

## CHAPTER 1: INTRODUCTION

In the first half of the twentieth century, the most economically advanced Latin American countries established extensive welfare institutions for government and industrial workers. By mid-century, social insurance, including extensive pension, health, and workers' compensation programs, protected formal sector workers, or those in the regulated labor market, in most Latin American countries. These welfare institutions were often central to the fabric of political life. The debt crisis of the 1980s ushered in a new economic orthodoxy. Most countries began making substantial efforts to reform their social insurance institutions, with varying degrees of success. Public pension reform, including privatization, was the most notable trend, though public health insurance was also targeted for reform. Given the political significance of these welfare institutions, their reform was—and is, where reform efforts are ongoing—highly contentious.

Few studies have systematically examined the political origins and historical development of these welfare institutions, despite their centrality in Latin American politics. This lacuna is conspicuous compared to the extensive comparative literature on similar welfare institutions in the advanced industrialized economies of Western Europe and North America. This book begins to fill this gap in our understanding of the dynamics of welfare in Latin America through a comparative historical analysis of social insurance institutions in Mexico since the Mexican Revolution (1910–17).

The study of welfare in Mexico provides a good opportunity to deepen our understanding of the politics of welfare throughout Latin America because the Mexican case suggests a number of interesting theoretical puzzles. For instance, why would a

country that was predominantly agrarian in the 1940s opt to invest considerable political and economic resources in welfare institutions that benefited a small, but growing, number of primarily urban industrial workers? If the creation and expansion of welfare in Europe is associated with the expansion of worker suffrage and the consolidation of democracy at the turn of the twentieth century, why were welfare institutions created in Mexico during the consolidation of authoritarianism? And, if organized labor was co-opted and so weak during the height of Mexican authoritarianism in the 1950s through the 1970s, why did this period see the greatest expansion of welfare coverage and benefits? Finally, if the regime that dominated Mexican politics for most of the twentieth century had so completely established control of organized labor, why was the regime unable to impose all the pension and health insurance reforms it favored during the 1990s?

This book argues that the answers to these questions can be found in the relationship between organized labor and the state and in the processes of institutional change. The explanation presented in these pages is not one that stresses Mexican exceptionalism, though Mexican history does reveal certain particularities. Because the explanation is theoretically grounded in the literature on welfare and institutional change, it emphasizes the theoretical affinities between the Mexican experience and those in other countries that have faced the incorporation of an organized working class into national politics.

So what factors explain the development of welfare institutions in Mexico? Evidence suggests that the political struggle of the organized working class during its incorporation into national politics early in the twentieth century led to the creation of

Mexico's welfare institutions. Organized labor articulated demands for the creation of public policies to protect workers and their families, and the construction of welfare institutions was the result of a political compromise between labor unions and the state during the establishment of Mexico's authoritarian regime. The political compromise incorporated organized labor into a cross-class coalition constructed by the ruling party.

Unlike some characterizations of political development in Latin America that emphasize labor co-optation and acquiescence (Collier and Collier 1991), the incorporation of labor into national politics did not preclude the articulation of demands and mobilization of labor, even within the context of Mexican corporatism. Organized labor successfully used its relationship and access to the state to demand the expansion of welfare throughout the period of state-led industrialization. The demands of labor were constrained, however, by both the institutions of corporatism and the welfare institutions created during the initial compromise between labor and the state. The early welfare institutions created strong policy legacies, or feedback effects, that shaped future welfare regime development. They did this by creating stratified distinctions among different groups of beneficiaries or potential beneficiaries and by shaping expectations regarding appropriate state benefits and policies.

After the establishment of welfare institutions, institutional change in response to labor demands and mobilization occurred through institutional parametric and structural reform and institutional layering, or the creation of new institutions alongside existing unreformed institutions.<sup>1</sup> These patterns of institutional change characterize not only the expansion of welfare in Mexico through the late 1970s but also the transformation of Mexico's welfare regime in the final decades of the twentieth century. Consequently, the

argument presented here combines elements of both power resources and historical institutional approaches to explain the development of Mexico's welfare regime throughout the twentieth century.

### **Welfare, defined**

Though much of recent welfare research is framed in terms of welfare regimes, or the “combined, interdependent way in which welfare is produced and allocated between state, market, and family” (Esping-Andersen 1999: 34–35), the central focus of study in these literatures consists of the ways in which the state intervenes in the production or allocation of welfare in response to market and family failures, such as unemployment, disability, and aging. The level of income support and range of policies considered appropriate can vary considerably and are often the source of fierce debate.

