Dear seminar attendees:

I am circulating a few sections of my book manuscript, including the introduction, theory, and an empirical chapter. I am happy to focus our discussion on the introduction, but I am sending you the other two chapters in case someone is interested and has time to read them. I am looking forward to your comments.

Best,
Ana De La O
Crafting Pro-Poor Policies:  
The Politics of Conditional Cash Transfers in Latin America

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Chapter 1

Introduction

Since the early 1990s, governments in Latin America have been experimenting with innovative approaches to poverty alleviation. The programs that have been created in the region have garnered the attention of scholars and policymakers worldwide. During this wave of social policy reform, the uncelebrated breakthrough in the fight against poverty is that some presidents in the region have adopted programs whose operational guidelines—such as fixed eligibility criteria, monitoring systems, and independent program evaluations—limit governments’ ability to manipulate programs for political gain. Yet not all presidents in Latin America have done so. Why did some governments pursue poverty relief programs insulated from politics, while others pursued manipulable programs, and yet others did not reform their policies at all? What are the implications of this variation for the prospects of eradicating poverty in the region?

This book examines the political processes that led some governments to tie their own hands in crafting antipoverty programs. The degree to which executives limited their discretion had implications for various policy
outcomes, including the lifespan of programs, the extent to which antipoverty policies were used as political instruments, and ultimately, the degree to which programs improved the lives of the poor.

I argue that while economic crises create the conditions for a new pro-poor social coalition, the governments of young democracies adopt poverty alleviation programs whose operational rules suppress political discretion when they face an antagonistic legislature. Such a decision improves the programs’ effectiveness in promoting social development. These policy outcomes, in turn, strengthen democratic systems by eroding clientelism and promoting the electoral participation of program recipients. Conversely, when governments’ interests are aligned with those of legislators, poverty relief programs do not include such provisions, politicians have more opportunities to politicize a program, and efforts to fight poverty are less effective. These policy outcomes are deleterious to democracy because they reinforce clientelism, and thus hinder the ability of poor voters to hold politicians accountable. The balance of power between the executive and legislative, therefore, determines the kinds of poverty relief programs that a government pursues, with

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1Scholarship defines *clientelism* in various ways. Some definitions emphasize that individual interests are promoted at the expense of collective interest (Putnam 1993; Sobrado 2000; Wantchekon 2003). Other definitions focus on the cost imposed on the client: “Political clientelism means the relations that are established between a patron who offers certain services and a client who in exchange for those services (or goods) permits the patron to govern and resolve collective issues without the client’s participation” (Sobrado Chaves and Stoller 2002). Along the same lines, other scholars define clientelism as the concession of political rights on the part of the client in exchange for public favors, goods or services (Fox 2004). Many define clientelism in terms of its consequences; for example, a weak democracy or a polity with little social capital would be considered clientelist. Finally, clientelism is also defined with respect to the procedural nature of the exchange (Kitschelt 2000); in these terms, exchanges that involve corrupt practices are bound to be clientelistic.

2For a discussion of the effects of clientelism see Fox 1994; Stokes 2005; Hicken 2011.
direct consequences for the economic and political capabilities of the poor.\footnote{In the case of the United States, it is well-documented that the policies implemented by the government affect the quality of the democratic system (Campbell 2003).}

That politics help explain governments’ efforts to eradicate poverty is a well-accepted idea. Yet our understanding of the mechanisms through which politics matter is incomplete. Scholarly work on the welfare state has provided an extensive analysis of social protection systems, but the emphasis has been disproportionately on pensions and, to a lesser extent, on aggregate spending on education and health. For these two areas of the welfare state, scholars find that as democracy became more consolidated toward the end of the 20th century, governments in Latin America began to spend more on health and education (Huber, Mustillo and Stephens 2008; Kaufman and Segura-Ubiergo 2001; Pribble, Huber, and Stephens 2006; Segura-Ubiergo 2007).\footnote{Scholars agree that democratization increased expenditures on health and education in Latin America, but they disagree about the effect of the regime transition on the lives of the poor. For example, Dion (2010) notes that following democratization, welfare for the growing numbers of unorganized poor people increased in Mexico. Weyland (1996), however, argues that organizational obstacles, such as clientelism, populism, and state fragmentation, have impeded redistribution toward the poor in many new democracies. Ross (2006) further argues that although democracies spend more on education and health than non-democracies, higher expenditures do not translate into wealth improvements for the poor. He provides evidence that democracy has little effect on infant mortality rates.} And, as power dispersion increased and the left took power, the reform of the pension system became less likely (Brooks 2009; Castiglioni 2005; Huber 1996; Madrid 2003). However, the political processes behind the adoption and design of poverty relief programs (i.e. decisions about program benefits, eligibility criteria, operational rules, etc.), remain elusive, perhaps because antipoverty programs are “late-comers to the social-policy mix” in most countries in Latin America (Haggard and Kaufman 2008, 3).\footnote{Mesa-Lago’s (1989) pioneering work on the welfare state in Latin America notes that}
The central contribution of this book is an explanation of the politics of conditional cash transfer programs (CCTs), one of the most prominent types of antipoverty programs in operation in Latin America and one of the most significant social policy innovations of recent decades. This type of poverty relief program is built on the idea that targeted cash transfers to poor households fight poverty more effectively than income transfers to the poor through subsidies for food, transportation, electricity, and the like. Yet the most innovative component of CCTs is that, to break the intergenerational transmission of poverty, cash transfers are contingent on investments by poor people themselves in their children’s nutrition, health, and education. CCTs promote human capital accumulation by making cash transfers conditional on regular school attendance and visits to public health centers. Thus, a well-designed CCT allows a poor family to keep children in school rather than sending them to work, and reduces future poverty by making it likely that relatively more of the welfare gains accrue to children (Ravallion 2006).

Right- and left-leaning governments alike have found reasons to adopt this social policy innovation. Indeed, CCTs are so attractive to politicians that even left-leaning presidents like Luiz Inácio Lula Da Silva in Brazil and Alan García in Peru continued the operation of CCT programs inherited from right-leaning governments. As of early 2012, 17 countries in Latin America had adopted a CCT.\(^6\) Collectively, these programs reach 27 million

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\(^6\)All CCTs began as small scale programs. For example, initially in Mexico Progresa covered 300,000 households and in Brazil small regional cash transfers were developed. Coverage has expanded in most countries, however, there is considerable variation. In
of the poorest households in the region. On the basis of the success of CCTs in Latin America, governments in Bangladesh, Burkina Faso, Cambodia, Indonesia, Kenya, Macedonia, Nigeria, Pakistan, Philippines, Turkey, and Yemen now use cash transfers as their main policy instrument for social assistance (Fiszbein and Schady 2009). International organizations such as the World Bank and the International Monetary Fund endorse and sponsor CCTs throughout the developing world.

CCTs appeal to governments on the right because they target resources to poor children, who are generally perceived as a particularly deserving group. CCTs are also cost-effective and market-compatible. Compared to pensions, which typically entail large budgetary costs, CCTs are relatively inexpensive, often costing less than one percent of GDP. Compared to generalized subsidies, in-kind food subsidies, and price controls, CCTs limit the capture of resources by the non-poor, generate minimal market distortions, and avoid long-term welfare dependence by restricting program eligibility to poor households with school-age children.

From the perspective of left-leaning governments, CCTs are an attractive policy option because they are instruments of redistribution and social inclusion. In contrast to in-kind food subsidies, which are difficult to deliver to rural areas with extensive population dispersion, mountainous terrain, and poor roads, cash transfers have no expiration dates and entail no storage costs. Moreover, CCTs express solidarity with vulnerable families, and they terms of absolute coverage, CCTs range from 11 million families (Brazil), to 215,000 (Chile), to pilot programs with a few thousand families (Nicaragua). In terms of relative coverage, CCTs range from about 40 percent of the population (Ecuador), to approximately 20 percent (Brazil, Mexico) (Fiszbein and Schady 2009).
respect poor families’ decisions on how to spend the additional income they offer. Thus, CCTs transform a social assistance program into a program that allows poor households to decide how to overcome their condition.

Beyond ideologically driven reasons, CCTs are appealing because they provide a direct link to poor citizens. Such a link is of value both to politicians who are interested in improving the lot of poor people and to those who interested in using the targeted resources to amass political support (Weyland 1999). Thus, compared to other welfare state policies, which are ideologically charged, CCTs appeal to larger group of politicians.

The proliferation of cash transfer programs in Latin America has coincided with a period during which poverty and inequality have decreased, for the first time in decades. From 1992 to 2009, the fraction of the total population in Latin America living on less than US$ 2.50 a day decreased from 28 to 16 percent. Over the same period, the fraction of the population living on less than US$ 4 a day decreased from 44 to 30 percent.\textsuperscript{7} Between 2000 and 2007, inequality in Latin America declined as well: in 12 countries in the region, the Gini coefficient decreased an average of 1.1 percent a year (Lopez-Calva and Lustig 2011).\textsuperscript{8} These trends fuel enthusiasm for CCTs as instruments to tackle poverty. However, most CCTs have been politically controversial at one time or another, and many have been accused of fostering clientelism.

\textsuperscript{7}Socio-Economic Database of Latin America and the Caribbean, CEDLAS and The World Bank 2005.

\textsuperscript{8}Gini coefficient or Gini index is an economic measure of inequality in income distribution that ranges between 0 and 1. A value of zero would indicate perfect equality in income distribution. As inequality increases, the Gini coefficient also increases. Between 2000 and 2007, inequality decreased most in Brazil, Ecuador, and Paraguay and increased in Costa Rica, Honduras, Nicaragua, and Uruguay (Lopez-Calva and Lustig 2011).
Despite the apparent policy convergence, CCTs vary in ways that matter both for their welfare consequences and for our theoretical understanding of them. Chief among the attributes that vary across CCTs in Latin America is program design – specifically, the degree to which operational rules limit the discretion of the executive. At one extreme is the pioneering Mexican cash transfer program, *Oportunidades* (initially called *Progresa*), which uses a combination of geographical targeting and proxy means testing to identify eligible households. Program operations are standardized, and a centralized bureaucracy is in charge of administering the program, but the disbursement of the cash transfers is outsourced to banks. To ensure that an incumbent party cannot use the program to boost its electoral support, expansion of the program is prohibited during the six months before a presidential election. One of the most scrutinized social policies in the country, the program is subject to independent evaluation. The International Food Policy Research Institute evaluated *Oportunidades* during the early years of its operation and found that transfers were well targeted to poor households, beneficiaries were meeting conditions of school attendance and visits to health centers, and the program was having a positive effect on the quality of the lives of poor people.

At the other extreme is the Bolivian cash transfer program, *Bono Juancito Pinto*, which began operations in 2006. This program initially offered a cash transfer to students enrolled in first to fifth grades in public primary schools. The operational rules of the program limit to some degree the ability of the executive to interfere directly in the operations of the transfer. For example, to circumvent the politicized bureaucracies that are in charge of other social programs, the program requires that the armed forces deliver
the cash transfer. However, the executive retains substantial discretion over the program. The operational rules of Bono Juancito Pinto do not include mechanisms to monitor or evaluate program operations in a systematic way (Morales 2010), and there are no limitations on when program expansion and benefits increases can occur. In 2008, when President Evo Morales proposed and won a recall referendum, the coverage of the program expanded by almost 40 percent—the largest expansion the program has seen.

The emergence of CCTs and the variation in the programs’ design present an opportunity to revisit important questions: when do politicians govern for the benefit of the poor and when do they not? and when do politicians tie their own hands in crafting social policies?

**The study of CCT programs**

Existing theories of the welfare state do not account for the development of CCT—and, of course, they were not intended to do so. Take, for example, the power resource theory, which argues that differences in welfare regimes can be traced back to the balance of power between labor and capital. The stronger unions are, the argument follows, the more powerful are social democratic and labor parties. In turn, left-leaning governments spend more in the public sector and pursue policies that benefit the working class (Esping-Andersen 1985; Korpi and Shalev 1979, Skocpol and Amenta 1986). While the power of labor and the ideological orientation of governments explain the expansions of old-age and disability pensions in Latin America (Dion 2010; Huber 1996;
Huber, Mustillo and Stephens 2008; Segura-Ubiergo 2007), they do not by themselves account for CCTs proliferation, since both right- and left-leaning governments have implemented this type of poverty relief program.

The context of CCTs is different from the context in which Latin American governments first developed their social protection schemes, or from the contexts of Western Europe and the United States that motivated the power resource theory. When CCTs emerged, governments were dealing with the aftermath of the debt crisis of the 1980s and their economies had begun a process of deindustrialization (Carnes and Mares 2010). Fiscal constraints obstructed the expansion of the welfare state, even among left-leaning governments (Huber, Mustillo and Stephens 2008). And deindustrialization split labor between workers in the formal sector of the economy who have access to the welfare state and workers in the informal sector with little access to health and education services (Edwards 1995). Welfare state insiders and outsiders differ in their preferences about public spending (Rueda 2007). Thus, the relation between left-leaning governments and pro-poor policies in contemporary Latin America is not straightforward.

Iversen and Cusack (2000) argue that a contraction in manufacturing and agricultural employment led to an unambiguous increase in the demand for public spending among OECD countries, and thus an increase in the size of the welfare state. In their account, left-wing governments were particularly

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9By the time CCTs were adopted, most countries had old-age and disability pensions, but only a few had universal coverage. Huber (1996) explains that the development of social insurance in Latin America closely mirrored the balance of power in society. In most countries, social insurance covered first the military, civil servants, and the judiciary. Coverage was next extended to strategic sectors of the middle and upper working classes, and only then was coverage extended to selected other sectors of the working class.
prone to increase public spending when electoral turnout was high. However, Huber, Mustillo and Stephen (2008) show that partisanship “does not matter for the overall amount of social expenditures” (431) in Latin America from 1970 to 2000.

If it was not just ideology, what motivated some governments and not others to adopt a CCT? Why did some governments design programs with more exacting operational guidelines than others? A common argument in Latin America postulates that state bureaucrats –technocrats, to be more precise– determine the origin, characteristics, and evolution of public policies. State-centered explanations assume that bureaucrats can, and often do, act independently of underlying socioeconomic forces (Geddes 1994). The notion of bureaucratic supremacy has a long tradition. For example, Guillermo O’Donnell’s (1973) classic work on bureaucratic authoritarianism attributed the democratic collapse in the region to coalitions between civilians and military bureaucrats that successfully circumvented politicians. Cleaves (1974) also argued that bureaucrats blocked policy reforms proposed by both leftist and right-wing governments. More generally, bureaucrats often appear to implement policies without the support of dominant interest groups.\textsuperscript{10} That a bureaucracy is powerful, however, does not necessarily mean that it is insulated from political interests.\textsuperscript{11}

\textsuperscript{10}Geddes (1994) points out: “In Latin America most governments began to implement industrialization policies that systematically disadvantaged the producers of primary product exports at a time when agriculture and mining remained economically dominant. The more recent history of the region offers numerous additional examples of policy changes that have injured powerful economic groups. No one believes that these groups are weak or without influence, but those who propose a focus on the state point out that they have not proven to be insurmountable obstacles to governments bent on pursuing policies that disadvantage them” (3).

\textsuperscript{11}See, for example, Snyder (2001) for an account of how political rather than tech-
At first glance, CCT programs seem to be the result of bureaucratic supremacy for three reasons. First, CCTs confer benefits on poor people, who have rarely demanded policy concessions from the state in a successful way. Second, economists have dominated the study of CCTs; thus we know more about the effects of CCTs on economic and human capital outcomes than about their politics. Finally, the few insightful studies of CCTs’ politics focus on a single country (Díaz-Cayeros, Estévez, and Magaloni 2007; Hunter and Borges 2011; Zucco 2008). Among these studies, the pioneering Mexican and Brazilian CCTs have deservedly garnered most of the attention. Yet, as I will show in this book, the Mexico and Brazil CCTs have operational systems that presuppose a certain degree of bureaucratic expertise, but other CCTs in the region lack such demanding operational systems. Therefore, the extent to which bureaucrats implement CCTs in a professional and insulated way is an outcome to be explained.

