influential interest groups, meanwhile.

### **Who is Deserving: Political Attitudes about Causes of Poverty**

Another issue is that of the ideological or political orientation of the majority of the public. It is very clear from both our U.S. and Latin America analysis that those respondents who place themselves on the right or conservative side of the political spectrum are much less likely to support redistribution to the poor or needy, and are more likely to believe that the poor are poor due to lack of effort rather than to circumstances beyond their control. Research by Corneo and Gruner (2000), discussed above, suggests that the effects of these aggregate, country-level attitudes, are as strong if not stronger than individual-level economic concerns in explaining intra-country differences in attitudes about redistribution in a selection of European countries and the United States.

This research, in addition to case-study-based work, suggests that country level differences in attitudes about social welfare do matter a great deal, and that assistance policies with a self-help or work requirement component (such as the new U.S. welfare law) are more likely to be politically viable among conservative or right-leaning publics than are other sorts of policies, such as European-style welfare policies. Again, how programs are packaged and marketed will also matter.

### **Who is Deserving: The Poor or the Children of the Poor**

Program design reflects the objectives of policymakers and the public, and differences among them can have major effects on different groups of beneficiaries. Programs such as the U.S. welfare system, which hinge on the objective of getting the poor back to work, trade off other objectives, such as the status of poor children in general. In other words, the children of “undeserving” poor who do not go back to work are much more vulnerable under a U.S.-style system, where the non-working poor risk losing their benefits, than they are under a European-style system, which provides assistance based on the number of people in poor families that need support. A risk associated with this latter type of system, however, is that it is difficult to discourage dependence on welfare.

Without making a judgement about which kind of system is better, policymakers need to be aware of the tradeoffs that exist, as well as public attitudes about these tradeoffs. In some Eastern European and former communist economies, for example, it is much less acceptable

politically to cut pension benefits than it is to cut family assistance.<sup>47</sup> Some of this is, no doubt, determined by the relative weight of interest groups (pensioners both have time and are highly organized; parents of poor children are not). Some is also determined by public attitudes. Yet establishing clarity on the objectives of the program and the choices entailed will make it much easier for policymakers to navigate the political context when presenting and implementing the program.

A more general question, which must be answered by academic research rather than by public opinion polls, is what kinds of social assistance systems are feasible and sustainable in contexts of high levels of poverty and inequality. Regardless of their design and scope, social welfare systems must be implemented in the context of growth-oriented macroeconomic policies, as at best they can only complement growth and development in reducing poverty. Yet they can serve as important supplements to the growth process by protecting the vulnerable at times of economic downturn and, equally important, providing insurance from risk of unemployment for those that take up new opportunities for upward mobility. In this latter role, they can enhance broader-based participation in the growth process. Even then, particularly in very poor contexts, there may be difficult choices about investments in children's education versus providing protection for unemployed adults.<sup>48</sup>

## **Navigating the Political Context: Land-Mines and Windows**

Once choices are made about who the beneficiaries of social assistance should be, policymakers must still navigate diverse and often very difficult political contexts in order to implement policy changes. Nor is the political economy context the only constraint or concern facing policymakers when they design and implement safety net policies. Many of them are important but beyond the scope of this paper, such as the critical issue of fiscal constraints (which in the end dictates many political choices).

The focus here is three sets of issues which directly interact with the political economy context to determine the feasibility of particular safety net programs and other kinds of assistance policies, as well as strategies for implementing them. These are the administrative capacity of public sector institutions; the extent to which public attitudes about social assistance are entrenched or framed around particular kinds of policies; and the balance between full-blown, centrally-driven reform initiatives and lower-key, ad hoc, and/or pilot initiatives. Understanding the lay of the land in these three issue areas will assist policymakers in navigating the political economy context.