Although a wide range of public policies can be used to enhance welfare and correct market and family failures, the focus of this book, like much of the literature on welfare, will be on policies for social protection. Social protection includes both traditional social insurance and social assistance.<sup>2</sup> *Social insurance* consists of five programs designed to facilitate the smooth functioning of formal labor markets and address the social risks of labor market participation, including work-related accidents and illness, old-age and disability, and unemployment. The five core programs of social insurance are workers' compensation for work-related accidents and illness, old-age and disability pensions, sickness insurance, unemployment insurance, and family allowances.<sup>3</sup> Social insurance is generally contributory; that is, benefits are funded by a combination of regular contributions by workers, employers, and the state.<sup>4</sup>

In contrast, *social assistance* refers to a variety of non-contributory income subsidies and benefits, usually provided to the poor or those with demonstrable need. Since an expansive definition of social assistance could include nearly any public good provided by the state, this book defines it as non-contributory, excludable government income subsidies and welfare programs with the primary aim of reducing poverty, such as non-contributory pensions, healthcare, and targeted income subsidies.<sup>5</sup> Given the structure of the Mexican labor market and the welfare institutions that have developed, this means that social insurance is mostly restricted to the large minority employed in the formal labor market, while social assistance is intended to protect poor rural producers and urban informal sector workers.

Three organizations have been the primary providers of social protection in Mexico: the Mexican Institute of Social Insurance (Instituto Mexicano del Seguro Social, or IMSS), the Government Workers' Social Security and Services Institute (Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado, or ISSSTE), and the new Secretary for Social Development (Secretaría de Desarrollo Social, or Sedesol). The IMSS has provided old-age and disability pensions, sickness and maternity benefits, workers' compensation insurance, and a variety of other benefits for private sector workers since 1943. Since 1959, the ISSSTE has provided similar benefits, and more, for federal public sector workers and some state government workers. Though the military, petroleum, and railroad workers have had separate social insurance systems, the IMSS and the ISSSTE are the largest organizations providing social insurance for formal sector workers. Beginning in the early 1970s, an IMSS-run program, the IMSS-COPLAMAR, was responsible for social assistance. In the late 1980s, the government expanded its

social assistance programs. The president's office originally administered the new social assistance, but created the Sedesol in the early 1990s to administer programs for the poor.

Though previous studies have examined certain social protection policies separately,<sup>6</sup> a fuller understanding and better explanation of the political process that produces social protection requires analyzing the main institutions together. A comparison of the political origins and development of the IMSS and the ISSSTE allows us to eliminate alternative hypotheses and develop a more precise and consistent explanation of the political process that produces welfare institutions. For both institutions, organized labor demanded their creation, and political conflict between organized labor and the state preceded their creation. An explanation of the origins of the ISSSTE would certainly be incomplete if it did not consider the existing institutions providing welfare for workers: labor contracts and the IMSS. Likewise, an explanation of the process of welfare retrenchment in Mexico in the 1990s should consider the variation in retrenchment across these two principal welfare institutions. For example, the juxtaposition of the IMSS pension privatizations with the failure to privatize ISSSTE pensions highlights the differential political capacity of labor unions in tradable and non-tradable industries in the 1990s.

Comparisons across functional policy areas can also help eliminate rival hypotheses and circumscribe theoretical explanations. Though several recent studies have sought to explain pension privatization in Mexico and elsewhere in Latin America,<sup>7</sup> their narrow focus on one policy area limits the domains of their theoretical arguments and may have led them to faulty inferences. For example, several pension studies discount the role of organized labor and emphasize instead executive control of the legislature and

centralization of decision-making as key factors contributing to more extensive pension privatization (Brooks 2001; Madrid 2002).<sup>8</sup> However, these factors were not enough to privatize IMSS healthcare services in 1995, as proposed at the time of the pension reform; the IMSS workers' union successfully blocked attempts to privatize healthcare. Only a comparison of simultaneous reform proposals in both pension and healthcare illustrates this political dynamic of welfare retrenchment.

Targeted social assistance or poverty alleviation programs have also received recent scholarly attention.<sup>9</sup> Most of these studies focus on the proliferation of targeted social spending in the 1990s and assess claims that such spending was politically motivated or manipulated by executives. Nevertheless, these studies often fail to situate targeted social spending in the broader welfare regime and therefore miss an important part of the explanation for its genesis. Targeted social spending is not only a reflection of a new neoliberal economic agenda and of populist tendencies in new democracies with weak accountability, but also represents the construction of an alternative welfare model layered alongside decaying traditional social insurance. Narrow studies of targeted social assistance fail to highlight the ways in which such programs represent an ad hoc addition to and partial transformation of existing welfare regimes.