Another possible answer to why some governments adopted CCTs and some chose programs with more exacting rules than others relates to state capacity. Díaz-Cayeros and Magaloni (2009) show that countries with greater bureaucratic capacities (as measured by the rate of immunization against measles) are more likely to adopt a CCT program. They argue that, “the more capable a state is, the more likely it should be to create a program involving the kinds of administrative burdens that cash transfers require” (12). This insight provides an important building block for understanding the conditions under which CCTs are adopted. However, bureaucratic capacity

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12For a thorough review of this literature, see Fiszbein and Schady 2009.
is endogenous to the political process (Geddes 1991). Thus capacity, like bureaucratic insulation, is an outcome to be explained. When it comes to transferring cash to the poor, it is the president’s strategic calculations that determine when politicians professionalize their bureaucracies and increase their capacity to fight poverty.

Finally, policy diffusion could explain the proliferation of CCTs. Since later CCT adopters had the experience from earlier adopters, governments in the region could learn from or emulate each other.\textsuperscript{13} Furthermore, the World Bank, the Inter-American Development Bank, and other international agencies have actively promoted CCTs,\textsuperscript{14} contributing to the broad diffusion of CCTs.

On the other hand, policy diffusion does not fully account for previous waves of social policy reform. As Weyland (2006) explains in his study of the spread of the pension privatization model: “Even in the era of globalization, national sovereignty persists and gives countries –including weak underdeveloped countries –significant room for maneuver. Due to this autonomy, nations retain a considerable margin of choice in deciding whether to adopt a foreign model or not” (4). Furthermore, Brooks (2007) argues that the adoption of policies that are easily enacted and reversible is not governed by policy diffusion processes. Since CCTs are inexpensive –at least, compared to pensions– and are not constitutionally-granted entitlements, cross-national peer effects may not apply. I will show that policy diffusion is relevant, but it

\textsuperscript{13}For a description of the mechanisms of policy diffusion, see Shipan and Volden (2008).
\textsuperscript{14}In fact, in response to the food and financial crises of the late 2000s, the World Bank lent $2.4 billion to finance the initiation or expansion of CCT programs around the world (World Bank 2009).
is not the most important determinant of governments’ decisions about the adoption and design of CCTs.

Domestic politics shape policies even in sectors in which “technical complexity heightened the influence of financial markets and expertise” (Murillo 2009, 3). Therefore, to understand the politics of CCTs, we need to better understand the domestic constraints under which state officials operated.

**The Argument in Brief**

The argument I will develop in this book is that a combination of economic crises and domestic political considerations explains why some governments chose to implement a CCT with stringent operational rules and forgo their own discretion to tackle poverty, some chose to implement CCTs without such operational rules, and yet others chose not to implement a CCT at all. In addition, I will show that the same factors that explain policy adoption had consequences for policy outcomes and the political lives of the poor.

**The causes of CCTs**

An economic crisis may, through its welfare losses, persuade societies to enact major policy changes that would be unacceptable otherwise (Hirschman 1985, Drazen and Grill 1990). Yet Latin American economies have experienced economic crises throughout their modern history. Why were the economic crises that preceded the emergence of CCTs different? There were three reasons.

First, the economic downturn was distinct in its severity and duration. During the 1980s, most countries in the region experienced economic stagna-
tion, decline in real per capita income, and raging inflation. Economic crises were so severe that the decade became known as the “lost decade” (Grindle 1996). In a fiscal crisis resulting from high debt and the halting of credit from industrialized countries, governments implemented stringent macroeconomic reforms that embraced fiscal prudence and monetary restraint. Many also restructured their economies, opened their markets to trade and foreign investment, privatized state-owned firms, and deregulated important sectors of their economy (Fraga 2004, Stokes 2001). As a consequence, the living conditions of many Latin Americans deteriorated.15 Guillermo O’Donnell noted the gravity of the situation:

The social situation in Latin America is a scandal. In 1990, about 46 percent of Latin Americans lived in poverty. Close to half of these are indigents who lack the means to satisfy very basic human needs. Today there are more poor than in the early 1970s: a total, in 1990, of 195 million, 76 million more than in 1970. These appalling numbers include 93 million indigents, 28 million more than in 1970. The problem is not just poverty . . . The rich are richer, the poor and indigent have increased, and the middle sectors have split between those who have successfully navigated economic crises and stabilization plans and those who have fallen into poverty or are lingering close to the poverty line (1996 1).

Second, during this period, the number of self-employed, seasonally em-

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15 According to the Human Development Report, per capita GDP declined from $1,965 (in 1987 U.S. dollars) in 1980 to $1,793 in 1990 (Garland 2000). In the early 1990s, more than 10 million children under the age of five were malnourished.
ployed, and underemployed people, as well as people working in the service sector, increased considerably, while the number of people living as subsistence farmers in the rural areas declined. Thus, a substantial portion of the labor force in Latin America became part of the informal economy. Indeed, workers excluded from mainstream institutions of the welfare state became a majority in many countries.\textsuperscript{16}

Third, most governments dealing with the aftermath of the lost decade were young democracies (Stokes 2001).\textsuperscript{17} Keeler (1993) argues that large-scale public dissatisfaction stemming from an economic crisis creates a sense of urgency for action that particularly affects democratic governments. The expectation that the costs of inaction are high influences the position of both incumbent governments and their opposition regarding policy reform.

The importance of economic crises in shaping governments’ policy responses to fight poverty in the 1990s has not gone unnoticed. There is a consensus that Latin American welfare states were insufficiently developed (Mesa-Lago 1997). Spending on health and education was regressive (Edwards 1995),\textsuperscript{18} and the few social assistance programs in operation disproportionately benefited non-poor people and residents of large and relatively wealthy cities (Tendler 2000).\textsuperscript{19} Therefore, if democratic governments wanted

\textsuperscript{16}The country with the highest rates of informality in the region was Bolivia, where more than 70 percent of the labor force was excluded from social security benefits, and the country with the lowest rate of informality was Uruguay, with close to 40 percent (Socio-Economic Database for Latin America and the Caribbean, CEDLAS and The World Bank, various years).

\textsuperscript{17}Starting in the 1990s democracy replaced previous systems of government in several countries in the region, and democratic regimes have persisted with few interruptions (Stokes 2001).

\textsuperscript{18}Governments subsidized curative medicine more heavily than preventive care and higher education instead of primary education

\textsuperscript{19}See Social Funds and Poverty Reduction: Making Social Funds Work for Poor People,
to improve the lot of poor people, they had to innovate (Mesa-Lago 1997, Weyland 392). In Mexico, as Díaz-Cayeros, Estévez, and Magaloni (2007) argue, an economic crisis weakened the ruling coalition and generated demands from within the incumbent party to limit presidential authority over the social sector.

I will not assume that all politicians want to help the poor. Rather, I will argue that economic crises motivate governments to take action and impose a cost on politicians who propose a clientelist response to a crisis when other politicians reject such a response. Thus, economic crises create the conditions for a new pro-poor social coalition. As Mares and Carnes (2010) put it: “An increase in the economic insecurity of wage earners in the formal sector contributed to the formation of coalitions between this group and the poor” in favor of policies with a higher pro-poor bias (108). Yet even if an economic crisis opens a window for policy reform, politicians may disagree on the details of how to tackle poverty. Not all governments respond to crises by adopting programs that limit their own discretion. Governments crafted pro-poor policies with stringent operational guidelines when they faced resistance in congress—whether that resistance came from the president’s own party or from the opposition.

The adoption of a policy and the design of that policy are intrinsically political matters (Moe 1989). CCTs are no exception. Agency structure and operational rules matter both for efficiency reasons and because they limit the extent to which politicians can manipulate program resources for political purposes. Thus, the decision to implement a CCT and the design of

that CCT are inevitably caught up in a political struggle that goes beyond issues of efficiency in fighting poverty.

Democratic executive governments with a sense of urgency to respond to a crisis are better off adopting a CCT than relying on inadequate existing social policies to deal with the economic downturn. To do so, the government needs to select an agency to operate the CCT, delineate a set of activities that the agency will undertake, and get funding for the program. While legislators cannot directly influence the decision to adopt a CCT or the design of the program, they can use their budgetary powers to be part of the policymaking process (McCarty 2004, Ting 2001). Scholars of Latin America have not reached a consensus about the role of legislators in policymaking. Some argue that despite the continued period of democracy, presidents have extraordinary legislative and policymaking powers (Alesina et al. 1996; Baldez and Carey 1999; Stein et al. 1999), and legislatures function as rubber stamps.20 Others, however, argue that Latin America has transitioned from hyper-presidentialism to governments impaired by legislative gridlock (Mainwaring 1993; Valenzuela 1993). In this book I build my argument on the notion that legislators have become “blunt veto players” with budgetary powers to cut the appropriations desired by presidents (Jones, Saiegh, Spiller, and Tommasi 2002, 657)21 and that multiple veto players in the legislature

20 Throughout the second half of the 20th century, legislatures seemed to play a minor role in policymaking. Schneider (1991), for example, shows how Brazilian presidents were able to use their vast appointment powers to pursue the industrialization of the country. Centeno (1994) shows that presidents in Mexico were successful in transforming and manipulating bureaucracies to further their policy objectives.

21 Legislatures have unrestricted authority to amend budgets in Argentina, Bolivia, Costa Rica, Ecuador, Dominican Republic, El Salvador, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela. In Brazil and Colombia, legislatures may increase expenditures only if they identify new revenue streams. And, in Chile presidents set upper
influence the evolution of social assistance (Díaz-Cayeros, Estévez, and Magalon 2007; Dion 2010).

When the interests of the president and the median legislator are not aligned, conflict arises. A legislator from an opposition party knows that if she funds a CCT with a lax design, the president can claim the credit for the welfare gains associated with the policy reform. Moreover, as the incumbent, the president can take greater advantage of the opportunities that such a CCT offers in terms of building and strengthening patronage bases. If the legislator does not fund a CCT with a lax design, she can blame the president for promoting a clientelist policy in times of crisis—a course of action that gives her a bonus of political capital. Thus, if the president proposes a CCT with a weak design, a legislator from the opposition has incentives to refuse to fund it.

On the other hand, if a legislator from the opposition funds a CCT with a design that suppresses political discretion, the president can still claim the credit for innovating to fight poverty, but the more stringent operational rules limit his opportunities to use program resources in a clientelist fashion. If such a legislator does not fund a CCT with a stringent design, he incurs the cost of rejecting a poverty relief policy that is both more effective in dealing with poverty and less discretionary than the existing policies. Thus, if the president proposes a CCT with a design that limits political discretion, a legislator from the opposition has incentives to fund it.

Anticipating the reaction of the median opposition legislator, the presi-
dent is better off proposing a CCT with a stringent design, even though he compromises his discretion over the policy. He prefers to implement an insulated CCT than to face a scenario in which the legislature refuses to fund the program because the president cannot credibly commit not to manipulate the program in his favor. In such a scenario, the president would not only fail to respond to the crisis, but would pay the political costs of promoting a clientelist policy when there is discontent associated with the economic crisis. The worse the economic crisis, the higher the costs of promoting a clientelist response or of rejecting an insulated policy, all other things being equal.

Conflict also arises when the president and median legislator are from different factions in the same party. If the president’s faction controls the party’s machine, then the political game plays out much as when the legislator is part of the opposition. If the legislators faction controls the party machine, then the president is better off opting for a CCT with stringent operational rules because such a program is more effective at fighting poverty and limits the extent to which his rival faction can use program resources for patronage.

When the interests of the president and the median legislator are perfectly aligned, then the president can adopt a CCT without tying his own hands with stringent operational rules. Such a policy appeals to the president and legislators because, as long as the CCT is better at dealing with the crisis than previous policies, the president can claim credit for improving the lot of the poor, and the policy design leaves open the opportunity to use program resources for building and strengthening patronage bases.

Needless to say, if either the economic crisis is not pressing or the CCT
does not have an advantage over the existing policies, then the conditions that nudge governments to tie their own hands unravel.

The literature on how politicians delegate decisions to bureaucrats is vast. A core prediction in this literature is that politicians are more likely to delegate policymaking to bureaucrats when their preferences are similar. The more politicians’ and bureaucrats’ preferences diverge, the less likely delegation becomes. Empirical studies of delegation patterns in the United States have generally found support for this prediction (Volden 2000, Wood and Bohte 2004, Epstein and O’Halloran 1999). It is unclear, however, whether delegation decisions follow similar principles in Latin America, where legislators are less professional and bureaucracies have less administrative capacity (Huber and McCarty 2001). This book shows, perhaps surprisingly, that Latin American legislators influence policy reform even in countries where the legislature is not well supplied with money, perquisites, staffers, or other resources that are available to highly professional legislatures.23

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22 See, for example, McCubbins, Noll and Weingast (1987); Epstein and O’Halloran (1994); and, more recently, de Figueiredo (2002) and Huber and McCarty (2004).

23 For a discussion of the differences between professional and unprofessional legislatures, see Berry, Berkman, and Schneiderman 2000; Fiorina 1994; Hibbing 1999; and Rosenthal 1996. Professionalisation of legislators is conceptually different from the institutionalization of legislatures. Institutionalization refers to the presence of boundaries that insulate the legislature from its political, economic, and social environment (Cooper and Brady 1981; Huntington 1965; Polsby 1968; Rosenthal 1996). Professionalism of legislators relates to the resources available to legislators, such as staff, space and time to legislate, as well as monetary compensation (Rosenthal 1996). Resources allow legislators to travel to their districts, devote time and energy to campaign activities, and consequently increase their capacity to legislate. In contrast, unprofessional legislators are poorly compensated, have fewer staff, and have shorter legislative careers (Fiorina 1994). Democratic endurance has brought with it a progression toward legislative institutionalization, but the degree of professionalism of legislators still varies widely in Latin America. In fact, professionalism is in part a product of institutional design. For example, Jones et al. (2002) argue that in Argentina legislators remain unprofessional because of electoral rules. Fiorina (1994) traced professionalism in U.S. state legislatures in part to institutional features such as
While theories of delegation provide insight into why some politicians suppress the use of their own discretion, the argument in this book departs from previous work in three ways. First, most existing work conceptualizes politicians as members of congress and bureaucrats as representatives of the interests of the president; I follow more recent work that distinguishes between the president and the bureaucracy (McCarty 2004; Ting 2001). Second, in theories of delegation congress determines how much discretion the president has over policymaking, and the president decides in turn how much effort he will put into moving a proposed policy closer to his preferred point. I reverse the sequence of actions, to reflect that in Latin America the president initiates the process of policymaking and has the upper hand in policy negotiations. Yet legislators are relevant because they have budgetary powers that they can, and do, use to move policy closer to their preferences (Morgenstern and Nacif 2002; McCarty 2004). Third, previous work takes bureaucratic capacity as given (Huber and McCarty 2004); in this book, bureaucratic capacity is endogenous along the lines of Geddes’s (1991) model of the level of professionalism of the bureaucracy.

The consequences of CCTs

Politicians are not interested in influencing operational rules; they are interested in shaping policy outcomes. The president implements a policy that closely mirrors its design because legislators can revise the policy’s budget on a yearly basis. Thus, repeated interactions between a president and legislators lead to systematic differences in policy outcomes between presidents term limits.
who face checks on their authority and presidents who do not.

