Social Protection and the Market in Latin America

The Transformation of Social Security Institutions

Social security institutions have been among the most stable post-war social programs around the world. Increasingly, however, these institutions have undergone profound transformation from public risk-pooling systems to individual market-based designs. Why has this “privatization” occurred? Why, moreover, do some governments enact more radical pension privatizations than others? This book provides a theoretical and empirical account of when and to what degree governments privatize national old age pension systems. Quantitative cross-national analysis simulates the degree of pension privatization around the world and tests competing hypotheses to explain reform outcomes. In addition, a comparative analysis of pension reforms in Argentina, Brazil, Mexico, and Uruguay evaluates a causal theory of institutional change. The central argument is that pension privatization emerges from political conflict rather than from exogenous pressures. The argument is developed around three dimensions: the double bind of globalization, contingent path-dependent processes, and the legislative politics of loss imposition.

Sarah M. Brooks is an Assistant Professor in the Political Science Department at Ohio State University. She has also been a postdoctoral Fellow at the Kellogg Institute at Notre Dame. She has published articles in the American Journal of Political Science, Journal of Politics, World Politics, International Studies Quarterly, Comparative Political Studies, and Latin American Politics and Society, and she has written chapters in several edited volumes, including Learning from Foreign Models in Latin American Policy Reform (2004), New Ideas about Old Age Security (2001), and Pension Reform: Issues and Prospects for Non-Financial Defined Contribution (NDC) Schemes (2006).
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SARAH M. BROOKS
Ohio State University
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*The Transformation of Social Security Institutions*
During the Great Depression, Latin America experienced a precipitous drop in demand from its traditional markets in Europe. This prompted states to reexamine the dangers of laissez-faire economic policy, in favor of import-substitution-industrialization (ISI). After World War II, ISI policies really took off, and states created an inward-looking economic model that relied on infant industry promotion and domestic demand to spur growth. ISI worked well for Latin American countries, and in the 1940s and 1950s, the region saw healthy growth rates, with industry outpacing overall economic growth.