Perhaps more importantly, a narrow focus on one welfare institution, such as the IMSS, or one functional policy, such as pensions or targeted spending, fails to explain adequately the political process that shapes the overall welfare regime and misses the important dynamics of institutional change. The historical comparison of the IMSS and the ISSSTE underscores the policy legacies created by the IMSS and their impact on the creation of the ISSSTE. It also illustrates that institutional change occurs during periods

of relative institutional stability and explains how such change is likely to occur (in this case by layering). Similarly, the comparison of the partial retrenchment of social insurance in the 1980s and 1990s to the expansion of targeted social assistance provides a more complete picture of the transformation of Mexico's welfare regime. A narrow focus on pensions or social assistance not only overlooks how institutional layering was producing an important transformation of welfare in Mexico, but it also fails to produce a coherent explanation of welfare reform and institutional change. For these reasons, studies should consider together the range of policies that provide social protection.

Finally, by analyzing and explaining the wide range of policies that form the basis of Mexico's welfare regime, this book not only situates the Mexican case within the broader comparative welfare regime literature but also furthers the theoretical debates on the political foundations of modern welfare regimes. Whereas many studies of narrow policy areas contribute to discussions of neoliberal reform in the developing world, this study answers a fundamental and nearly universal question regarding the conditions under which states respond to demands from citizens for welfare. In the process of answering the basic question, this book draws on diverse theoretical insights and presents a wealth of new empirical evidence from the Mexican case.

### **Theoretical overview**

Researchers originally developed class power resource explanations of welfare development to describe variation in the development of the welfare state in advanced industrialized democracies (Stephens 1979; Korpi 1983). This approach uses the argument that only through capturing the state in democratic elections has the organized working class been able to implement the most redistributive welfare policies opposed by

capitalists. In a variation of power resource explanations, a cross-class alliance between social democratic and agrarian parties, rather than social democratic or labor parties alone, produced the most generous welfare states of Northern Europe (Esping-Andersen 1990). Researchers have more recently refined this approach to include an explanation of how the accumulation of social democratic rule has sheltered some European welfare states from extensive retrenchment (Huber and Stephens 2001). Despite its original focus on industrialized democracies, this class power resource approach offers analytical promise for understanding the development of welfare in Latin America.

Organized labor in the most advanced Latin American countries emerged in the early decades of the twentieth century and quickly transformed the political landscape (Collier and Collier 1991). However, the way that labor was incorporated into national politics was not uniform across the region, and corporatist institutions provided diverse inducements and constraints for organized labor (Collier and Collier 1991). Though corporatist institutions provide the backdrop for the mobilization of labor power in the twentieth century, corporatism did not preclude periodic mobilization of labor power to demand the expansion of welfare benefits for formal sector workers in Mexico. The power of Mexican organized labor derived not from the market but from its centrality to the cross-class coalition that kept the ruling party in power for more than seven decades. Despite the absence of effective democratic competition, organized labor used its position in the ruling coalition to pressure the state periodically for additional worker benefits.

The historical institutionalist approach used in this study also differs in significant ways from some of the dominant explanations in the literature on institutions and welfare. Unlike many explanations of institutional development, which view change either as

dramatic and short-lived during critical junctures or as marginal and constant, this approach argues that the development of welfare institutions in Mexico reflects characteristics of both types of change. Mexico's welfare institutions were initially created during a period of industrialization and state-building that caused changes in the relative power of organized interest groups. At that time, welfare institution creation was dramatic and profound, and the institutions that resulted then also shaped the future development of welfare, although change was not entirely pre-determined or path-dependent. In contrast to the strong versions of the critical juncture approach (e.g., Collier and Collier 1991; Mahoney 2001), this book argues that institutional change continued to be significant after this critical period ended. Indeed, some of the changes were profound, including the creation in 1959 of an entirely new welfare bureaucracy alongside existing institutions. The evidence makes it clear that large-scale institutional change may occur both during critical junctures and the periods that follow. In addition, we should not assume that policy legacies, or feedback effects, are automatic or predetermined; actors always play important roles in shaping institutional outcomes

This theoretical argument explains in particular the development of welfare institutions in Mexico since the Mexican Revolution. The Revolution, which had devastating effects on the population, economy, and state, also produced one of the most progressive modern constitutions. The 1917 Mexican Constitution established that the state would guarantee certain welfare rights for workers, and laid the foundation for future welfare regime development. The young Mexican state lacked the capacity and political stability to transform the promises of the Constitution into tangible benefits. However, thanks in part to industrialization, the working class was growing. Following

the adoption of the Constitution, organization and the articulation of worker demands continued to expand, spurring the state to provide the promised benefits. In 1925 national legislation established old-age pensions and housing loans for federal government employees. Shortly thereafter, the Federal Labor Law of 1931 established employer responsibility for severance pay for workers, though the benefit was unfunded and state capacity hampered enforcement. This law—and, later, the Government Workers' Federal Law in 1938—also outlined the primary corporatist institutions regulating private and public sector unions. Nevertheless, it was not until 1943 that the government created the IMSS, the first extensive welfare institution for private sector workers.