## **The Institutional Framework**

The choice of safety net and other social assistance policies is often dictated by the capacity of public sector institutions. In countries with very weak public institutions and very little administrative capacity, policies which rely very little on central-level administration and much more on local institutions and organizations (including non-governmental organizations) to both identify and implement projects, such as the social fund model of social assistance, are usually more appropriate. There is clearly a tradeoff, however, as such

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<sup>47</sup> I discuss this in detail in Graham (1994) and Graham (1998); see the chapters on Poland in the former and the Czech Republic in the latter.

<sup>48</sup> Of course, the unemployed often have children, and thus the tradeoffs are not always straightforward.



policies are much less effective at targeting particular groups, particularly the poorest, who are the least likely to present viable project proposals.

Thus, while decentralized, demand-based programs have a great deal of appeal in many contexts, and often have positive externalities in terms of local capacity-building and the creation of local-level stakeholders, they usually cannot provide a fail-safe safety net. This must be kept in mind if protecting the most vulnerable is a major objective. That said, in many contexts where central-level administrative capacity is preclusive to other approaches, this may be the only feasible alternative, at least in the short term.

In addition, if the political context is hostile to redistribution or to assistance strategies, then this model also has the appeal of demonstrating that those who receive assistance must take initiative and contribute substantial effort in order to receive it. Another advantage is that the devolution of responsibility for the program from the central to the local level can often help diffuse the political debate and political opposition, as was the case in the United States in 1996, when states were given block grants and a great deal of flexibility in setting the rules for TANF.

Over the longer term, the demand-based model of social assistance can be further developed to create greater linkages with the mainstream public sector, which can meet institution-building objectives, as was attempted in the second stage of Bolivia's Emergency Social Fund. As always, this approach also entails tradeoffs, as the greater the linkages with the mainstream bureaucracy, the less agile and flexible the assistance program is likely to be.

The alternative model for social assistance is a centrally implemented program within the mainstream public sector bureaucracy, as is the case with social welfare policies in Chile, Costa Rica, and Uruguay (even though many of them have local-level components). This may be the most effective approach if targeting the poorest is an objective, as Chile's experience in the 1980s demonstrates. Administrative capacity is a pre-requisite for this kind of approach, however. There are also other advantages from a poverty reduction perspective. In addition to targeting, it is possible to coordinate various kinds of assistance, such as tying means-tested assistance for low-income mothers to regular visits to the health posts for their children. It is also more possible to guarantee uniformity and regional balance in assistance policies, although these objectives are, of course, contingent on sufficient funding and political commitment, in addition to administrative capacity. With demand-based, locally driven approaches, heterogeneity in outcomes is a given. At the same time, as noted above, the latter may have an advantage in circumventing or avoiding national-level political controversies.

A centrally driven approach is also easier to maintain on a permanent, as-needed basis and can respond to macroeconomic cycles and/or external shocks. Coordination at the central level makes it more likely that economic downturns can be foreseen more easily and planned for. Chile's recent implementation of public works employment, for example, called for the cooperation and participation of various ministries, as well as coordination with the private sector. This would be more difficult—although not impossible—to achieve with a demand-based and semi-autonomous assistance fund.

While administratively lean and decentralized programs are better suited to “hostile” political environments, centrally-based assistance programs—which are usually larger—require at least a minimum degree of political support, as they are much more likely to be the

focus of national-level political debates. It is therefore no surprise that the countries that have the most developed systems of this kind also have political cultures that emphasize at least some degree of social solidarity and collective responsibility for assisting those that fall behind. They are also, as noted above, fairly homogeneous in terms of race and tend to be smaller in geographic terms.<sup>49</sup>

Two integrally linked and important issues are the structure of political institutions and the organization and/or relative strength of particular interest groups. In a few contexts, executives have a great deal of freedom to implement changes in the social assistance arena. In most, however, social assistance policies are closely linked to social sector policies such as health and education, on which publics usually have very strong views, and for which legislative approval is required to make changes or implement reforms. Unlike macroeconomic reforms, which can often be implemented by executive decree, social sector and social welfare reforms usually require legislative approval. Thus, the nature and relative balance of political institutions will play a role in determining the kinds and scope of reforms that are feasible. In contexts where the legislature is relatively strong, building a broad base of support for reforms—and/or a more incremental and decentralized approach—may be necessary.