The argument has several implications for policy outcomes. First, as we have seen, when the president and legislators are aligned, they can design and implement a CCT that is vulnerable to political manipulation. Such policies tend to offer more opportunities for corruption (Huber 1996) and rent-seeking, and to benefit only a part of the intended beneficiaries, in turn depriving many poor people of government resources (Geddes 1991; Stokes, Dunning, Nazaren, and Brusco 2012). A CCT without such operational rules as fixed eligibility criteria, monitoring systems, and independent program evaluations has a less robust implementation. The expectation, then, is that although there may be some discrepancies between policy design and implementation, the same factors that lead to a stricter policy design also lead to more robust implementation.

A second implication relates to the expansion of CCTs. Media speculations abound about presidents increasing program enrollment close to elections to boost their support. Yet there are no studies that provide systematic evidence of a link between political-economic cycles and the expansion of CCTs. I will show that when the president and legislators are not aligned, CCTs enrollments are less vulnerable to political business cycles.

Third, the argument has an implication for CCTs survival. A CCT with a design that limits political discretion is more effective at fighting poverty and is less vulnerable to political manipulation. Thus it gives a president more arguments to defend the policy and gives people more reasons to approve of it. Such broader public support could be directly linked to the programs survival rate. A politicized CCT, on the other hand, could be supported by
A fourth implication of the argument relates to the strength of patron-client relations. In Latin America, where the manipulation of government spending for electoral purposes has been the rule rather than the exception, it is tempting to conclude that all CCTs foster clientelism. However, adopting a CCT with more elaborate rules and more robust operations (a “neutral” CCT), which is more effective in fighting poverty and is more insulated from politics, erodes patron-client relations. The vote of a wealthier CCT recipient is more expensive for political parties brokers. Moreover, the implementation of a CCT with strict operational rules is likely to demonstrate to recipients that party brokers have less discretion to administer program resources. This informative effect also makes vote-buying more difficult. The income and informative effects together empower recipients to resist clientelism. In addition, stringent rules reduce the discretion of party brokers to operate the CCT program according to a system of rewards and punishments. For example, if the selection of program recipients is based on a poverty score, and cash transfers are systematically reaching recipients, party brokers have fewer opportunities to strategically manipulate program resources. This makes vote-buying more difficult because brokers can neither bestow program benefits nor punish recipients by discontinuing the stream of program benefits. Thus a neutral CCT helps poor people resist clientelism and also erodes patron-client relations by suppressing brokers discretion.

Finally, the fact that CCTs with strong designs are increasingly popular among Latin American governments raises a fundamental question about the electoral returns of government spending in general, and of targeted bene-
fits in particular. When a traditionally clientelistic party shifts away from discretionary spending to programmatic politics, can it retain the support of targeted voters? Speculations in the media about CCTs’ electoral returns are widespread. During the 2006 presidential election in Brazil, *Bolsa Familia* was often mentioned as one of the factors explaining Lula’s popularity among the electorate, particularly in the Northeast region of Brazil where a large number of program beneficiaries lived. Throughout the 2000 and 2006 presidential campaigns in Mexico, predictions abounded that households enrolled in *Oportunidades* would favor the incumbent party. In Colombia, the media speculated that the expansion of *Familias en Acción* was part of Uribe’s strategy to improve his chances of being reelected for a second term in 2006.

The most recent speculations concerned the Guatemalan CCT program, *Mi Familia Progresa*, headed by Sandra Torres, the country’s former first lady and one of the most controversial candidates in the 2011 presidential election. In the period leading up to the elections, the media speculated that although Torres was unpopular in the capital, she had strong support from voters in rural areas where the CCT was most active (*The Economist*, March 15, 2011).

Most of the scholarly evidence confirms that CCTs produce an electoral bonus for the incumbent (Cornelius 2004; De La O 2012; Díaz-Cayeros, Estévez and Magaloni 2007 and 2009; T. Green 2006; Zucco 2010). However, scholars have made contradictory claims about why CCTs have such an effect. Some argue that CCTs persuade recipients to change their vote

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24 The Constitutional Court of Guatemala ultimately confirmed the constitutional ban on relatives of the president running for office, so the incumbent party had no presidential candidate in 2011.
choice for programmatic reasons, such as retrospective voting (Díaz-Cayeros, Estévez and Magaloni 2009). Others posit that beneficiaries of CCTs may be persuaded to vote against their preferences in response to threats of program discontinuation (Cornelius 2004; Schedler 2000). This book shows that when a CCT has operational guidelines that limit discretion, program benefits foster pro-incumbent support by mobilizing recipients, not by persuading them. The longer the duration of the program, the greater recipients’ exposure to program benefits, and the more opportunities the incumbent has to take credit for positive program results.\footnote{On credit claiming, see the seminal work by Mayhew (1974).} Claiming credit, however, is closer to programmatic politics than clientelism.\footnote{See Campbell (2003) for an account of how social policies in the United States shape political participation.}

**Testing the argument**

In few places are the politics of CCTs more salient than in Latin America, where these innovative poverty relief programs originated. Because of the variations in program adoption, design, and implementation, Latin America provides an ideal setting to examine the factors that shape policy decisions, as well as to uncover the political consequences of such choices.

The empirical approach of this book provides a comprehensive answer to the questions of why some governments tie their own hands to fight poverty, and what the policy and political consequences of this decision are. I combine multiple qualitative research methods –archival work, interviews, participatory observation– with quantitative research, including the creation and analysis of a data set that follows over time the adoption, design, and oper-
The book presents case studies of the origins and evolution of cash transfer programs in Mexico, Colombia, Guatemala, Peru, and Argentina to illustrate the logic and plausibility of the argument. These cases vary in the most relevant independent variable of the argument: presidents’ alignment or misalignment with legislators. One manifestation of misalignment is a divided government, but the more general concept includes cases in which checks on the president come both from legislators of his own political party (for example, when they belong to rival factions) and from legislators of opposition parties.

Mexico’s Progresa and Colombia’s Familias en Acción originated in contexts in which presidents faced resistance both from their own political party and from opposition parties. In Mexico, when President Zedillo’s government designed the CCT, around 1996, his political party (the Institutional Revolutionary Party, or PRI) controlled Congress, as it had for decades. However, the president was not part of the PRI’s old guard. In the legislative elections of 1997, the PRI lost control of the lower house of Congress for the first time. In Colombia, because of disagreements with their own parties, President Pastrana (who launched the CCT) and President Uribe (who rolled it out) competed as independent candidates in their respective elections. Guatemala’s Mi Familia Progresa and Peru’s Juntos illustrate contexts in which presidents faced resistance from opposition parties. President Colom in Guatemala and President Toledo in Peru governed with legislatures controlled by the oppo-
Finally, Argentina’s Plan Familias, launched by President Kirchner, originated when his party controlled Congress, and Asignación Universal por Hijo originated when President Fernández de Kirchner’s party no longer controlled Congress. Thus, the case studies in the book offer rich cross-national variation, and some of them also offer valuable within-country variation in the independent variable of interest.

To further test the predictions of my theory on a larger set of cases, I include statistical analysis based on a data set I constructed that includes all countries in Latin America during the period 1990 to 2011. The unit of analysis in this data set is the country-year. The data set includes both countries that had implemented a CCT by 2011 and countries that had not. For country-years with a CCT program in operation, the data set includes details on program design and operations.

Finally, to systematically test the arguments of the book about the political consequences of CCTs, I turn in chapters 6 and 7 to the Mexican case. The research questions in these chapters make a focus on one country more appropriate, since the institutional and political factors remain constant. Moreover, my argument predicts that, within a country, recipients of a strict CCT behave differently than non-recipients. Although Mexico’s CCT is among the programs with more stringent guidelines, it is far from being an outlier. To illustrate that the argument is not exclusive to Mexico, I include qualitative evidence from Colombia, Guatemala, Peru, and Argentina.

Even though the context of this book is Latin America, I believe that the research addresses a broad theoretical question that is relevant to other regions in the world, and is relevant to the study of other poverty relief poli-
cies. After all, the phenomenon of CCTs is broader than Latin America, and the phenomenon of executive governments limiting their own discretion to pursue policy reform is broader than CCTs. Of course, there are limits to how much one can generalize findings based on a region or policy domain. In particular, the countries in this study are multiparty presidential systems in which there was effective political competition during the period of study for this book. Still, the basic elements of my argument could apply in other settings. For example, in the Philippines, President Macapagal Arroyo launched a CCT program, the *Pantawid Pamilyang Pilipino Program* (4Ps), during the food price crisis in 2008. A year before, the country held legislative elections, in which the president’s National Union of Christian Democrats (or Lakas-Christian Muslim Democrats) won 89 of the 240 seats of the House of Representatives. President Arroyo’s administration was marred by corruption and election fraud charges.\(^{27}\) Still, as other presidents facing resistance from Congress, she adopted a CCT with a strict design, which includes fixed eligibility criteria, health and school attendance conditions, and monitoring systems. The World Bank conducted a randomized trial to evaluate program impacts and found that, after 2.5 years of implementation, the program increased school enrollment among younger children, increased school attendance, improved children’s nutrition, and reduced severe stunting (World Bank 2013).

Another example, in Turkey – a parliamentary democracy—Prime Minis-

\(^{27}\)Opposition members attempted to impeach President Arroyo in July 2005 and in June 2006. Both attempts concerning allegations of fraud and vote rigging in the 2004 presidential elections were subsequently dismissed (Interparliamentarian Union, 2007 report). In 2012, President Arroyo was arrested on corruption charges.
ter Ecevit launched the Social Risk Mitigation Project (SRMP) in 2001, when he faced considerable resistance from parliament. In the 1999 elections, the Prime Minister’s Democratic Left Party (DSP) won 136 of the 550 seats of the Grand National Assembly. Unable to form a single party government, the Prime Minister formed a coalition with the Nationalist Action Party and the motherland party (ANAP). However, the DSP-led coalition unraveled and elections were held almost 18 months ahead of schedule (Inter-Parliamentary Union, 1999 report). 28 Prime Minister Ecevit faced an adversarial president, two earthquakes that killed about 200,000 people, and stock market crash, in which 40 billion dollars (or about 20 percent of the Turkish gross national product) was lost overnight (Kalaycioglu 2010). Consistent with my argument, Turkey’s CCT has a strict design and robust implementation. The program uses proxy-means test to select recipients and coverage is highest for the poorest decile, benefits are distributed through banks and the postal service, health and school attendance conditions are established and verified monthly, and the International Food Policy Research Institute (IFPRI) evaluated the program (Fiszbein and Schady 2009). IFPRI’s evaluation detected problems with the management information system in early years of the program. Still, SRMP increased enrollment rates among girls of secondary school, and increased vaccination coverage significantly (Ahmed et al. 2007). Thus, even in these contexts, checks on executive power matter for CCTs design and outcomes.

Finally, my argument can be extended to study other antipoverty poli-

\footnote{In July 2002, key ministerial allies of the Prime Minister and legislators from the ruling coalition, including the DSP, left the government coalition (Inter-Parliamentary Union, 1999 report).}
cies. For example, African governments are increasingly adopting Unconditional Cash Transfers (UCT), which do not make transfers contingent upon children’s attendance to school and health centers. Certainly, in Africa, governments face serious fiscal and human capital constraints and international organizations play a more prominent role. Still, domestic politics may matter. Consider the case of Malawi—a country where 61 percent of people live below the US$1.25 a day poverty line. The government implements the Social Cash Transfer scheme, which has no school or health requirements, but has fixed eligibility requirements, program processes are monitored by the District Council and the District Social Welfare Office, and UNICEF-Malawi collaborated in a randomized control trial to evaluate program impacts. President Mutharika launched the program two years after the 2004 election, in which his party, the United Democratic Front, won 49 of the 193 seats of the National Assembly. Then, the country had been afflicted with three successive years of drought, a devastating HIV epidemic, and a shortage of foreign aid precipitated by concerns about governmental corruption and poor economic management. Short of a legislative majority and faced with a serious economic and social crisis, President Mutharika opted for an UCT with operational rules that include fixed eligibility criteria, monitoring systems, and independent program evaluations—all processes that limit politicians’ ability to manipulate programs for political gain.

As I demonstrate in this book, some presidents in Latin America tied their own hands in crafting antipoverty programs, in part because it is costly for

\[29\text{World Bank’s Poverty and Inequality Database.}
\[30\text{Inter-parliamentary Union, report 2004.}\]
politicians to promote clientelist policies in times of economic crisis.\textsuperscript{31} However, the argument in this book also explains why some presidents choose not to reform their poverty relief programs, while others adopt CCTs with weak designs. In addition, this book explains why politicians are often tempted to relax programs operational guidelines. Without continuing checks on presidential authority, programs are vulnerable to manipulation, which in turn can deprive many poor people of the benefits of CCTs. The unequal allocation of resources can raise inequality rather than reduce it (Bardhan and Mookherjee 2011), and ultimately can make the enterprise of lifting people out of poverty less effective (Magaloni et al. 2007). Thus, the arguments and evidence presented in this book have implications for our understanding of the heterogeneous effects of CCTs on education and health outcomes across Latin America. Ultimately, the effectiveness of poverty relief efforts can be traced back to the political dynamics explored in this book.

**Plan of the book**

Social spending has been the object of great scrutiny in scholarly work. Yet central questions about how, when, and why governments use social spending to improve the lives of the poor remain unanswered. Chapter 2 argues that social assistance disbursements are analytically distinct from the more general concept of social expenditure. Therefore, to better understand the political conditions that lead governments in Latin America to redirect resources toward the poor, it is useful to focus on social assistance programs,

\textsuperscript{31}See Stokes, Dunning, Nazareno, and Brusco (2012) for an account of the costs of clientelism, which include rent-seeking and inefficient targeting by brokers.
their design, and their implementation. The chapter then provides a detailed account of CCT programs. The last section of the chapter presents two indexes that I constructed to capture the variation in the design and implementation of cash transfer programs operated in Latin America between 1990 and 2011. The indexes are based on programs’ operational rules and on more than 100 documents produced by national and international agencies. The chapter reveals previously unexplored variation both within and across countries in the degree to which program rules and regulations limit politicians’ discretion. Figure 1.1 presents a snapshot of this variation.

Chapter 3 presents the argument in greater detail, working up to the empirical implications that are evaluated in Chapters 4-7. Chapter 4 presents evidence using my panel data set on the adoption, design, and implementation of CCTs. Drawing from regression evidence, I show that presidents facing a congress controlled by the opposition or higher legislative checks adopt CCTs with stricter designs. I compare my explanation to other prominent theories, and find only limited support for them. To increase confidence in my conclusions, I also employ a regression discontinuity design, which takes advantage of the arbitrariness of the rule that determines when a president’s party controls a majority of seats in Congress. Such arbitrary rules provide “as-if randomized” variation in one of the key variables of my argument (Angrist and Pischke 2009). I then examine the origins and the evolution of CCT programs in Mexico, Colombia, Peru, Guatemala, and Argentina, where presidents faced various degrees of resistance from the legislatures. The material for these five case studies comes from congressional archives and media coverage, as well as interviews with key stakeholders in Mex-
Figure 1.1: Average strictness in program design
Note: The darker the color, the stricter the program design.
The quantitative analysis, together with the qualitative insights gained through the case studies, strongly supports the book’s argument.

In Chapter 5, I examine first the implementation of policies to determine whether the same factors that lead to strict operational rules also lead to robust implementation. Second, I test the assertion that the political factors that lead to strong policy design also lead to the elimination of political-economic cycles that result from the expansion of CCT programs during election years. The last test in this chapter aims to prove that programs with weaker designs and more flawed implementation are more likely to be dismantled than programs with stronger designs and more exacting implementation. The evidence in this chapter confirms that the dynamics among presidents and legislators influence important policy outcomes that relate directly to the programs’ effectiveness in eradicating poverty.