The creation of these welfare institutions occurred in the context of industrialization and centralization of state capacity, and in response to mobilization and demands by organized workers. The creation of the IMSS was also central to the consolidation of political power by the party that would dominate Mexican politics through the end of the century: the Institutional Revolutionary Party (Partido Revolucionario Institucional, or PRI). The creation of the IMSS was a concession to organized labor, and was intended to guarantee its participation in a cross-class coalition in support of the PRI. This coalition would dominate the PRI regime until the 1980s.

Organized labor continued to demand the expansion of welfare benefits until the end of the 1970s. It pressured the state to accede to demands by combining inside access to the state through its relationship with the ruling party with periodic mobilization. The state responded to organized labor's repeated threats to withdraw support for the ruling coalition by expanding welfare. However, the expansion and even creation of new welfare institutions continued to be shaped by benefits in existing labor contracts and

those provided by the IMSS. From the 1950s through the 1970s, the IMSS expanded its coverage in response to labor demands to include the entire national territory and to include new categories of workers. Successive reforms also expanded and improved the benefits that workers received.

The creation of the ISSSTE, in 1959 reflects the importance of both labor mobilization and the policy legacies of existing welfare institutions. In the late 1950s, Mexico underwent an intense mobilization of government workers that threatened to undermine the PRI coalition. Also contributing to its creation were the generous benefits in existing labor contracts compared to the benefits provided by the IMSS, a situation that precluded the incorporation of state workers into the IMSS. This layering of a new institution alongside the existing one reflects both the demands of labor and the constraints imposed on existing welfare institutions. The layering also created policy legacies that had significant effects on the outcomes of retrenchment efforts to welfare in the 1990s and throughout the Fox administration in 2006.

The 1980s and 1990s witnessed extensive economic and political changes throughout Latin America, which have led some to suggest a new critical juncture (Collier and Collier 1991; Weyland 2004). The economic and political changes concomitant with the debt crisis, globalization, and democratization may be consistent with a new critical juncture, though important institutional legacies persisted. In particular, the economic and political changes affected the relative power of domestic actors, which prompted a reorganization of the ruling party and its coalition of support. These changes opened the process of reform of welfare institutions to a broader range of actors and interests. Since the 1990s, several attempts to reduce or privatize various

welfare institutions have met with mixed success: the privatization of IMSS pensions stands in contrast to failed attempts to privatize IMSS healthcare and ISSSTE pensions. This pattern suggests that even during periods of dramatic institutional change, policy legacies continue to constrain institutional change, and wholesale replacement of welfare institutions is not likely. The growth of new welfare institutions—such as Pronasol (1988–94), Progresa (1977–2001), and Oportunidades (2001–06)—to provide targeted or means-tested poverty relief is consistent not only with the new power distribution but also with the concept of institutional change through layering of new institutions alongside old. By the end of the century, the Mexican welfare regime reflected the evolution of working class power and piecemeal institutional change throughout the eight decades that followed the Revolution.

Though the argument in this book draws heavily from the power resources and historical institutionalism approaches to the development of welfare regimes, it is not inconsistent with, and indeed often uses, insights from several other theoretical approaches of welfare. Though Chapter 2 discusses the theoretical framework and these distinctions in detail, it is valuable to foreshadow some of these theoretical synergies and differences. The argument here can clearly be distinguished from functional explanations of welfare based upon either industrialization or organization of the economy. It proposes that Mexico's welfare regime was the outcome of an overtly political process, though the political conflict did come about in part because of industrialization. Industrialization may be necessary for welfare state development, but it is rarely sufficient. Actors must mobilize to demand the creation of new institutions, and those demands are often met with resistance by other actors opposed to their creation. Likewise, Mexico's welfare

regime was clearly embedded in a particular production regime, made up of the interrelated institutions that regulate labor, commercial, and financial markets. The creation and development of welfare was embedded both in state-led industrialization and has recently been affected by the reorganization of the economy along neoliberal lines. There are obvious “institutional complementarities” (Hall and Soskice 2001; Thelen 2003) between the institutions that regulated economic development and those that provided welfare during import substitution industrialization (ISI). Similarly, there are institutional complementarities between the neoliberal economic model adopted in the 1980s and 1990s and the new emerging model of welfare in Mexico. These institutional complementarities cannot explain the development or reform of welfare institutions. Indeed, the fact that efforts at wholesale reform of welfare institutions have been unsuccessful belies a functional, conflict-free adjustment of institutions to take advantage of potential complementarities.