Related to this is the role of interest groups. In countries where organized labor or other such interest groups are very strong, it will be very difficult to dismiss their interests—and claims on social assistance benefits—in any kind of centrally driven, comprehensive reform initiative. Again, the balance of interests will interact with public attitudes about who is deserving of assistance to determine the kinds of policies that are feasible and sustainable.

None of this implies that particular countries are pre-destined to have a particular kind of safety net or social assistance program. It does suggest, however, that certain kinds of programs are easier to implement in particular administrative and political contexts.

## **Entrenched Public Attitudes**

The second issue is how policymakers can navigate political attitudes or political cultures when attempting to implement new kinds of—or changes in—social assistance policies. Many observers have noted the difficulties that external actors had in convincing policymakers in Asia of the need for social safety net policies during the 1997-98 economic crisis.<sup>50</sup> The reason was the fear that those nations' strong tradition of family-based responsibility for social assistance would be eroded by the introduction of public programs. While those fears were probably justified to some extent, it is also clear that a large amount of human suffering and increases in poverty could have been avoided had more effective public safety nets been in place. And had the recovery from the crisis not been so rapid, these issues would have been even more salient.

On the other hand, some publics feel very strongly about collective responsibility for certain goods, ranging from social assistance to education. In much of Eastern Europe, for example, it has been extremely difficult to implement social security reforms based on individual contributions due to the entrenched belief that pension systems should be public,

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<sup>49</sup> Other large-scale public assistance programs, such as public works programs in India, have been implemented on a regional basis.

<sup>50</sup> See, for example, Birdsall and Haggard (2000).

even though it is increasingly clear that the current systems are insolvent and continued public support for them is encroaching upon other essential government expenditures. This contrasts with the large number of Latin American countries that, following Chile's example, have introduced private or partially private social security systems. In the Eastern European context, where pensions have been universally provided and the responsibility of the state for decades, introducing change was much more difficult than in Latin America, where large parts of the public were not covered by the public pension system to begin with, and where the role of the state in providing social services was more limited.

How then to navigate deeply entrenched attitudes about social assistance? As a starting point, it is clear that they cannot simply be dismissed. If attitudes favor the private sector, then private sector involvement in assistance programs (either in the provision of services or playing a role in hiring temporary labor) may make programs more politically feasible. If there are strong attitudes about the deserving versus the non-deserving poor, then work requirements and other forms of self-help may help make programs politically feasible. In contrast, in the case where there are strongly entrenched views about certain services being public goods, then reforms which seek to increase things such as voice and choice must be introduced cautiously and with strong public relations components—or even better on a pilot basis—to avoid polemical political debates which can jeopardize broader reform efforts.<sup>51</sup>

### **Big Bang Efforts versus Reforms by Stealth**

The literature and debate on the implementation of macroeconomic reforms has focused on the pros and cons of big bang versus gradual approaches to reform. Similar arguments could be made about the timing and scale of reforms in the social assistance arena. An analogous but slightly different distinction applies to social welfare reforms, between centrally driven, clearly defined reform efforts and ad hoc or decentralized reforms by stealth.

Success in reforming social welfare and other social sectors usually entails extensive efforts to publicize and explain reforms to the public; clear consensus on their direction; and central level commitment and priority setting. Multiple cases of failed social welfare reform in the United States versus the success of the 1996 reform are a case in point. An additional advantage was that Clinton was a Democrat pursuing what seemed a classic Republican agenda (getting welfare recipients to work and ending dependence). He had a “window” of opportunity, during which his relative political advantage coincided with a very clear national consensus on the need to reform welfare.<sup>52</sup> Yet the success with welfare reform contrasts sharply with the same administration's failure at health reform, in part because in the latter case there was so little consensus on the direction of the reform.