CCTs influence the quality of democracy. In Chapter 6, I argue that a CCT program that ties the hands of the executive affects clientelism. Drawing on in-depth interviews with program recipients, participatory observations of program meetings in Mexico, and data from a nationally representative survey among Mexican households, I show that, compared with other survey participants, recipients enrolled in a CCT program with a strong design are well informed about the funding sources of the program, are less likely to report participating in vote-buying exchanges, and feel more free to cast a ballot according to their preferences. These results are borne out by measuring vote-buying through such nonintrusive instruments as a list experiment. Through interviews with political brokers from both the incumbent and opposition parties in Mexico, I demonstrate that local authorities and
political brokers resented the implementation of the CCT program because it decreased their margin of discretion. Finally, I also document that CCT recipients are well informed in Guatemala, Peru, and Colombia, and that local authorities and brokers in these countries also reacted negatively to the introduction of CCT programs.

In chapter 7, I document the pro-incumbent effects of the Mexican CCT program with the downstream analysis of a unique randomized field experiment conducted in the early stages of the program. I also show that the mechanism through which the Mexican CCT raises support for the incumbent is closer to programmatic politics than clientelism. The chapter then suggests that when CCT programs are operated in a programmatic way, they are compatible with healthy democratic habits, such as participating in elections, and have the attractive feature of fostering pro-incumbent support.

Overall, this book demonstrates that governments’ strategies to tackle poverty are influenced by the relationship between the president and legislators, and in turn, the policies implemented affect the prospects of eradicating poverty and the quality of democracy. To conclude the book, I summarize the central findings and discuss some unsettled questions about the future of CCTs. I conclude that given the incentives of politicians to manipulate programs for political gain, both presidents and legislators should continue to invest in improved program monitoring methods that allow them to ensure that politicians—whether in the executive, legislative, or local branches of government—will not manipulate antipoverty programs in a way that undermines the efforts to fight poverty.
Chapter 3

The politics of fighting poverty

Some governments in Latin America adopted conditional cash transfer programs with operational rules that include strict eligibility criteria, well-defined operation rules, and rigorous implementation strategies, other governments adopted less robust CCT, and yet other governments did not adopt a CCT at all. Why did some governments and not others pursue poverty relief programs insulated from politics? This chapter explains the political processes that led some governments to tie their own hands in crafting and adopting CCT programs.

The chapter is organized as follows: the next section introduces the players in the political game. Then, I describe in detail the actions available to each player, and outline their preferences. Then, I discuss optimal policy choices. The chapter concludes with a discussion of the implications of the argument for policy outcomes.
Players

The executive government, president hereafter, is directly responsible for the design, adoption and implementation of CCTs. Yet the president cannot act unilaterally because CCTs are not entitlements. Program funds are reviewed and approved on a yearly basis by legislators, who are in charge of approving the federal budget. Thus, although legislators have less fiscal responsibility and are not directly responsible for decisions related to public policies (Murillo 2009), they can use their budgetary powers to influence public policies (Ting 2001).¹

In principle, most political constitutions in Latin America grant powers of initiative to the president in budgetary matters, but grant legislators the power to approve or reject the president’s budget. In practice, legislators throughout the region use their budgetary powers routinely, even in countries where restrictions on amendments exist,² and even in those cases when appropriations are approved through presidential decree powers (Shugart and Carey 1992).³ The institutional budgetary arrangement is an avenue through which executive and legislative powers “keep each from exceeding its legitimate authority” (McCarty 2004 413).

Elections produce a president (P), and one of three types of median leg-

¹See Amorim Neto 2006 for a study of why presidents decide to use executive prerogatives versus statutes that require legislative approval.
²In Chile, for example, legislators can only shift the allocation of appropriated funds within a fixed budget.
³Shugart and Carey (1992) argue that “students of presidential systems have regularly mistaken delegated authority for the usurpation of [legislative] political power by presidents . . . but . . . the conditions under which delegation takes place can greatly constrain presidents from defying Congressional will” (131). Thus, even in cases where it may appear that legislatures have abdicated powers through delegation, authority can be revoked when needed.
islators. First, a median legislator who is part of the president’s political party and is part of the president’s faction in the same party ($L_c$). Second, elections can produce a median legislator who is part of the president’s political party but is not part of his within-party faction ($L_{nc}$). And finally, a median legislator who is a member of an opposition political party ($L_o$).

The median legislator represents the preferences of the pivotal legislator in congress. These three types of legislators capture that the president and the median legislator may have conflicting preferences, even if they are from the same political party.

A four type of median legislator could, in principle, be conformed by legislators from the opposition that are part of the president’s coalition. The literature on policymaking in Latin America has suggested that one way in which presidents form coalitions in congress is through the concession of appropriations that legislators can use for pork barrel projects in their constituencies (Stein et al. 2008). In the case of pro-poor policies, however, the strategy of trading pork barrel resources for legislative support is insufficient because legislators know that it is difficult to counteract the political effects of a manipulated poverty relief program in favor of the president’s party. Thus, legislators from the opposition would be unwilling to sell their support for a CCT program.

I will assume that players are interested in maximizing their political capital, which can be used, among other things, to win elections, advance political careers, and promote policies.

Players: President: $P$, Median Legislator: $L_c$, $L_{nc}$, or $L_o$.
Actions

Nature dictates the extent of economic crisis. Given the economic and political context, the president can take one of three courses of action. First, he can do nothing, in which case the policies in place in the status quo (SQ) continue to operate as the main policy instruments to deal with poverty. Second, he can design and propose a CCT with operational rules that do not limit his own discretion over policy implementation (PCCT). Third, he can design and propose a CCT with operational rules that limit the government’s ability to manipulate the program for political gain, such as fixed eligibility criteria, monitoring systems, and independent program evaluations (NCCT). To keep things simple for exposition, I assume that the president chooses one of the three discrete choices available to him. An alternative exposition could allow the president to chose the extent to which he will limit his own discretion, if he decides to move away from the status quo. Discrete and continuous actions, however, lead to the same political game and results. Therefore, I keep the former for simplicity. In the following section, I describe in detail what each of the three actions available to the president entail.

Status quo

Three factors characterize the status quo in the region: First, the stringent macroeconomic reforms of the Washington Consensus coupled with recurrent economic crises resulted in deterioration of the living conditions of many Latin Americans. Second, many countries throughout Latin America

\[4\] Since all CCT programs begin as small scale interventions, I abstract here from the question of initial program size. In Chapter 5, I will come back to the question of when do president scale up their programs.
had begun a process of deindustrialization (Mares 2009). Third, the policy repertoires to tackle the increased poverty was inadequate. In addition to their inability to reach the poor, social programs in the region were commonly characterized as vehicles for patronage because incumbent governments could distribute these resources in a discretionary manner (Tendler 2000). Thus, overall social assistance policies implemented in the region were ineffective in reducing poverty and vulnerable to being used for clientelist purposes.\(^5\)

The combination of increased poverty rates, a formal welfare state that excludes a large portion of the labor force, and policy instruments that are inadequate to tackle poverty and are vulnerable to being manipulated for political purposes generates social discontent. Social unrest in many countries in the region took the form of protests and strikes in urban areas (Garland 2000),\(^6\) and armed rebellion in rural areas.\(^7\) The severity of the economic and social crisis and the inadequacy of the status quo policies are an important element in the political game that follows.


\(^6\)Although the debt crisis, and the turn to economic neoliberalism, eroded the influence of organized labor in many countries in the region, public sector unions were able to delay or block comprehensive reforms to welfare institutions (Dion 2010).

\(^7\)Perhaps the most well-known and visible of rural movements was that of the Zapatista Army of National Liberation, which rose up in Chiapas, Mexico in 1994. Yet groups with similar demands operated during the 1990s in Chile (Frente Patriótico Manuel Rodríguez), in Colombia (the Ejército de Liberación Nacional), in El Salvador (the Frente Farabundo Martí de Liberación Nacional and Fuerzas Armadas de Resistencia Nacional), in Guatemala (Fuerzas Armadas Rebeldes and the Ejército Guerrillero de los Pobres), in Peru (Movimiento Revolucionario Tupac Amaru), among others. Many of these groups, including the Zapatistas, remain active today.
A CCT without operational rules that tie the hands of the president

A second action available to the president is to design and propose a CCT without operational guidelines that limit his own discretion. A CCT is an appealing social policy because it is relative inexpensive (compared to pensions, for example) and effective at improving the life of the poor.

Considering the large share of the workforce in the informal sector and the restricted coverage of formal welfare protection (Barrientos 2004), other policy responses, such as a thorough reform to the welfare state or the incorporation of welfare state outsiders into existing institutions of social protection, were politically more controversial and unfeasible in terms of fiscal resources. Moreover, granting welfare state outsiders full access to the existing benefits of the welfare state would have been insufficient because few countries at that time had unemployment insurance schemes or social assistance programs to counteract the economic contraction. With a CCT, a president can target resources directly to the poor without disrupting organized interests and the middle class.\(^8\)

With the decision to adopt a CCT come decisions about policy design and agency structure. The president knows that bureaucrats have incentives of their own (Bawn 1997, Epstein and O’Halloran 1999, Lupia and McCubbins 2000, and McCubbins, Noll and Weingast 1987). Bureaucrats do not

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\(^8\)O’Donnell cautioned at the time that governments in the region: “must take into account that pro-poor policies will mobilize concerns not only among the privileged but also among important segments of the middle class who, after their own sufferings through economic crises and adjustments, feel that it is they who deserve preferential treatment. These concerns … may coagulate in a veto coalition that threatens not only the policy goals of those governments, but also whatever economic stability or growth has been achieved” (1996, 6).
face elections directly, and could be more invested in their own career than in the success of the policy or the career of politicians. Aside from legitimate concerns about career prospects, bureaucrats may also be interested in rent extraction opportunities. Therefore, the CCT may be distorted in the bureaucratic chain of command. To control the agency, the president keeps the power of appointment and removal of government officials in charge of the program. The president’s appointment power in this policy arena is by no means an exemption, as the composition of the cabinet is legally a prerogative of the executive in all Latin American countries (Amorim Neto 2006). Appointment powers, however, nudge the agency to act on behalf of the president (Bendor, Glazer and Hammond 2001), but do not eliminate bureaucratic discretion.

A CCT without operational guidelines to control and monitor the implementing agency offers opportunities for corruption and for the building of patronage bases (Huber 1996). Since the agency is biased in favor of the president, it is likely that such opportunities benefit his patronage bases. Yet it is also possible that other politicians try to use the program to fuel their own political machines. The more politicians distort the policy for patronage purposes, the less effective the policy is at improving the living conditions of the poor.

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9 For example, bureaucrats are concerned with maximizing their agency’s budget - since resources come with perks, prestige and greater career prospects.

10 In all countries in Latin America, presidents hold bureaucratic control of the CCT program’s headquarters. The only exception was the Brazilian program until President Lula’s reform in 2003.
A CCT with operational rules that tie the hands of the president

Finally, the president can opt for a CCT with operational guidelines that reduce bureaucratic discretion. For example, operational guidelines can include a clear description of the processes that the agency must follow to select recipients, transfer resources, verify conditionalities, etc., as well as systems to monitor the agency and make program operations transparent. For example, rules can be included to regularly detect errors of inclusion and exclusion to the program, to detect when conditionalities are not verified, and to evaluate program impacts. Such provisions reduce bureaucratic discretion by establishing ex-ante rules that dictate what policy the agency has to implement (before bureaucrats implement policies), and ex-post strategies of control (at the implementation stage) that enable the president and legislators to detect if the program is manipulated for political aims.

A CCT with strict guidelines minimizes opportunities for corruption and for building patronage bases. With this course of action, the president ties his own hands. Yet he also minimizes other politicians’ opportunities to manipulate the program to build or fuel patronage machines without being detected. A more neutral CCT is more effective in alleviating poverty.

Fund or not fund policy

Because congress is unable to directly influence policy implementation, legislators must make use of budgetary mechanisms. If the president decides to move away from the status quo and propose a CCT, then the median legislator has two possible actions: fund or deny funding to the policy.
Figure 3.1: The political game

Notes: The players are: $P$, the president and $L_i$, the median legislator. Suscript $i$ denotes the type of median ($c, nc, oro$). $P$ can choose either to stay in the status quo, propose a $NCCT$, or a $PCCT$. If $P$ moves away from $SQ$, then $L_i$ can either fund or not fund $P$’s program. $p_i^{sq}$ is the value of keeping only the status quo policies in place, $p_i$ is the value of implementing a CCT, $e_i$ is the payoff from supporting a non-clientelist poverty relief program when the other player does not (or the payoff from rejecting clientelism). $v_1$ and $v_2$ are the value of clientelism for $P$ and $L_i$, respectively.
The Political Game

The series of actions of the president and the median legislator are depicted in figure 3.1. The president proposes either to stay in the status quo, a PCCT or a NCCT. If the president proposes either PCCT or NCCT, then the median legislator decides whether to fund or not fund the proposed policy. Thus there are five possible outcomes. I assume that each player has a strict preference ordering over the five. And, as it is common in the literature of delegation, I assume that each player knows what game they are playing, and each knows the other knows (Bendor, Glazer, and Hammond 2001). Players choose optimal actions based on previous actions and expectations about future actions. I examine three theoretically relevant scenarios including a president facing a median legislator from the opposition, from his political party but not from his faction within the party, and from his party and his faction. Anticipating one of the central results, when a president faces \( L_c \), he finds fewer reasons to tie his own hands when crafting the CCT than when he faces \( L_{nc} \) or \( L_o \). Thus, perhaps surprisingly, even though \( L_{nc} \) and \( L_o \) have different preferences over policy outcomes, when the president faces either type of legislator he forgoes his own discretion over the CCT.

To innovate in terms of fighting poverty, power-holders need to think that implementing a new poverty relief program is more convenient for them than continuing in the status quo. \( p_i^{sq} \) and \( 1 - p_i^{sq} \) represent the president’s and median legislator’s payoff from the policies in the status quo, respectively. The extent to which the status quo poses a threat of social unrest is critical to determine politicians’ preferences. If the status quo’s structural forces pose no threat, the president has little incentives to innovate in the social
sector (Hirschman 1985, Drazen and Grill 1990, Keeler 1993). On the other hand, when structural forces produce social unrest and the policies in the status quo are not effective to deal with the crisis, then the president has incentives to move away from the status quo and implement a social policy which improves the living conditions of the poor and quells social discontent in a more effective way compared to the status quo policies. The worst the status quo, the more likely the president is to consider designing and implementing either a PCCT or a NCCT program.

In a situation of economic crisis, politicians become interested in reforming social policies because of the need for effective antipoverty policies is high. Politicians’ incentives can come from selfish reasons such as career concerns, or can come from altruistic reasons such as other-regarding preferences. Regardless of what motivates politicians, as long as there is need for an effective poverty relief program, supporting a non-clientelist program can provide politicians with political benefits. \( e_i \) represents the payoff from supporting a non-clientelist poverty relief program, or rejecting a clientelist program, when the other player does not. The worst the economic crisis, the higher \( e_i \) is.

\( p_i \) is the payoff the president gets from implementing a CCT, which transfers cash directly to people. \( 1 - p_i \) is the payoff the median legislator gets from the implementation of a CCT. Since the president is directly responsible for the policy’s design and implementation, he is more likely to claim the credit for it. Thus, \( p_i > 1 - p_i \).

A PCCT offers opportunities for using the program for clientelist purposes, while NCCT eliminates them. \( v1_i \) is the value of clientelism for the
president, and \(v_{2i}\) is the value of clientelism for the median legislator. \(v_{1i}\) and \(v_{2i}\) can be positive or negative.

**Case 1: President faces median legislator from opposition**

Hereafter, I will drop subscript \(i\) because I will be describing a particular type of legislator. In this case, the median legislator is from the opposition.