Though the argument in this book is consistent with state-centered arguments, it does not privilege the state as a source of welfare. State-centric arguments take a variety of forms in the literature on welfare. Some stress state centralization (Skocpol 1992), bureaucratic autonomy (Hecló 1974), or political institutions (Immergut 1992; Skocpol 1992; Huber, Ragin, and Stephens 1993). Skocpol (1992) emphasizes the decentralization of state power to explain why U.S. welfare in the late nineteenth century developed first in the states. In contrast to the U.S. experience, the establishment of the IMSS in 1943 reflects the centralization of state power that was part and parcel of the consolidation of the PRI-dominated authoritarian regime. The centralization of state power in Mexico was also closely related to the consolidation of state capacity, though conceptually the two are

distinct (Huber 1995). Other state-centric explanations of welfare state development emphasize the autonomous role of bureaucrats in promoting the expansion of welfare (Hecló 1974). The most important study of the IMSS to date attributes much of the impetus for the creation and expansion of social insurance to Mexican elites, especially in the bureaucracy (Spalding 1978; Spalding 1980; Spalding 1981). Still, a top-down, bureaucratic explanation alone cannot adequately explain the creation of the IMSS or the expansion of benefits through the 1970s. Yet another state-centric line of reasoning emphasizes the importance of political institutions for welfare regime development. Of these state-centric arguments, the one in this book draws the most from the insights of those suggesting that political institutions influence welfare state development.

Though Chapter 2 discusses political institutions in more detail, two points are worth highlighting here. First, welfare institutions in Mexico were created during, and quite possibly directly contributed to, the consolidation of authoritarian political institutions in the 1940s. This fact should be contrasted with arguments that associate the creation of welfare with the emergence of democratic political institutions (Flora and Alber 1981). Second, throughout most of the twentieth century, *de facto* political decision making was highly centralized in the authoritarian regime—despite *de jure* political decentralization in the Constitution. This means that legal characteristics of political institutions like presidentialism, bicameralism, and the electoral system became important in determining access to the policy-making process only in the final decade of the twentieth century. Even then, significant political bargaining occurred outside legislative institutions.

In addition to functional economic and state-centric approaches, several additional hypotheses have been developed to explain welfare regime variation, such as international diffusion (e.g., Collier and Messick 1975), economic openness (Cameron 1978; Katzenstein 1985), advocacy by capitalists (Swenson 2002), and feminist mobilization (O'Connor, Orloff, and Shaver 1999). Chapter 2 examines these alternative hypotheses in more detail.

### **Theoretical and methodological contributions**

Research on welfare institutions has been advanced by a question-driven theoretical and methodological pluralism. Works regularly engage a range of theoretical perspectives and often synthesize these into compelling explanations. The application of both qualitative and quantitative methods has provided new answers to old questions and raised new theoretical puzzles. This willingness to engage diverse theoretical perspectives and to employ a range of methodologies has advanced the research program on welfare and furthered our understanding of welfare institutions (Pierson 2000; Amenta 2003). Grounded in this research tradition, this study likewise engages existing theory and employs both qualitative and quantitative methods. The study also begins to fill theoretical and empirical gaps in the literature on the welfare state, especially in Latin America.

This book's theoretical argument demonstrates the usefulness of combining class power resource and historical institutional approaches. This synthesis of the two approaches seems natural, given that class actors are shaped by and shape institutions in a dynamic process, one outcome of which is the development of welfare institutions. Previous applications of the class power resource approach acknowledge the importance

of political institutions and institutional change (Huber and Stephens 2001), and previous historical institutionalist analyses emphasize the importance of political conflict in explaining the origin of institutions (Thelen 2003). This book intends not only to demonstrate the ways in which the two approaches are complementary but also to show that explanations that give primacy to either class power or institutions are less complete and less theoretically compelling than an approach that combines the two approaches. Class power plays a role both in creating new institutions and in shaping the process of institutional change. Once created, institutions do not take on a life of their own characterized by either institutional stability or marginal change. *Class actors are the source of institutional stability and change.* Likewise, the strategies of class actors are constrained by a complex web of related economic and political institutions, including existing welfare institutions.