Similar examples abound in the developing economies. Uruguay's success in reforming education in the early 1990s was driven in part by clear consensus on the direction of the reform and in part by the leadership and political skills of its education minister, German Rama (Filgueira and Moraes 1999). Again, there was a window of opportunity in part created by the clear public consensus on the need for education reform. This contrasts sharply with a failed health reform in Uruguay at the same time. In Colombia, meanwhile, a very ambitious

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<sup>51</sup> Public opposition to reforms to social assistance programs, as in the case of targeting rice subsidies in Sri Lanka and maize meal subsidies in Zambia, can jeopardize government efforts at macroeconomic reform.

<sup>52</sup> For details on the politics of U.S. welfare reform, see Weaver (2000).

health reform was passed in the early 1990s. The reform was based on separating the financing from the provision of health care, the introduction of competition in provision, and the extension of insurance to hundreds of thousands of low-income individuals. The effort was in large part possible because of the vision and commitment of then-health minister, Juan Luis Londono (Graham, Grindle, Lora, and Seddon 1999). While leadership does not translate easily into a policy recommendation, it matters.

Yet there are also instances where even the most effective of reformers and communicators are unable to pass reforms due to entrenched public attitudes. The case of Vaclav Klaus and the reform of the social assistance system in the Czech Republic is an example. Here, a leader who was able to turn a centrally planned economy into a market one over-night, and who implemented the first full blown attempt at voucher privatization in the region, was unable to reform the social benefits system.

Klaus initially wanted to target family benefits (which were universal in the Czech Republic) to families at 1.25 times the minimum wage and below. After widespread opposition, the government backed off its proposal, agreeing to stagger benefits (higher) for the poorest families, but pay benefits to all those earning up to 2 times the minimum—which meant all families except the wealthiest 5 percent.<sup>53</sup> Klaus realized that a wider public debate on targeting social policy would jeopardize other parts of his reform program. This was due to deeply entrenched attitudes about universal rights to social assistance benefits. From that point on, the government backed off more extensive efforts, and reform of social assistance programs became a process of tinkering at the margin.

In such contexts, it may well be impossible to get political approval for particular kinds of reforms—at least at particular political junctures—as the political cost may be so high as to jeopardize important government objective in other arenas, such as macroeconomic reform. In these cases, the only way to make progress towards reform and/or introducing new approaches to social service delivery is to take a strategy of “reform by stealth”.<sup>54</sup>

Here the strategy is exactly the opposite of the one described above. Instead of a centrally driven effort that receives a lot of attention in the national political debate, reform efforts in this instance take place as pilot programs within a particular ministry or agency, and are implemented primarily at the local level. If and when they are successful, they then can attain national attention (and national level implementation) precisely because their record takes away the most powerful weapon for critics of reforms—fear of uncertain outcomes.

Case in point is the CLAS health program in Peru. The CLAS (Comites Locales para la Administracion del Salud) were community run and administered boards set up to manage local health posts in rural Peru. The program began as a pilot and then expanded dramatically, covering approximately two-thirds of the rural health posts in Peru. The boards, which were supervised by the central ministry and composed of a ministry representative, a respected local doctor, and other locally elected officials, were fully responsible for management of health posts, including the administration of fees. Peruvians have always paid at least nominal fees for health services. The major change with CLAS is that instead of

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<sup>53</sup> I discuss this in detail in the chapter on the Czech Republic in Graham (1998).

<sup>54</sup> We introduced this term in Graham, Grindle, Lora, and Seddon (1999).

sending the fees back to the regional health offices and receiving a small percentage of them back, they kept all of the fees and managed and allocated them locally.

The CLAS were allowed to use the funds that they generated to purchase additional supplies and other necessary goods, as well as to hire additional workers—or pay existing public health workers for working more hours. A major problem prior to the CLAS was that the posts were only open for a few hours a day, and rural users would travel long distances at a very high cost (in terms of their time and relative income levels), only to find the posts closed and/or lacking drugs. In the areas where CLAS were implemented, local usage of health posts increased, and early studies find evidence of improvements in health indicators, such as infant mortality, in areas where the CLAS operate (Paredes-Solari 1995 and Taylor 1996).