If the president proposes a NCCT, then \(L_o\) has a choice between funding the program and getting \(1 - p\) or not funding the program and getting \(1 - p^{eq} - e\). NCCT suppresses bureaucratic discretion and limits opportunities for the incumbent party to build patronage bases. Yet, if an economic crisis exists, NCCT produces higher payoffs for the incumbent than the status quo policies because the president can claim the credit for the policy innovation. This could give the opposition legislator reasons not to fund NCCT. However, \(L_o\) must also consider that status quo’s policies are already biased in favor of the president’s party and that there is a cost \(e\) of rejecting a non-clientelist poverty relief program. The higher \(e\) is, the more \(L_o\) prefers to fund NCCT than not to fund it.

If the president proposes PCCT, then \(L_o\) has a choice between funding the program and getting \(1 - p - v_1 + v_2\) and not funding the program and getting \(1 - p^{eq} + e\). Since the median legislator is in this case part of the opposition, \(v_1 - v_2 > 0\). That is, the president values clientelism more than \(L_o\) because he is the incumbent. Thus, he has more control over the clientelist machine than the opposition party. \(L_o\) is concerned that the policies in the status quo are biased in favor of the president’s party, but the president cannot make
a credible promise to $L_o$ that he will not abuse his power and manipulate a PCCT for political aims. Furthermore, $L_o$ has an incentive to deny funding to a PCCT because that way she gets the bonus that comes from rejecting a clientelist policy when the president proposes it. So, $L_o$ prefers not to fund PCCT than to fund it.

Given $L_o$'s decisions, and that the status quo is undesirable, the president decides between proposing NCCT and getting funding for it, in which case he gets the payoff $p$, or proposing PCCT and not getting funding for it, in which case he gets $p_{sq} - e$. For a president who faces economic turmoil, implementing a CCT is better than keeping only the policies in the status quo ($p > p_{sq}$) because a CCT is more effective at tackling poverty. This gives the president reasons to choose NCCT over a PCCT. Moreover, since $e$ is positive, if the president opts for PCCT, which will get no funding, then not only is he left with the status quo inefficient policies but he also pays the costs of being blamed by $L_o$ for proposing a clientelist policy in times of crisis. Therefore, when confronted with a median legislator from the opposition, the president is better off opting for NCCT. Thus, in this case, the president proposes NCCT and $L_o$ funds it. The payoffs for each player are $(p, 1 - p)$.

**Case 2: President faces median legislator from his party but from a different within-party faction**

In the previous case, the president, being the incumbent, values clientelism more than the legislator from the opposition. Now, when the median legislator is from the president’s party but not from his faction, it is relevant which
faction controls the party’s patronage machine, if one exists. First, consider the case in which \( v_1 + v_2 < 0 \), that is \( L_{nc} \) has more control over the party machine than the president.

If the president proposes NCCT, then \( L_{nc} \) has a choice between funding the program and getting \( 1 - p \) or not funding the program and getting \( 1 - p^q - e \). The worse the economic crisis, the more likely it is that \( L_{nc} \) would prefer to fund NCCT than not to fund it because, as in the previous case, rejecting a non-politicized pro-poor policy when the president proposes it has a cost \( e \), which increases with the extent of the crisis.

If the president proposes PCCT, then \( L_{nc} \) also has incentives to fund the policy. If \( L_{nc} \) funds the program, she gets \( 1 - p - v_1 + v_2 \) and if she does not fund it, she gets \( 1 - p^q + e \). Because \( v_1 + v_2 < 0 \), then when the president proposes PCCT, \( L_{nc} \) funds it because she gets the clientelist bonus.

Given \( L_{nc}'s \) dominant strategy of funding the president’s policy, \( P \) decides between opting for NCCT and getting funding for it, in which case he gets the payoff \( p \), or opting for PCCT and getting funding for it, in which case he gets \( p + v_1 - v_2 \). For a president who faces economic turmoil and is not in control of his party’s political machine, \( p > p + v_1 - v_2 \). Therefore, the president is better off opting for NCCT and getting funding for it. With NCCT the president ties his own hands but he also minimizes opportunities for his rival faction to manipulate the program. The payoffs for each player in this case are \( (p, 1 - p) \).

Now consider the case in which \( v_1 - v_2 > 0 \), that is the president’s faction controls the party’s machine. In such case, \( L_{nc} \) prefers to fund neutral CCT because she values clientelist opportunities less than the president. She may
be concerned that the president will design and implement a policy that increases the president’s political capital at the expense of her own. This scenario produces the same results as in Case 1 when the president faces a median legislator from the opposition. The president cannot credible commit not to manipulate PCCT to his political benefit and hurt $L_{nc}$’s faction within the party. In such case, $L_{nc}$ prefers to fund NCCT over not fund it, and prefers not to fund PCCT over fund it. Then, as in case 1, the president opts for NCCT, which secures funding.

**Case 3: President faces a median legislator from his party and from his own within-party coalition**

A president who faces a median legislator from his within-party faction knows that he is dealing with an ally.

If the president proposes NCCT, then the median legislator has a choice between funding the program and getting $1 - p$ or not funding the program and getting $1 - p^q - e$. The higher $e$ is, the more likely it is that $L_c$ would prefer to fund NCCT than not.

In this case, since the median legislator is an ally, the clientelist bonus is not a zero sum game. Each player gets a payoff $V$ when a clientelist policy is implemented. Because they are allies, the president and $L_c$ can trust that the policy implemented is aligned with their interest. So if the president proposes PCCT, then $L_c$ has a choice between funding the program and getting $1 - p + V$ and not funding the program and getting $1 - p^q + e$. $L_c$ prefers to fund PCCT and get the clientelist bonus.

Given $L_c$ decisions, the president decides between proposing NCCT and
getting funding for it, in which case he gets the payoff $p$, or proposing PCCT and getting funding for it, in which case he gets $p + V$. For a president who faces economic turmoil and controls of his party’s clientelist machine, $p < p + V$. Therefore, the president is better off opting for PCCT and getting funding for it. The payoffs in this case are $(p + V, 1 - p + V)$.

In sum, when the president faces a median legislator that is not from his own within-party faction or that is from the opposition, he forgoes discretion in program operations but he also minimizes opportunities for politicians in general to manipulate the program without being detected. In other words, NCCT is adopted when $P$ and $L_o, o_{mc}$ are not aligned because each side does not want the opposite side to reap the clientelist bonus of a manipulable CCT, all else equal.

The policy outcomes that result from the interactions between the president and the median legislator are:

**Hypothesis 1:** If there is no economic crisis, the result is the SQ

If there is an economic crisis, then:

**Hypothesis 2:** If $P$ faces $L_c$, the result is PCCT

**Hypothesis 3:** If $P$ faces $L_{nc}$, the result is NCCT

**Hypothesis 4:** If $P$ faces $L_o$, the result is NCCT

**Implications**

When the president faces $L_{nc}$ or $L_o$, he designs a neutral conditional cash transfer with more intricate operational rules. Yet the president keeps the power of appointment and removal of government officials in charge of the program. Thus, in principle, the president could implement the policy in any
way he wants, regardless of the compromises he makes in the design. However, it is not in his interest to deviate from the policy design to implement a politicized policy, because he will face legislators repeatedly. As mentioned earlier in the chapter, CCTs are not entitlements, legislators can review their budgets on a yearly basis. If legislators feel that a president has moved the policy too far away from its design, then legislators may choose to revise the program’s budget, which in an extreme case could lead to the discontinuation of a policy. For this reason, we can expect that a president who faces $L_{nc}$ or $L_o$ will have a particular interest in keeping program implementation in line with program design as much as possible, even if this means monitoring their own bureaucracies and making continuous investments in curbing his own discretion. Repeated interactions with congress allow legislators to threaten the president to cut the policy’s funding, which in turn, motivate the president to keep the program insulated from political interests.

When the president negotiates with $L_c$, he designs a PCCT and delegates the implementation of the program to the agency without imposing mechanisms of control. A CCT without mechanisms to curb bureaucratic discretion offers more opportunities for corruption (Huber 1996). A conditional cash transfer with no operational rules such as fixed eligibility criteria, monitoring systems, and independent program evaluations has a less robust implementation. The expectation then is that although there may be some discrepancies between policy design and implementation, the same factors that lead to a stricter policy design also lead to a more robust implementation.

Hypothesis 5: When a president faces $L_{nc}$ or $L_o$, the CCT has a more robust
implementation than when a president faces $L_c$.

From the various aspects of implementation, the expansion of programs, especially during election years, has constituted an important issue on which legislators across Latin America consistently agitate. Speculations about presidents using conditional cash transfer programs to boost their electoral support abound in the media. Yet there are no studies that provide systematic evidence on the presence of political-economic cycles in the operation of cash transfer programs. Thus, the question that remains is whether presidents manipulate program enrollment to improve their electoral fortunes.

A second implication of the argument is that when a president faces $L_{nc}$ or $L_o$, the policy’s design includes stringent operational guidelines that limit the bureaucracy’s ability to manipulate the program for political gain without being detected. For example, a program with a design which includes processes to guarantee transparency in program operations (regularly publish program expenses, schedules of transfers, and enrollment updates) gives a president less room to manipulate enrollments according to the schedule of elections without legislators learning about it. Moreover, program guidelines may explicitly restrict enrollment of people close to election times, like in the Mexican case. The president knows that $L_{nc}$ or $L_o$ are willing to cut the funding of a politicized program. Thus, presidents that opt for CCT programs with more neutral designs are also less prone to use programs to fuel political business cycles. On the other hand, when a president faces $L_c$, he can expand a program following electoral cycles since the median legislator poses no threat to the policy’s funding.
Hypothesis 6: Political factors that lead to strong policy design and robust implementation also lead to the elimination of political-economic cycles that result from the expansion of conditional cash transfer programs during election years.

The argument also has an implication for policies’ survival. A CCT that limits political discretion is more effective at fighting poverty and is less vulnerable to political manipulation. Thus, a neutral design and a more robust implementation gives programs two types of legitimacy: output and procedural legitimacy. The former justifies a policy based on its superior performance compared to other policies, the latter based on the process of implementation being better and more transparent than other policies (Thatcher and Stone Sweet 2002).

A president has more arguments to defend a poverty relief program which effectively reaches its intended beneficiaries and improves their welfare. Similarly, when the president has evidence based on impact evaluations about the effectiveness of the program, he can better justify program continuation. On the other hand, defending an ineffective policy, especially in an antagonist congress, is a more daunting task. Beyond legislators’ responses to the policy, people are more likely to see an effective policy as legitimate than an ineffective policy. Thus, neutral CCTs are more likely to count with output legitimacy than politicized programs.

The basis of procedural legitimacy of poverty relief programs ultimately depends on people’s understanding of the root causes of poverty. In Latin America, people rank highly characteristics of the political system among
possible determinants of poverty. Corruption and inefficient bureaucracies are common explanations for poverty, as are explanations based on unfairness of the distribution of income, and of the distribution of opportunities (Brooks 2009). Because many voters in Latin America believe that injustices found in political systems and ineffective institutions play a role in poverty, it is likely that policies that tie the hands of the president would garner more support by broad sectors of the population than those policies with less effective controls on presidential discretion.\\textsuperscript{11} Recent accounts of distributive politics in Latin America show that middle class voters may support well-administered social programs (Zucco 2011), reject clientelism on moral grounds, and disapprove of policies that signal low quality of government, such as politicized policies (Weitz-Shapiro 2012a, 2012b). People then are more likely to see a poverty relief program as legitimate if it is insulated from politics.

Output and procedural legitimacy help presidents form a coalition in support of policy continuation. Therefore, a neutral CCT garners broad support among the public, which could be directly linked to programs’ survival rate. A politicized CCT, on the other hand, could have a smaller coalition supporting it.

\textit{Hypothesis 7: Programs with weaker designs - and more flawed implementations- are more likely to be dismantled than programs with stronger designs and more exacting implementations.}

A final implication of the argument relates to the strength of patron-client

\\textsuperscript{11}The Latin American understanding of the cause of poverty contrasts sharply with that of the US, where the causes of poverty are more likely to be perceived as related to personal choices, such as lack of effort (Alesina, Glaeser and Sacerdote 2001).
relations. There are two countervailing accounts in the literature about the relationship between social policy and clientelism. On the one hand, Scott describes how important welfare benefits were to the demise of clientelism in the U.S. (1969). In his account, the institutionalization of welfare replaced patrons' favors:

The services that tied the client to the machine were either no longer necessary or were performed by other agencies than the machine . . . With aid to dependent children and old age assistance becoming the formal responsibility of government agencies 'the precinct captain's hod of coal was a joke'. The protective and defensive function of the machine had simply ceased to be important political incentives (1156).

Along these lines, Weyland (1996) noted in the context of the return of democracy in Brazil that: “Only benefits guaranteed by the state through redistributive measures can break the hold of clientelist patrons and set the poor free to effectively exercise their citizen rights” (6).

On the other hand, Kitschelt argues that “some institutional designs to deliver social policy benefits facilitate the growth of clientelistic linkage practices between politicians and electoral constituencies and in some instances may well have been designed to deliver such consequences” (2007 p. 298). He observes that in both young and established democracies, social policy benefits -such as public housing, and to a lesser extent social insurance benefits for unemployment, old age, and illness- that are targeted directly at mass electoral constituencies are a core component of clientelistic practices
Both accounts are useful for understanding conditional cash transfer programs and clientelism in Latin America. When a president faces $L_{nc}$ or $L_c$, CCTs have more elaborate rules and more robust operations, and are therefore more likely to be effective in fighting poverty and insulated from politics. Where this is the case, CCTs erode patron-client relations. On the other hand, when a president faces $L_c$, CCTs could cement clientelistic ties.

A neutral CCT fosters the demise of clientelism through three mechanisms. First, when programs include provisions to avoid mismanagement, they are more effective at increasing households’ welfare. A wealthier household can, in turn, afford to distance themselves from local patrons, which makes vote buying more expensive for political parties’ brokers.

Second, a program with strict operational rules has an informative effect on recipients. The more institutionalized a program is, the more information recipients have that program benefits do not depend on party brokers. This informative effect also makes vote buying more difficult, since voters learn that party brokers have less discretion to administer program resources. The income and informative effects together empower recipients to resist clientelism.

Third, conditional cash transfer programs that operate in a systematic way are more likely to be institutionalized, which reduces the discretion of party brokers to operate a program based on a system of rewards and punishments. For example, if the selection of program recipients is based on a poverty score, and cash transfers are systematically reaching recipients, party brokers have fewer opportunities to strategically manipulate program
resources. This makes vote buying more difficult because brokers cannot be-
stow program benefits, nor can they punish recipients by discontinuing the stream of program benefits. Thus, a neutral CCT helps poor people to resist clientelism, and also erodes patron-client relations by suppressing brokers’ discretion.

*Hypothesis 8: CCTs with more neutral designs and robust implementations foster the demise of clientelism.*

The following chapters test these hypotheses with a mix of quantitative and qualitative evidence. Overall, the analysis that follows shows that the dynamics among presidents and legislators influence conditional cash transfers’ design and has important policy outcomes that directly relate to the effectiveness of programs to eradicate poverty.
Chapter 4

Explaining policy adoption and design

The political processes behind decisions to adopt CCT programs shows that presidents in Latin America, during the period under study in this book, pursued their antipoverty agendas taking into account the reactions of legislators. This chapter presents an empirical analysis of the role of executive-legislative relations in the adoption and design of CCTs. The chapter begins with a quantitative analysis of the determinants of the adoption of CCTs with stringent operational guidelines and the adoption of CCTs with lax operational rules.

Then, to further test the plausibility of the argument, the chapter explores the emergence of CCT programs in five countries in Latin America. I first review the origins of Mexico’s Progresa program followed by a discussion of the Colombian CCT program, Familias en Acción. In both countries, the president faced antagonistic legislatures controlled by legislators of their own party but from different within-party factions. I then review the origins of Guatemala’s Mi Familia Progresa and Peru’s Juntos program, where
presidents faced legislatures controlled by the opposition. Finally, I examine Argentina’s CCT program, *Plan Familias*, implemented first when the president’s party controlled congress and I examine *Asignación Universal por Hijo* implemented when the president no longer controlled congress. The quantitative evidence and qualitative insights support the argument that when the president faced an antagonistic legislature, he opts for designing and adopting programs with operational rules that suppress their own, and other politicians’, discretion.