By situating Mexico's welfare institutions in a comparative theoretical framework, the book provides a theoretical explanation of those institutions and demonstrates the usefulness of class power resource and historical institutional approaches beyond the domain in which they originally developed. Though the class power resource mobilization approach was originally developed to explain the development of welfare in the European context (Stephens 1979; Korpi 1983), it has also been used to explain democratization in Europe, North and South America, and the Caribbean (Rueschemeyer, Stephens, and Stephens 1992). Historical institutionalism has also been more frequently applied to explain political outcomes in advanced industrialized democracies (Immergut 1992; Schickler 2001; Thelen 2004). In Latin America, historical institutionalism has been used to explain the legacies of labor

incorporation (Collier and Collier 1991), democratization in Central America (Mahoney 2001), business fragmentation (Schneider 1997), and party organization (Wuhs 2007). This study demonstrates the usefulness of combining class power resource and historical institutional approaches for understanding the politics of welfare in Mexico.

This book also stresses the importance of studying the various institutions for social protection together rather than certain policies in isolation, especially if the goal is to understand the political and economic sources of such institutions. Unlike their counterpart studies on welfare in advanced industrialized democracies, studies on Latin American welfare seldom address the complex array of institutions that states use to provide social protection. Instead, they often focus on one particular type of policy. For example, several recent studies examining pension privatization in Latin America have described Mexico as having one of the most extensive privatizations (e.g. Madrid 2003; Brooks 2007). While it is true that Mexico's privatized pension system for private sector workers is closest in design to the Chilean pension model, it is important to juxtapose the privatization with other proposed reforms that failed to be adopted. The administration had originally sought to include the government employees' pension system in its privatization plans, and also tried to privatize IMSS healthcare services. However, resistance from labor unions caused the administration to quickly abandon these two reform initiatives. By narrowly focusing on the IMSS pension privatization, these other studies fail to recognize how the effects of globalization are uneven across policies and sectors, and they underestimate the importance of organized labor in non-tradable sectors in protecting their entitlements and livelihoods.

Similarly, numerous studies have emphasized the expansion of targeted social spending since the 1990s, including several studies of Pronasol, Progresá, and Oportunidades (e.g. Cornelius, Craig and Fox 2004; Magaloni 2006; Diaz-Cayeros, Estevez and Magaloni 2007). These studies often emphasize the populist or political angle of such social programs and associate the new targeted spending programs with heightened electoral competition. Again, these studies tell important stories, but their omissions unfortunately distort the overall picture. Targeted poverty alleviation spending may have increased in several countries since the debt crisis, but it occurred at the same time that other forms of social protection and income benefits were being cut or eroded by neglect. Comparing the expansion of new forms of social protection with retrenchment of traditional insurance underscores the ways in which welfare is being redefined in the region and highlights more nuanced forms of institutional change.

The historical institutional aspect of this study also contributes to our understanding of both institutional stability and change. As Chapter 2 argues, much of the existing historical institutional literature implies a nearly deterministic form of path dependency, where institutional stability is punctuated by exogenous shocks that produce significant institutional change. This characterization of institutional development as institutional stability punctuated by dramatic change during critical junctures underestimates the amount of institutional continuity during critical junctures and of institutional change during other periods. This study moves beyond a punctuated equilibrium model of change to focus instead on the mechanisms and processes that contribute to institutional change and stability. Like other efforts to clarify the processes that produce institutional reproduction and change, this approach focuses on institutional

legacies, or feedback effects,<sup>10</sup> and does not imply that institutions suggest outcomes automatically. Rather, it emphasizes that institutional legacies are produced by their effects on the political capacity and power of social actors.

The present study also provides a window into Mexican politics since the Revolution, particularly the important role of Mexican corporatism. Much of the political decision making after the Mexican Revolution has been understood to be an attempt by political elites to prevent or co-opt popular mobilization for democracy or progressive reforms. In particular, political scientists or sociologists studying Mexican politics have emphasized the ruling PRI's corporatist structures, top-down or state-dominated political processes, and, above all, the political stability of the Mexican regime in comparison with other Latin American countries (Hansen 1971; Kaufman Purcell 1973; Reyna and Weinert 1977; and Collier and Collier 1991). Most studies of Mexican politics have treated the relationship between labor and the state as static and one in which the state controlled labor from above, especially after the consolidation of the PRI regime (e.g., Collier and Collier 1991).

In contrast, Mexican historians have often described periods of regime instability as a consequence of mobilization and strikes by the organized working class. Beginning with the strike at Cananea in 1906, they have chronicled the Mexican labor movement and its most important struggles, often studying particular periods of heightened conflict between labor and the state. For example, Alonso (1972) looked at the railroad workers' strike of the late 1950s, and Gonzalez and Casanova (various years), edited a series on the history of labor in Mexico. As Bizberg notes, this historical tradition emphasizes the role of working class mobilization from a Marxist perspective, and it has often painted an

alternative version of labor-state relations from that proposed by Mexican sociologists influenced by the work Seymour Martin Lipset and other theorists of labor relations in the developed world (1990, 147–72).