Local public health workers, originally opposed to the program on job security grounds, soon became major supporters once they realized they could work many more hours and get paid. Thus, local health workers, along with the users of health posts, became stakeholders, and thus an important new base of political support for the program. At present, there are many more villages requesting CLAS than the government is able (or willing) to implement.<sup>55</sup>

Among other things, three were essential to the success of the CLAS. The first of these was a major local-level outreach program, to educate and inform rural people about the CLAS and to encourage health post usage. The second was the commitment of the minister of health at the time the reform was implemented, as there was much opposition, both within the ministry and at the regional health sector level. Finally, equally important was the fact that the CLAS did not get much publicity at the central level and/or enter into the national political debate.

President Fujimori, who feared devolving authority of any kind to the local level, may well have been opposed to the program had he known more about it. At the same time, privatization of social services had become a political “bete noir” in Peru due to the opposition’s campaign against a voucher-based education proposal, which was modeled on Chile’s reform. The opposition effectively focused on the poor state of rural schools in Chile, and the Fujimori government came close to losing a constitutional referendum over the education reform issue.<sup>56</sup> The government subsequently dropped the reform initiative for fear of continued political reverberations. The CLAS was implemented during this period and, given greater publicity, the opposition might have included it in its campaign in protest of “privatization” of social services.

The point here is not the particulars of the CLAS and/or other reforms, but rather that if and when political attitudes are fairly entrenched—and at times they may become more so in response to other even unrelated reform attempts, such as education in Peru—there are political “minefields” that policymakers should avoid. When and if that is the case, reform by stealth, on a quiet, pilot basis, is the most effective way to proceed. This again highlights the importance of policymakers being aware of the particulars of the political context at the moment, as well as of political attitudes more generally.

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<sup>55</sup> I discuss the CLAS program in detail in the chapter on Peru in Graham (1998). The fate of the program during the political uncertainty in Peru since then is somewhat unclear.

<sup>56</sup> There is debate over the effects of the voucher reform on poor rural schools in Chile, which were in a poor state even prior to reform. See Gauri (1999). Still, it made for a powerful political weapon for the Peruvian opposition.

## Conclusion

This paper has suggested a framework for thinking about the political economy of safety nets and social assistance policies. It highlights the importance of public attitudes about the causes of poverty, about the distribution of opportunities, and about redistribution, among others. It posits that such attitudes are not only key to the choice of programs, but that they are likely to influence the design and future direction of policies. While temporary and externally financed safety net programs can avoid these concerns more easily, social assistance policies that form part of a longer-term social contract must take them into account.

These attitudes will have particular relevance and importance for allocation issues. The usual focus of attention when discussing such issues is whether or not programs should be targeted or universal. While recognizing the importance of this distinction, this paper posits that deeply held public attitudes often require a broadening of this dichotomy to include other potential conflicts (or intersections) of interests between the near poor and the poor, between the poor and the poorest, between the working poor and the non-working poor, and between formal- and informal-sector workers. In addition, institutional context may dictate other choices (or intersections) between centrally financed and implemented programs and more decentralized, demand-based ones.

In order for policymakers to incorporate public attitudes into the policy process, they need more and better instruments for assessing public opinion. This requires both supporting and strengthening ongoing efforts to measure public opinion. This is an area where the international institutions could play a major role in helping to generate and disseminate information, both within and across national boundaries.

Taking public attitudes into account has direct implications for reform implementation. In some contexts, clearly defined, bold, and rapid reform efforts are the most effective approach. In others, where public opinion is deeply entrenched and/or the subject of polemical political debates, reforms of social assistance or other social policies can have high political costs that can jeopardize broader macroeconomic efforts. In these cases, reform by “stealth,” which then gains public approval via the record of new policies and their demonstration effect, may be the only politically feasible strategy.

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