The adoption and design of Latin American CCTs, 1990-2011

Presidents decisions about the adoption, or not, of a CCT with stringent or lenient design is a function of the alignment of the president’s interests with those of legislators. A president whose interests are in line with those of legislators designs and adopts a policy with fewer rules that would limit his own control over the policy’s implementation. On the contrary, a president who faces resistance in congress designs and adopts a policy with more operational rules that suppress discretion.

To test the argument, in the statistical analysis that follows I use the data set I constructed that includes all countries in Latin America during the period of 1990 to 2011. The unit of analysis in the data set is the country-year. For country-years with a CCT in operation, the data set includes details on program design and operations.

Program design varies widely in Latin America, from programs with very few provisions like Bolivia’s *Juancito Pinto* to programs with detailed op-
erational rules like Colombia’s *Familias en Acción*. Based on the program’s design index I constructed (described fully in chapter 2), the average program in the region had a design score of 4.8. Most programs have multiple operational guidelines throughout their life span. While there are countries whose programs are below average design throughout the period under study, like is the case in Bolivia, there are also countries whose programs have improved overtime like those in Ecuador and Honduras. Finally, there are countries whose programs have remained above average in terms of their design, like in Mexico.

Since CCTs are not entitlements, each year governments need to decide whether they want to operate a CCT and its guidelines. To measure various angles of this yearly decision, I define three dependent variables. First, I create a binary outcome that captures whether a country adopts or not a program with a stringent design. *CCT above mean* is a dummy variable that takes the value of one each year a country adopts a CCT with an above average design (a value of 4.8 or higher in the design index), and zero otherwise. Second, it may be that the decision to adopt a stringent CCT is not symmetrical to the decision to adopt a lenient CCT. In other words, the determinants of one type of program need not to be the determinants of the other. Therefore, the second dependent variable, *CCT below mean*, is a dummy variable that takes the value of one each year a country adopts a CCT with a below average design, and zero otherwise. For both variables, their values remain unchanged until a new set of operational rules (either of the same or a different CCT) is adopted in the country, in which case their value changes according to the design score of the new set of operational
rules. In the case in which a country’s CCT expires and it is not replaced by a new program, \( CCT \) above mean and \( CCT \) below mean take the value of zero.

Certainly there are other ways to define a stringent and lenient CCT. For example, instead of using the overall mean design as reference value, it is possible to use the median design. For practical purposes, however, the mean and median of the design index are close to each other, therefore using either statistic to define the threshold to distinguish stringent and lenient programs produces very similar results. Finally, the outcome of interest may be defined in a continuous way. Then, the third dependent variable, Design score, takes values of zero when no program is adopted, and takes the value of the design index—from one up until the value of six when a program’s operational rules regulate targeting, conditionalities, certification, evaluation, and transparency of program operations.

To operationalize the alignment of interests between presidents and legislators, I first follow the literature on delegation, which commonly uses a measure of divided government to capture this concept. A measure of divided government, however, fails to account for instances where the president faces resistance from legislators of his own party. Thus, an analysis based solely on divided government is likely to underestimate the effect that resistance to the president’s policy has on CCTs’ adoption and design. To deal with this, in addition to divided government, I use a more comprehensive measure of the checks on presidential powers.

The two main independent variables capture the degree of political opposition and the level of checks on presidential powers stemming from Congress.
The first variable, *Divided*, measures whether the president controls the lower and upper houses in congress. *Divided* takes the value of one if the party of the president has a majority of the seats in congress, and otherwise takes the value of zero. For half of the country-years in my data set, which dates back to 1990, *Divided* has the value of one. Chile experienced a divided government for sixty-two percent of the country-years in this study, making it the country with the longest exposure to this political phenomenon. Other countries in the study have had substantial experience with divided governments, as well. In Mexico and Peru, for example, the president’s party controlled the majority of seats in congress fifty-two percent of the country-years. Some countries have less experience with divided governments. In Argentina, for example, the president’s party has controlled congress for sixty-two percent of the country-years in the study.

The second variable *Checks*, developed by Keefer (2002), combines the existence of divided control of two chambers in a bicameral system and the number of veto players. *Checks* is coded on a scale of 1 to 7, and takes higher values if the chief executive is competitively elected, if the opposition controls the legislature, if the president doesn’t control a chamber in the legislature, and as the number of parties presumed to be allied with the president’s party but which have an ideological orientation closer to that of the main opposition party increases. With the exception of Cuba, all countries in the study have experienced various levels of *Checks* since 1990. For example, *Checks* takes the value of two in Mexico from 1990 to 1996, and in 1997 it increases to five. A country’s trajectory with respect to checks on executive power is not always progressive, nor linear. In Peru, for example, *Checks* takes the
value of four in 1990 and 1991, decreases to three in 1992, further decreases to two from 1996 to 2000, and then increases again to four in 2001. The two variables, *Divided* and *Checks*, are available in the database of political institutions assembled by Beck et al. (2010). The advantage of using these variables is that they are based on objective criteria.

Estimating the effects of *Divided* and *Checks* on the adoption and design of CCTs using country level data presents several challenges. Chief among them is that comparisons across countries may confound the effects of observable and unobservable characteristics leading to erroneous conclusions about the relationship between measured variables. To mitigate this problem, at least to some extent, I begin by estimating regression models which include country fixed effects. The inclusion of country fixed effects is meant to control for characteristics at the country level that are fixed in the period under study. For each dependent variable, I first estimate a model controlling for country-fixed effects only, and then a model also including as control variables factors that my argument and previous work has considered relevant to the explanation of the origins and expansion of welfare programs. The objective of proceeding this way is to show that the effects of *Divided* and *Checks* do not depend on the inclusion or exclusion of control variables.

Before describing in detail the set of control variables, a note on the regression models I use in this section is in order. *CCT above mean* and *CCT below mean* are dummy variables. Non-linear models, such as probit or logit, are widely used to model dichotomous outcome variables. Yet, non-linear models are cumbersome when specifications include fixed effects or when using panel data. One of the challenges is that non-linear models drop from
the analysis country-year observations with no within country variation in the dependent variable. As an alternative, linear probability models (LPM) work well with fixed effects and panel data. LPM present some challenges too: their estimates are not constrained to the unit interval, and their standard errors may be heteroskedastic. However, both concerns can be easily dealt with. First, given that the main purpose of the analysis is to estimate the effect of Divided and Checks on the outcomes—and not making predictions—, then the possibility that some predicted values are outside the unit interval is not relevant (Wooldridge 2002). Second, it is straightforward to estimate heteroskedasticity-consistent robust standard errors (Angrist and Pischke 2008). Given that both non-linear models and LPM present advantages and disadvantages, in the main text I include LPM models because they work best with fixed effects, which in turn mitigate concerns about spurious correlations between the independent variables of main interest and dependent variables. Then, in the appendix to this chapter, I include probit models to show that the results are robust to non-linear specifications.

The concern that remains is that the effect of Divided and Checks may still be confounded with unobserved and time varying factors that are not accounted for the controls or the country-fixed effects. To provide additional evidence that Divided and Checks do in fact shape the outcomes, I employ a regression discontinuity design, which I describe after presenting the estimates of the regression models.

The controls in the regression models capture factors that my argument and previous scholarship have postulated as important determinants of the adoption and scaling up of social policies and welfare spending. First, in
addition to the role of legislators, my argument postulates that economic crises nudge presidents to move away from the status quo. Furthermore, the worse the economic crisis, the more costly is for the president to propose a manipulable CCT when legislators reject it, and the more costly it is for legislators to reject a non-politicized CCT when the president proposes it. To account for this, I include yearly inflation as control variable in the models. I also include the extent of child labor in the country, which captures the negative effects of economic crises on poor households and it measures the need for policies, such as CCTs, that directly benefit impoverished children.

Second, following previous work, I include the ideological orientation of the president as a control variable. There is a vast scholarship that shows that, among OECD countries, a left-wing government is more likely to increase social spending compared to a right-wing government. In contemporary Latin America, ideology does not matter in the extent of social expenditures (Huber, Mustillo, and Stephens 2008). Yet, even though right- and left-leaning governments have adopted CCTs, there could be a channel through which the president’s ideology matters for CCT’s design and adoption.

Third, I include GDP per capita in the models because scholarship has suggested that richer countries can afford to spend more on welfare. This argument has its roots in Adolph Wagner’s hypothesis that as countries develop economically, the size of the public sector increases. Empirical studies of the relation between GDP and the welfare state have produced mixed results (Carnes and Mares 2009).

Fourth, I control for the extent of deindustrialization in the country. Deindustrialization is “characterized by high rates of unemployment, high levels of
atypical and part-time employment, and growing family instability” (Carnes and Mares 2010), as well high levels of welfare state outsiders. The motivation of this control variable is that, given the coverage of the welfare state in Latin America, the less people working in agriculture and manufacture, the higher the pressure on governments to reform social protection. Specifically, Carnes and Mares (2010) argue that deindustrialization leads to the introduction of non-contributory health and old-age insurance policies. Fifth, the effect of economic globalization on social spending has been the subject of substantial research (Cameron 1978, Rodrik 1997). I include a measure of trade openness that is meant to capture the vulnerability of the country to external factors. Finally, I also include in the models population size because policy reform may be more challenging in populous countries. As a reminder, since I estimate fixed effect regression models, I am also controlling for factors that are time-invariant at the country level during the period of analysis.

These control variables, with the exception of the ideology of the executive, are available from the World Development Indicators and Global Development Finance data published by the World Bank (2010). The ideology of the executive comes from the database of political institutions created by Beck, et al. (2010).

Table 4.1 displays the results from the analysis when using Divided as the main independent variable. Divided has a statistically significant positive effect on the probability of a country of adopting a CCT with an above average score, a statistically significant negative effect on the probability of adopting a CCT below the mean, and a positive and statistically significant effect on the design index. The effect of Divided is substantial: Presidents
with a divided government are approximately twenty two percent more likely to adopt a CCT with above average design; They are twelve percent less likely to adopt a program with a below average design; and, finally, their programs are almost one unit better in terms of design compared to presidents who don’t control congress.

To better illustrate the magnitude of the effects, consider the estimates in Table 4.1, columns 1 and 3. In average, countries where the president controls congress, that is Divided equals zero, have a baseline probability of six percent of adopting a CCT with an above mean design and a baseline probability of seven percent of adopting a CCT with a below mean design. With these baseline probabilities as a reference, a change in Divided from zero to one implies almost a four times increase in the probability of adopting an above average CCT (0.22/.06), and almost a two times decrease in the probability of adopting a below average CCT (−.12/.07). In terms of the design score, a change in Divided from zero to one is equivalent to transforming a program like Asignación Familiar II in Honduras circa 2001 into a program like Bolsa Familia in 2003. Therefore, a president facing a divided government is substantially more likely to adopt a CCT with stringent operational rules compared to a president with a unified government.

In addition to the role of executive-legislative relations, other factors play an important role in the process of designing and adopting a CCT. As described in chapter 3, the extent to which an economic crisis poses a real threat of social unrest is critical to determine the president’s preferences and the policy outcome. Given the economic and political context of the region in the late 1990s and 2000, the worse an economic crisis is, the more likely
is that a president will move away from the status quo and adopt any type CCT. Table 4.1 shows that an increase in (log) inflation rates is positively associated with a higher probability that a president adopts a CCT—of any type—and with a higher program’s design score. Economic crisis, therefore, sets up the stage for social policy reform.

Unlike inflation, which nudges presidents toward a CCT without differentiating program designs, other economic and demographic factors tilt the balance toward a more stringent CCT. How appealing is to adopt a stringent CCT over a more lenient CCT depends on the extent of poverty and the access poor people have to existing welfare institutions. Table 4.1 shows that child labor—a symptom and a cause of poverty—is positively related to the probability that a country adopts a CCT with a design above the mean and it is positively related to a program’s design score. These results are statistically significant at the one percent level. Child labor is not associated with the probability of adopting a CCT with a design below the mean. Deindustrialization is related to CCTs’ adoption and design in a similar way as child labor. The higher deindustrialization is, the more likely is that a president will adopt a CCT with an above mean design and the higher the program’s design score, but deindustrialization does not increase the likelihood of adoption of a CCT with a below average design. At last, the larger the population, the bigger the challenge when it comes to fighting poverty and doing so in a cost-effective way. As such, like child labor and deindustrialization, a country’s population is positively related to the adoption of a more stringent CCT, an increase in the design score, but not an increase in the probability of adopting a lenient CCT. In sum, child labor, popula-
tion, and the extent of deindustrialization help explain why some presidents but not others tie their own hands when designing and adopting poverty alleviation policies.

On the other hand, other economic and political factors tilt the balance toward more lenient CCTs. To begin with, although GDP per capita is positively associated with design score, a country’s economic wealth is only positively correlated with the probability of adopting a CCT with below mean design, and is not associated with the adoption of a CCT with an above average design. This result is compatible with the argument in chapter 3 that presidents who do not consider the status quo as challenging may find no reason to tie their own hands with a stringent CCT. Surprisingly, all else equal, the ideological orientation of the president has no significant effect on the probability of adopting a CCT with above mean design nor on the design score, however, it does have a positive effect on the probability of adopting a CCT with below average design. Finally, the openness of the economy has no effect in the adoption or design of CCTs. Two final notes about 4.1: first, the effects of Divided are robust to the inclusion of all control variables in the models. Second, even-number columns show that the effect of Divided is one of the most substantively important (and statistically significant) correlates of a CCT adoption and design.

Now, I turn to the analysis that uses Checks to measure the degree of political opposition and the level of checks on presidential powers stemming from congress. As a reminder, Divided and Checks measure related concepts. Because they are highly correlated to one another, including both in a regression model produces problems associated with multicollinearity, such
as misleading standard errors accompanying the estimate of main interest. To test the argument of the book with an alternative measurement of the independent variable of interest, I estimate models similar to the ones presented in table 4.1, but I exclude Divided and include only Checks. Table 4.2 presents the results from this analysis.

Consistent with previous results, an increase in Checks is positively associated with the probability of adopting a CCT with above average design, is negatively associated with the probability of adopting a CCT with below average design, and it is positively associated with the design score. In terms of the magnitude of the effects, an increase in Checks from 2 to 5 (on a scale of 1 to 6), is associated with a 2.6 times increase in the probability of adopting a CCT above mean, an eighty percent decrease in the probability of adopting a below average CCT, and a 27 percent increase in the design score (off baseline averages of .08, .18 and 3.5, respectively). In other words, an increase in Checks from 2 to 5 translates into an improvement in the design score of a program equivalent to the difference between the program in the Dominican Republic and that of Familias en Acción in Colombia.\footnote{These results are robust to the inclusion of Checks in a semiparametric way.}

The proliferation of CCTs in Latin America raises the question of whether some governments in the region learned from or emulated other governments. If so, does the diffusion of policy expertise in the region explain why some presidents, but not others, adopted programs with operational guidelines that limit governments’ ability to manipulate the program for political gain.