Recently, North American academics have become more willing to acknowledge that the PRI-dominated authoritarian regime has not always been monolithic and that many different groups in civil society have played a role in Mexican politics throughout the twentieth century.<sup>11</sup> Indeed, two recent studies suggest that labor mobilization contributed to the adoption of certain progressive social policies (Brachet-Marquez 1994; Wahl 1994). The present study also recognizes the dynamism of the Mexican regime and its relationship with subordinate groups, but goes beyond existing studies by developing a theoretical framework to help us understand both the development and recent transformation of Mexico's welfare regime.

Latin American corporatism has been the subject of several studies since the debt crisis and shift toward neoliberalism.<sup>12</sup> These studies tend to focus on the ways that corporatist institutions structure the incentives of union leaders to either respond to rank-and-file demands or maintain alliances with political parties engaged in neoliberal reforms (Murillo 2001; Burgess 2004). While corporatist institutions and internal union and party organization are important in explaining why many Mexican unions stood by the ruling party despite the neoliberal reforms of the 1980s and 1990s, this study illustrates the uneven effects of economic liberalization on the ability of organized labor to assert its independence, a factor that has been neglected by previous studies. Union strategies and intensity of opposition to social protection reforms have varied across tradable and non-tradable sectors, despite similar corporatist institutions and internal

forms of organization. Unlike the weakly institutionalized party-union relationship in Argentina (Levitsky 2003), the relationship between the ruling party in Mexico and official labor unions was well institutionalized and clearly defined. Yet despite this institutionalization of the relationship, it underwent an important change in the early 1990s, which reflected the declining influence of official labor unions within the ruling party (Langston 1998). This institutional change within the ruling party was subsequently reflected in the party's new reform proposals and emphasis on welfare. In these ways, this study goes beyond studies of Latin American corporatism by demonstrating how the decline of corporatism affects welfare institutions.

The design of the present study also warrants special mention. Aside from being one of only a handful of studies that examine the historical development of welfare in Latin America,<sup>13</sup> it is distinguished by its use of comparative historical analysis. Comparative historical analysis has three core attributes, according to Mahoney and Rueschemeyer: (1) a focus on causal explanation, (2) a study of processes over time, and (3) the "use of systematic and contextualized comparison" (2003, 6 and 10). Comparative historical analyses, like that presented here, are fundamentally interested in using historical comparisons to evaluate competing theoretical explanations of temporal processes. The competing theoretical explanations are, in this instance, derived from the rich work on welfare regime development in advanced industrialized economies, which implicitly, if not explicitly, serves to situate the Mexican experience in a broader theoretical landscape. Comparative historical analysis employs both qualitative and quantitative methodologies, and also includes the treatment of periods of time or several policies within one country as comparative historical analysis, provided the analysis

serves the end of causal explanation of a temporal process (Mahoney and Rueschemeyer 2003, 14).

The present analysis of Mexican welfare embodies these characteristics of comparative historical work. It explicitly compares different periods of time or different policies during one period of time in order to draw causal inferences. For instance, the explanation of the creation of the IMSS in Chapter 3 is based on a comparison of two nearly identical proposals to adopt social security for private sector workers in the administrations of presidents Cardenas (1934–40) and Avila Camacho (1940–46). Like Skocpol's comparison of Russia's failed 1905 revolution to the successful one in 1917 (1979), this book compares a failed attempt in 1938 in Mexico to establish welfare institutions with a successful one in 1943. It also compares attempts to reform different social policies during one period in order to eliminate alternative hypotheses. Chapter 5 contrasts the outcomes of reform proposals for pensions and healthcare services for private sector workers and pensions for public sector workers to illustrate the uneven effect of globalization and economic factors on the ability of labor unions in different sectors to protect welfare from retrenchment proposals. Such comparisons using Mill's indirect method of difference help eliminate alternative hypotheses and enhance causal inference.<sup>14</sup>

This study is also notable within the comparative historical tradition for its combination of qualitative and quantitative methodologies. Though qualitative studies dominate comparative historical analyses, some studies combine qualitative and quantitative data and methods.<sup>15</sup> In this study, Chapter 6 supplements the qualitative historical comparisons of the first few chapters with a quantitative analysis of welfare

coverage, and tests the hypothesis that labor mobilization promoted the expansion of welfare. Such combinations of methods improve the internal validity of the causal inferences. A comparison of events in Mexico to the experiences of Argentina, Brazil, and Chile in the final chapter serves to enhance the external validity of the argument.