\footnote{Control variables in these specifications are associated with the dependent variables in a similar way as in models using Divided. The two exceptions are inflation and deindustrialization in the model explaining CCT above mean, which are still positive but estimated with less precision.}

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Table 4.1: Effects of divided government on the adoption of an above-average CCT, a below-average CCT, and design score

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CCT above mean</td>
<td>CCT below mean</td>
<td>Design score</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Divided</td>
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<td>0.188***</td>
<td>-0.125***</td>
<td>-0.153***</td>
<td>0.899***</td>
<td>0.624**</td>
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<tr>
<td></td>
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<td>(0.046)</td>
<td>(0.032)</td>
<td>(0.039)</td>
<td>(0.252)</td>
<td>(0.262)</td>
</tr>
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<td>Left</td>
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<td>0.198</td>
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<td></td>
</tr>
<tr>
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<td>(0.048)</td>
<td>(0.045)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP</td>
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<td>0.075***</td>
<td>0.435***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.025)</td>
<td>(0.026)</td>
<td>(0.155)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Openness</td>
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<td>0.001</td>
<td>-0.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.007)</td>
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<td></td>
</tr>
<tr>
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<td>0.027*</td>
<td>0.165**</td>
<td></td>
<td></td>
<td></td>
</tr>
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<td>(0.015)</td>
<td>(0.073)</td>
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<td></td>
<td></td>
</tr>
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<td>9.241***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.253)</td>
<td>(0.188)</td>
<td>(1.410)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deindustrialization</td>
<td>0.015**</td>
<td>0.004</td>
<td>0.093***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.006)</td>
<td>(0.034)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child labor</td>
<td>0.032***</td>
<td>-0.006</td>
<td>0.137***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.009)</td>
<td>(0.041)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>0.046**</td>
<td>-5.586***</td>
<td>0.125***</td>
<td>-0.438</td>
<td>0.615***</td>
<td>-31.889***</td>
</tr>
<tr>
<td></td>
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<td>(0.020)</td>
<td>(0.506)</td>
<td>(0.143)</td>
<td>(3.208)</td>
</tr>
<tr>
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<td>326</td>
<td>580</td>
<td>326</td>
<td>580</td>
<td>326</td>
</tr>
<tr>
<td>R-squared</td>
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<td>0.560</td>
<td>0.266</td>
<td>0.397</td>
<td>0.273</td>
<td>0.569</td>
</tr>
<tr>
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<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Table 4.2: Effects of checks on the executive on the adoption of an above-average CCT, a below-average CCT, and design score

<table>
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<tr>
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<th>(1)</th>
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<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CCT above mean</td>
<td>CCT below mean</td>
<td>Design score</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Checks</td>
<td>0.052***</td>
<td>0.069***</td>
<td>-0.044***</td>
<td>-0.043***</td>
<td>0.219**</td>
<td>0.320***</td>
</tr>
<tr>
<td></td>
<td>(0.016)</td>
<td>(0.016)</td>
<td>(0.011)</td>
<td>(0.014)</td>
<td>(0.094)</td>
<td>(0.087)</td>
</tr>
<tr>
<td>Left</td>
<td>-0.045</td>
<td></td>
<td>0.186***</td>
<td></td>
<td>0.236</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.046)</td>
<td></td>
<td>(0.042)</td>
<td></td>
<td>(0.238)</td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>0.034</td>
<td></td>
<td>0.064***</td>
<td></td>
<td>0.393***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.023)</td>
<td></td>
<td>(0.027)</td>
<td></td>
<td>(0.139)</td>
<td></td>
</tr>
<tr>
<td>Openness</td>
<td>-0.002</td>
<td>0.001</td>
<td></td>
<td>-0.002</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td></td>
<td>(0.007)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation (log)</td>
<td>0.019</td>
<td>0.034**</td>
<td></td>
<td>0.148**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.014)</td>
<td>(0.015)</td>
<td></td>
<td>(0.072)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population (log)</td>
<td>1.943***</td>
<td></td>
<td>-0.157</td>
<td></td>
<td>10.204***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.255)</td>
<td></td>
<td>(0.177)</td>
<td></td>
<td>(1.438)</td>
<td></td>
</tr>
<tr>
<td>Deindustrialization</td>
<td>0.010</td>
<td>0.008</td>
<td></td>
<td>0.075**</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.006)</td>
<td></td>
<td>(0.034)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child labor</td>
<td>0.035***</td>
<td></td>
<td>-0.008</td>
<td></td>
<td>0.151***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td></td>
<td>(0.008)</td>
<td></td>
<td>(0.038)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-0.019</td>
<td>-5.906***</td>
<td>0.212***</td>
<td>-0.261</td>
<td>0.334</td>
<td>-33.261***</td>
</tr>
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<td></td>
<td>(0.057)</td>
<td>(0.586)</td>
<td>(0.042)</td>
<td>(0.474)</td>
<td>(0.330)</td>
<td>(3.159)</td>
</tr>
<tr>
<td>Observations</td>
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<td>326</td>
<td>572</td>
<td>326</td>
<td>572</td>
<td>326</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.262</td>
<td>0.567</td>
<td>0.264</td>
<td>0.388</td>
<td>0.263</td>
<td>0.579</td>
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<td>Country fixed effects</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1
Indeed, the wave of CCT adoptions in a short period of time is indicative that some diffusion took place. Yet it is unclear to what extent such diffusion explains policy design choices. To test the role of diffusion systematically, I estimate models similar to those included in table 4.1 and table 4.2, only this time I control for Diffusion, which measures for each country-year observation the average design score of CCTs in the previous year in all other countries (that is, the measure excludes previous design scores in the same country). Diffusion’s definition makes regression models drop from the analysis pioneering countries, for which there is no previous year’s design scores. For this reason, I estimate the effect of Diffusion in separate models from those presented earlier in the chapter.

If diffusion explains why governments opt to tie their hands with stringent operational rules, then we should observe that the higher the average design score in the previous year, the higher the design score is. The data, however, reveals a different pattern. Although Diffusion is positively and significantly associated with the design score when Divided is in the model, it is positive but statistically not significant when Checks are. Furthermore, Diffusion is positively and significantly related to the probability of adopting a CCT with a design below the mean (regardless of whether Divided or Checks are in the model), but it is not correlated with adopting a CCT with a design above the mean. Table 4.3 displays these results, and also shows that the estimates of Divided and Checks are robust to including Diffusion in the specifications. Thus, while the idea of transferring cash to poor households to fight poverty certainly was diffused in the region, the decision of governments to adopt programs with operational rules that curb political discretion is
mostly explained by domestic factors, such as divided government and checks on presidential power.

Divided governments and checks on presidential powers stemming from congress are associated with the adoption of CCTs that curb political discretion. Yet, a question that remains is whether legislators’ resistance to presidents is not only correlated but in fact leads to the adoption of CCTs with stringent operational rules. Previous estimates in table 4.1, table ??, and table 4.3 controlled for country-fixed effects and factors that scholarship has postulated as determinants of social spending. Yet, are governments with and without divided governments, or with and without checks on the president, different in ways that previous estimates did not take into account? For example, they could be different in ways that are unobserved and time-varying (say, perhaps clientelism eroded in one set of countries but not in the other). If they are different, then a comparison between them confounds the effects of legislators’ opposition with pre-existence differences (continuing with the example, the effect of legislators’ opposition may be confounded with differences in clientelism). I turn to a regression discontinuity design (RDD), which helps mitigate this concern.

RDD research design takes advantage of the arbitrariness that sometimes exists in rules determining independent variables of interest. Arbitrary rules provide good “as-if randomized” experiments (Angrist and Pischke 2009). One such arbitrary rule is that presidents whose political party controls less than 50% of seats in Congress face a divided government. The arbitrary threshold of 50% is relevant for policymaking since in most countries in Latin America federal budgets need the support of at least 50% of legis-
Table 4.3: Robustness check: effects of divided government and checks, controlling for diffusion

<table>
<thead>
<tr>
<th></th>
<th>(1) CCT above mean</th>
<th>(2) CCT below mean</th>
<th>(3) Design score</th>
<th>(4) CCT above mean</th>
<th>(5) CCT below mean</th>
<th>(6) Design score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Divided</td>
<td>0.187***</td>
<td>-0.141***</td>
<td>0.648**</td>
<td>0.069***</td>
<td>-0.044***</td>
<td>0.329***</td>
</tr>
<tr>
<td></td>
<td>(0.047)</td>
<td>(0.040)</td>
<td>(0.264)</td>
<td>(0.016)</td>
<td>(0.013)</td>
<td>(0.088)</td>
</tr>
<tr>
<td>Checks</td>
<td>0.069***</td>
<td>-0.044***</td>
<td>0.028</td>
<td>0.302***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.016)</td>
<td>(0.013)</td>
<td>(0.088)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>0.185***</td>
<td>0.166</td>
<td>-0.045</td>
<td>0.164***</td>
<td>0.197</td>
</tr>
<tr>
<td></td>
<td>(0.049)</td>
<td>(0.041)</td>
<td>(0.258)</td>
<td>(0.047)</td>
<td>(0.039)</td>
<td>(0.245)</td>
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<td>(0.024)</td>
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<td>(0.142)</td>
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<td>(0.008)</td>
<td>(0.002)</td>
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<td>(0.008)</td>
</tr>
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<td>Inflation (log)</td>
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<td>0.018</td>
<td>0.040***</td>
<td>0.165***</td>
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<td>(0.015)</td>
<td>(0.014)</td>
<td>(0.014)</td>
<td>(0.014)</td>
<td>(0.072)</td>
</tr>
<tr>
<td>Population (log)</td>
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<td>7.586***</td>
<td>1.964***</td>
<td>-0.531*</td>
<td>8.811***</td>
</tr>
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<td></td>
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<td>(0.313)</td>
<td>(2.153)</td>
<td>(0.386)</td>
<td>(0.297)</td>
<td>(2.107)</td>
</tr>
<tr>
<td>Deindustrialization</td>
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<td>0.089***</td>
<td>0.009</td>
<td>0.006</td>
<td>0.070***</td>
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<td>(0.006)</td>
<td>(0.034)</td>
<td>(0.006)</td>
<td>(0.006)</td>
<td>(0.034)</td>
<td></td>
</tr>
<tr>
<td>Child labor</td>
<td>0.032***</td>
<td>-0.006</td>
<td>0.138***</td>
<td>0.035***</td>
<td>-0.008</td>
<td>0.153***</td>
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<td>(0.006)</td>
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<td>(0.022)</td>
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<td>(0.117)</td>
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<tr>
<td>Constant</td>
<td>-5.591***</td>
<td>0.443</td>
<td>-28.380***</td>
<td>-5.965***</td>
<td>0.521</td>
<td>-30.342***</td>
</tr>
<tr>
<td></td>
<td>(0.904)</td>
<td>(0.690)</td>
<td>(4.791)</td>
<td>(0.876)</td>
<td>(0.648)</td>
<td>(4.649)</td>
</tr>
<tr>
<td>Observations</td>
<td>320</td>
<td>320</td>
<td>320</td>
<td>320</td>
<td>320</td>
<td>320</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.558</td>
<td>0.374</td>
<td>0.575</td>
<td>0.565</td>
<td>0.361</td>
<td>0.585</td>
</tr>
<tr>
<td>Country fixed effects</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1
lators to be approved. RDD compares policy outcomes when a president’s party controls just above and just below 50% of legislators. Near the cutoff value, country-years where the president’s party has majority in congress are a good counterfactual for country-years where the president does not have it.

A comparison between the economic and demographic characteristics, that is baseline characteristics, of country-years below and above the 50% threshold validates the RDD empirical strategy. In the window of +/ − 3% around the 50% cutoff, there are no statistically significant differences between the above and below country-years in terms of the ideological orientation of the president, GDP per capita, openness of the economy, inflation, deindustrialization, and child labor. The only exception is that country-years below the threshold are more populous than country-years above it. This imbalance, however, could be due to chance. Panel A of Table 4.4 contains these descriptive statistics. Since baseline characteristics are balanced close to the 50% cutoff, then differences in policy outcomes between the group below and above the cutoff can be attributed to whether presidents control or not control the majority of congress.

If RDD estimates recover the relationships from previous estimations, then the argument that opposition to presidential powers stemming from congress leads to president tying their hands to fight poverty is on solid ground. The simplest and most transparent way to analyze the RDD is to compute, using observations that are in a small window around the key threshold, the difference in outcomes between the group that is below and above the cutoff (Dunning 2012). In the bandwidth of +/ − 3% around
the 50% cutoff, presidents who had less than 50% of seats in congress were 27% more likely to adopt a CCT above mean (this difference is statistically significant at the 1 percent level), 9% less likely to adopt a CCT below mean (this difference is marginally statistically significant in a two-sided test, but it is statistically significant at the five percent level on a one-sided test), and their programs had a design score 1.2 points higher than presidents who had more than 50% of seats (statistically significant at the 1 percent level). These simple differences in means show that legislative resistance to the president leads to programs with more stringent policy designs.

The advantage of difference-in-means analysis is its transparency. Yet, to assess the robustness of the findings I now estimate two regression models for each dependent variable using the same observations in the $+/- 3\%$ around the 50% cutoff. In the first model, I include country-fixed effects. In the second model, in addition to the country-fixed effects I add a control for population, which is unbalanced. Consistent with previous results, when the president’s party controls 50% or more of seats in congress, CCTs with above average design scores are less likely to be adopted, CCTs with below average design scores are more likely to be adopted, and, overall, the design score of programs is lower (see Table 4.5). These results remain stable even when population is included in the models. Also, the estimates are statistically significant in five out of the six models, which is remarkable given that the number of observations in the window of $+/- 3\%$ around the threshold decreases sharply.$^3$

$^3$ An additional way to analyze RDD data is to estimate global polynomial regressions, which defines the quantity of interest as the limit of a regression function at the regression-discontinuity threshold. Global polynomial regressions include observations that are fur-
Table 4.4: Regression discontinuity design

<table>
<thead>
<tr>
<th></th>
<th>Panel A: Baseline characteristics</th>
<th>Panel B: Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>President’s share in Congress:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 50%</td>
<td>0.36</td>
<td>0.42</td>
</tr>
<tr>
<td>Above 50%</td>
<td>3.27</td>
<td>3.45</td>
</tr>
<tr>
<td>Difference</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Left</td>
<td>76.03</td>
<td>78.73</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>2.42</td>
<td>2.44</td>
</tr>
<tr>
<td>Openness</td>
<td>2.59</td>
<td>1.86</td>
</tr>
<tr>
<td>Inflation (log)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population (log)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deindustrialization</td>
<td>69.03</td>
<td>69.24</td>
</tr>
<tr>
<td>Child Labor</td>
<td>8.58</td>
<td>9.93</td>
</tr>
<tr>
<td>CCT above mean</td>
<td>0.35</td>
<td>0.08</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CCT below mean</td>
<td>0.26</td>
<td>0.11</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design Score</td>
<td>2.1</td>
<td>0.85</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*** p<0.01, ** p<0.05, * p<0.1, † p<0.05 in one-sided test
Table 4.5: Effects of president’s party legislative majority on the adoption of an above-average CCT, a below-average CCT, and design score

Regression discontinuity design (+/− 3% around threshold)

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CCT above mean</td>
<td>CCT below mean</td>
<td>Design score</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above 50% (majority)</td>
<td>-0.358***</td>
<td>-0.375***</td>
<td>0.159</td>
<td>0.224***</td>
<td>-1.627***</td>
<td>-1.360***</td>
</tr>
<tr>
<td></td>
<td>(0.089)</td>
<td>(0.099)</td>
<td>(0.106)</td>
<td>(0.083)</td>
<td>(0.440)</td>
<td>(0.429)</td>
</tr>
<tr>
<td>Population (log)</td>
<td>0.365</td>
<td>-0.370</td>
<td>1.994</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.655)</td>
<td>(0.388)</td>
<td></td>
<td>(3.231)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>0.408***</td>
<td>-0.356</td>
<td>-0.017</td>
<td>0.718</td>
<td>2.332***</td>
<td>-2.139</td>
</tr>
<tr>
<td></td>
<td>(0.063)</td>
<td>(1.423)</td>
<td>(0.069)</td>
<td>(0.840)</td>
<td>(0.340)</td>
<td>(6.953)</td>
</tr>
<tr>
<td>Observations</td>
<td>100</td>
<td>97</td>
<td>100</td>
<td>97</td>
<td>100</td>
<td>97</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.622</td>
<td>0.644</td>
<td>0.365</td>
<td>0.440</td>
<td>0.717</td>
<td>0.722</td>
</tr>
<tr>
<td>Country fixed effects</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
In sum, results from various statistical analysis are consistent with this book’s argument. While executives who face a friendly legislature adopt CCT programs with less strict operational rules, presidents who don’t control the legislature and do face opposition in congress adopt more exhaustive operational rules that provide protections against political manipulation. The following case studies further show the plausibility of the argument.