Because of this combination of various analytical and methodological approaches requires, it is critical to employ a variety of sources for empirical data. The qualitative analysis goes beyond the Mexican historiography in English and Spanish to include a variety of primary documents as sources. Primary materials from the Mexican National Archives supplemented documents from the historical archives of Ignacio García Téllez at El Colegio de México and of the IMSS, all in Mexico City. Additional primary documents, newspapers, and magazines were accessed at libraries or archives of the National Confederation of Workers (CTM), the Ministry of Labor and Social Welfare, the National Action Party (PAN), and the Party of the Democratic Revolution (PRD) in Mexico City, as well as the Benson Latin American Collection at the University of Texas at Austin. For the recent period, key informants provided copies of several primary documents.

The documentary data were supplemented with open-ended, face-to-face interviews conducted in 2001-02 and 2004-05 with a wide range of key informants, including current and former labor and business leaders, bureaucrats, and politicians from the main political parties. The author was fortunate enough to interview several actors, including a former finance minister, who were central to welfare policies as far back as the 1950s. As with all informant interviews, it is important to take care to compare accounts from several individuals to minimize the bias that can come with hearing only

one side of the story. Where interview evidence is cited, usually more than one informant is cited as providing corroborating versions of an event or interpretation, and usually this confirmation comes from informants in different organizations or from different political backgrounds. In this way, the selective memory and bias that can affect interview data is minimized.

### **Overview of remaining chapters**

Chapter 2 further elaborates the theoretical argument that Mexico's welfare regime was the result of the political demands and mobilization of organized labor in the context of its incorporation into national politics. It also explains the book's central theoretical conception of institutional change and distinguishes it from existing tendencies to suggest that change is either dramatic and rare or marginal and ongoing. The chapter also addresses alternative theories and hypotheses, paying particular attention to their usefulness for explaining the development of Mexico's welfare regime.

Chapters 3 through 6 explain the creation, expansion, and reform of Mexico's welfare regime during the period of authoritarian rule. Chapter 3 begins the historical analysis with a discussion of the antecedents of social insurance in Mexico and the adoption of pensions for central government workers in 1925. The core of this chapter is a comparison of two attempts to establish national social insurance for private sector workers: one that failed during the progressive administration of President Cardenas (1934–40) and one that succeeded in creating the IMSS during the conservative administration of President Avila Camacho (1940–46). This comparison situates the bargain between labor and the state within the broader economic and political institutional context that shaped labor-state relations. The chapter concludes with an

overview of Mexican welfare institutions at the end of the 1940s, since these shaped future institutional changes.

Chapter 4 examines the creation of the ISSSTE in 1959 as an instance where labor mobilization and policy legacies led to the creation of a new social insurance bureaucracy alongside the existing IMSS. The expansion of IMSS coverage and the 1973 IMSS reform also highlight the role of organized labor and ongoing institutional change.

Chapter 5 explains how the sequencing of economic and political liberalization led to only partial retrenchment of welfare and why organized labor in tradable sectors was better able to protect its benefits and livelihoods. This chapter, in particular, highlights the poverty of studying only one type of policy reform, such as pensions, in isolation.

Chapter 6 provides a statistical test of the theoretical argument. The statistical analysis confirms that welfare expansion prior to the 1980s followed labor mobilization and protest, but also points out that labor protest since the 1980s has had little effect. In fact, the expansion of welfare coverage has slowed since the 1980s, despite significant labor protest.

The final three chapters extend the theoretical argument to social insurance reforms during the Fox (2000-2006) and Calderon (2006-2012) administrations (Chapter 7), the creation of new targeted, means-tested welfare institutions since the Salinas administration (1988-1994) (Chapter 8), and the cases of Argentina, Brazil and Chile (Chapter 9). The Fox administration sought to further privatize the public pension system, for both IMSS workers and those pensioned by ISSSTE. The former reform was adopted but the latter was abandoned in the final year of the administration in the face of significant labor opposition. President Calderon privatized the ISSSTE pension system, a

reform pending since the Salinas administration, within the first four months of his administration. Presidents Fox and Calderon, like Presidents Salinas and Zedillo (1994-2000), also expanded means-tested poverty alleviation programs for the urban and rural poor. I argue that the expansion of targeted poverty alleviation programs is consistent with changes in the labor market due to globalization and neoliberal reforms and increasing political competition due to democratization. Politicians have abandoned traditional social insurance in favor of targeted poverty spending, which is more consistent with the new economic and political context. The layering of these new welfare institutions alongside partially reformed social insurance institutions also highlights the strength of policy legacies, even during periods of extensive economic and political transformation. The comparisons with Argentina, Brazil, and Chile in the final chapter suggest that the welfare regimes in these countries can also be understood using a theoretical framework which combines a focus on the mobilization and incorporation of organized labor and an understanding of policy legacies and the process of institutional change.