**Conditional cash transfers in parliamentary debates**

When debating how to respond to the economic downturn, legislators throughout the region expressed concern about increasing total public expenditure, public debt ceilings, taxes, and reducing the benefits of organized interest groups. Ultimately, there were three common avenues to fund CCT programs. Several governments shifted resources from previous programs, especially generalized food subsidies, toward cash transfer programs. In addition, many countries eased the budgetary pressure of extending policy concessions to the informal sector by accepting loans from international agencies to finance part of the operations of cash transfer programs. Finally, in a few countries with profitable national oil industries, the funding of CCTs came from oil revenues. Thus, compared to social expenditures, CCT programs were a lighter fiscal burden.

In contrast to the expansion of welfare programs in Latin America from...
1950 to 1980, which generally took the form of entitlement legislations (Haggard and Kaufman 2008), most countries denied cash transfers the status of entitlements.⁴ Entitlements require a commitment from government to maintain a minimum number of beneficiaries and commit to providing benefits for a predetermined number of years (Romer 1996). Entitlements are complex policies because their budgets depend on program coverage, and coverage in any given year is uncertain because it depends on the demand for the program. Legislators tend to have less information and expertise required to assess the budgetary requirements of entitlements, which makes congress more hesitant to grant entitlement status to policies. Moreover, entitlements are hard to modify even if programs are under financial pressure.

Budgetary complexity is the likely reason cash transfers were not legislated as entitlements. Instead, cash transfer programs’ coverage depends on federal budgets, and in all countries in Latin America federal budgets are reviewed by legislators on a yearly basis. Thus, cash transfers’ fiscal appeal together with their non-entitlement status lowered the stakes of the political negotiations in countries across the region.

Even programs that aim to compensate poor households for the elimination of generalized subsidies were not legislated as entitlements. For example, Mahuad’s Bono Solidario was a transfer that aimed to reach the population that suffered most as a result of the austerity measures undertaken by the government. However, the decree that stipulates the creation of the program, also establishes a ceiling for the program’s budget and explicitly states that

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⁴The few exceptions to this trend are Ecuador’s Bono de Desarrollo Humano, and the short-lived Proyecto 300 in Uruguay.
the number of program recipients will be determined by this ceiling.\footnote{Decree 1186, art. 11, 1999.}

In addition to fiscal concerns, transcripts from parliamentary debates in the five countries under study show concerns about policy design, agency structure, and the effects of CCT programs on elections. Legislators from the incumbent party in these five countries were concerned with losing control over their programs, and legislators from the opposition throughout the five countries worried that CCTs were ultimately an electoral strategy. To illustrate this point consider Felipe Calderón’s, former president of Mexico, shifting positions toward the Mexican CCT. In 2000, when the PRI was in office and Calderón was an opposition legislator, he wrote:

> The same staff in charge of the distribution of social benefits is in charge of operating the electoral campaign for the PRI candidate. The low-ranking bureaucrat of the Ministry of Development or the Ministry of Agriculture is at the same time a PRI broker. In one hand they have the list of beneficiaries and in the other hand they have a list of votes promised to the party. He can also lie without difficulty to the beneficiaries, saying that if the PAN wins, the programs will disappear, or if they don’t vote for the PRI, they will be suspended from the program. In a rural community, far away from academia, who will tell them that it is not true? The country has changed and some institutions have changed, but the dinosaurs are ironically the same, and they will act the same way. Certainly, the effect of their tactics will never be the same as before. Some will argue that they will affect the
electoral process [only] marginally. I agree. It is just that, if they affect two or three percent of the votes in a tight election, with this strategy they will be practically deciding who is going to be the next president of the republic (Reforma, June 1, 2000.)

Felipe Calderón won the 2006 presidential election and, his administration continued program operations. Presidents find CCTs appealing, even if as legislators they opposed them.

Mexico

Reflecting on the administration of President Zedillo, during which Progresa was designed and first implemented, Luis Rubio, chairman of the Center of Research for Development, an independent Mexican research institution, describes that: “From the outset of his term, Zedillo redefined the role of the presidency … he relinquished extra-constitutional roles that had been adopted by all his predecessors, such as leadership of the [PRI] party and head of the national political class … he called for a sweeping reform of the judiciary and the Supreme Court … and he announced that he would maintain a “healthy distance” from the PRI and would refrain from intervening in the selection of his successor …” (Rubio-Freidberg 1998 14). With these decisions, president Zedillo furthered the democratic transition of the country. PRI members, especially those from the old-guard of the party, were president Zedillo’s strongest critics (Rubio-Freidberg 1998 18).

The social policy reform undertaken during president Zedillo’s administration faced resistance from both the PRI and the opposition. In the following paragraphs, I explore the origins of the Mexican CCT.
The first pilot of the Mexican CCT program was carried out in August 1995. Program designers made efforts to conceal the pilot, which was done in the state of Campeche located in the southeastern region of Mexico quite far from Mexico City. Program staff elicited the discretion of Campeche’s governor by offering funds for a new highway in exchange for his cooperation. The program’s designers explained that their intention with the pilot study was “to be ready with numbers when the time came to convince people.”

During the negotiations surrounding the federal budget of 1997, when the CCT was first discussed in congress, legislators from the governing party (PRI) were initially under the mistaken perception that the program, at the time called Program for Nutrition, Health, and Education (PASE for its acronym in Spanish), would consist of decentralized disbursements for scholarships and subsidies to the health sector. A PRI legislator summarized the budget discussion in these terms: “Fellow congressmen: the public budget for 1997 has been discussed at length in the committee. The most relevant

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6 Author’s interview with program’s designers, Mexico City, August 2005.
7 Author’s interview with program’s designers, Mexico City, August 2005.
aspect are . . . the budget has a social intention; fifty-six cents of each peso will be allocated to social development . . . Also, for the first time [the budget] presents programs that target subsidies to a specific population group. This is the case of PASE . . . this program promotes a more decentralized social policy oriented to the most vulnerable groups.”

Objections from PRI legislators raised when it became evident that the CCT was a centralized program aimed to invest in the demand of health and education, as oppose to the supply of such public services. PRI legislators wanted to know with more certainty who was responsible for administering program funds. They demanded the decentralization of program resources, and, in a surprising turn of events, they demanded more transparency in the allocation of resources. One PRI legislator stated: “. . . We are not satisfied with the process of decentralization of the budget; in particular we need to make the funneling of resources for basic education more transparent. We should build and consolidate a Social Comptroller. Likewise, a challenge we need to face, considering the sovereignty of the states, is the decentralization and effectiveness of public expenditures in the municipalities, which is the level of government closest to citizens.”

Opposition parties opposed the 1997 federal budget because, among other reasons, they believed that the resources for the antipoverty program were used in inefficient and clientelistic ways, and demanded the elimination of the president’s discretion in the allocation of social policy resources. A PRD legislator explained his party’s objections to the program by saying: “Min-

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8Parliamentary debates 41, 12/11/1996.
9Parliamentary debates 41 12/11/1996.
ister [of Finance], we think that this program cannot be serious, is a new electoral program, is a substitute for PRONASOL to win votes in 1997, but it will not solve the problem of poverty.”

The right-wing PAN also objected to the 1997 federal budget, and the CCT on the ground that the program was centralized. The right-wing legislative bloc proposed that federal money should be distributed to the states following a concrete formula, and that resources should be spent on the supply side of the education sector such as increasing the number of teachers in the most impoverished areas. Despite criticism from all parties to the poverty relief program, the still PRI-controlled congress approved the 1997 federal budget.

In the 1997 legislative elections, the PRI lost control of the majority of the Lower House on Congress. Thus, president Zedillo presented the 1998 federal budget to a Lower House, which for the first time in decades was no longer under the control of the PRI. The atmosphere was polarized. By this time, the CCT program had been renamed *Progresa*. Legislators from the PRI again demanded more information about the program and the president’s plan for its evolution.

The Minister of Finance explained in a congressional session:

I will answer the specific question about *Progresa* [for the years of 1997 and 1998]. Because the program is comprehensive and it has procedures for the selection of the target population, we have planned to move forward in a prudent but steady way with this

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10Parliamentary debates 28, 11/15/1996.
12Parliamentary debates 7, 9/11/1997
program. As I mentioned, this program initiated its first phase with an enrollment of 160 thousand families, and we are planning to reach 400 thousand families toward the end of the fiscal year. If we observe satisfactory results over the coming months regarding the processes to select recipients and the mechanisms to deliver the components of the program, we will propose to this Lower House of Congress that for next year, Progresa continues its enrollment in other states in the Republic to incorporate a larger number of families living in extreme poverty . . . I should highlight that in the successive phases of the program, we will continue to carry out the selection of states and localities based on objective indicators of the location of poverty. This selection is independent of political considerations or discretionlional choices. This program has been designed with mechanisms that allow us to identify and verify that recipient communities and families are in fact living in extreme poverty. If this program is successful, then our objective is to gradually replace various subsidies that are now directed in an isolated way to poor families.13

During the negotiations of the 1998 federal budget, PRI legislators tried to protect the funding for previous programs that benefited the party strongholds. One PRI legislator said in a congressional session: “. . . the PRI legislative bloc considers that we must increase the budget allocated to the development of rural areas by at least twenty-one percent and we must prioritize resources allocated to [programs such as] alliance for the rural areas, credit

without collateral, temporary employment, crop conversion, commercialization and development of agricultural infrastructure among others.”\textsuperscript{14} Soon after, the party endorsed the PROCAMPO program.\textsuperscript{15}

Legislators from opposition parties continued to express their concern that \textit{Progresa} was clientelistic during the discussions surrounding the 1998 federal budget. One PAN legislator explained that his party was against the federal budget proposal because the government “has fostered dependency in a paternalistic way; . . . in every corner of the country, social programs have been denounced for being used in clientelistic ways for electoral purposes in favor of the incumbent party.”\textsuperscript{16} A PRD legislator told the Minister of Finance that his parliamentary group was prepared to use their budgetary powers to block the \textit{Progresa} program. He stated: “Minister, we want to honestly tell you that \textit{Progresa} will not get the approval of this Chamber, it is very difficult what you propose. We advise you to revise this project before the executive sends it to this Lower House of Congress.”\textsuperscript{17}

A recurring objection to \textit{Progresa} from all parties was its centralized structure. One PAN legislator remarked: “Programs come and programs go. Before it was PRONASOL, now it is \textit{Progresa}, but the mistaken focus has not changed. The programs continue to be centralized because [the government] conceives federalism as the bestowal of resources, but not as the decentralization of decisions and prerogatives.”\textsuperscript{18} The PAN’s proposal during the negotiations of the 1998 federal budget, which was supported by

\textsuperscript{14}Parliamentary debates 31, 11/19/1997.
\textsuperscript{15}Parliamentary debates 39, 12/10/1997.
\textsuperscript{16}Parliamentary debates 8, 09/12/1997.
\textsuperscript{17}Parliamentary debates 8, 09/12/1997.
\textsuperscript{18}Parliamentary debates 8, 09/12/1997.
the PRD, was to decentralize all resources allocated to fight poverty, so that municipalities would be responsible for policymaking.\textsuperscript{19}

In response to legislators’ concerns about the program, the Minister of Finance explained in a congressional session the potential positive effects of the health component of \textit{Progresa} in the short and medium terms, as well as highlighted that the program was targeted to women because they have the most influence in the nutrition of the family. \textsuperscript{20} Moreover, the Minister explained that in 1995 the government had initiated a process of decentralization of resources to municipalities and had incrementally increased resources to local governments. The Minister also explained that unlike previous administrations, the government had established transparent criteria to allocate \textit{Progresa} resources. With respect to this latter point, the Minister explained to legislators: “what we need is to guarantee the transparency and equity in the allocation of social expenditures...”\textsuperscript{21}

The decentralization of a substantial amount of federal resources for Education, Health, and Social Infrastructure was critical to elicit the support of parties for the 1998 federal budget (Díaz-Cayeros, Estévez, and Magaloni 2007). Yet legislators, in particular from the right-wing party, demanded also that the executive further developed operational guidelines to limit the executive’s discretion over the antipoverty program. Legislators from the PAN objected that previous social programs lacked clear objectives and mechanisms to evaluate the effectiveness of the policy. One PAN legislator argued

\textsuperscript{19}More specifically, the PAN proposed to reallocate resources from Ramo 28 to Ramo 26, Parliamentary debates 8, 09/12/1997.

\textsuperscript{20}Parliamentary debates 10, 9/18/1997.

\textsuperscript{21}Parliamentary debates 8, 09/12/1997.
that there was a “...need to specify the target of program resources and the operational rules for operating such resources.”

The Minister of Finance explained to congressmen that Progresa was not only efficient but that would avoid clientelism. He reiterated that Progresa was different from previous efforts to fight poverty and stated that Progresa “...is not a clientelistic program, it is not a program that transfers resources to organizations, or to groups that have been traditionally favored in a political way. This is a program that aims precisely to break with this notion because this is a program that can be audited ...the way that resources are distributed, how things are being done, and the mechanisms to do things can all be audited.”

Legislators from the PRI and PAN eventually reached an agreement with the president. Left-wing legislators, however, remained opposed to the CCT program throughout the negotiations of the 1998 budget. PRI legislators approved the federal budget though not without expressing their discontent. One legislator remarked that: “We will approve the budget decree. Yet, it has to be said that what we have accomplished is not enough...” PAN legislators agreed to fund a poverty relief program as long as resources were not funneled only to the strongholds of the incumbent party, and as long as the policy had strong evaluation mechanisms. A PAN legislator who summarized the results of the negotiations stated: “...For the first time in the party’s legislative history, PAN approves the federal budget. We will insist that the government further strengthen the federal system, and that

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it further decrease the discretion of the executive, and improve transparency through informing Congress in sufficient and timely ways."

Although the decentralization of other resources played a critical role in the negotiations of the 1998 budget, PAN’s approval of the federal budget would have been unlikely had the government only offered to decentralize additional resources to the states. The president designed a policy that tied his hands, which ultimately helped convince right-wing legislators of the programmatic importance of Progresa.

Looking back at the early stages of Progresa, three features set it apart from other poverty relief programs in Mexico. First, Progresa’s operational rules were from the start explicitly non-partisan. The program has always had clear and fixed criteria for determining eligibility, so program benefits are not subject to political manipulation. These criteria have been based from the start of the program on a geographical measure of poverty constructed from census data and household income surveys. The program resources and the formula used to allocate them have been described in detail in the federal budget since the first years of program operations. The provisions in the federal budget decree have explicitly prohibited the use of the program by any political party. Since 1998, all documents, materials, and forms that program beneficiaries receive are required to include the following text:

We remind you that your participation in Progresa and receipt of benefits are in no way contingent upon affiliation with any specific political party or voting for any specific candidate running for public office. No candidate is authorized to grant or withhold

\footnote{Parliamentary debates 42, 12/13/1997.}
benefits under the program. Eligible beneficiary families will receive support if they show up for their doctor’s visits and health education talks and if their children attend school regularly. Any person, organization, or public servant that makes undue use of program resources will be reported to the appropriate authority and prosecuted under applicable legislation (Levy’s translation 2006: 107)

Second, Progresa was insulated from the executive’s temptation to disproportionately increase the list of beneficiaries close to election time. Although the program was ready to launch in January 1997, its operation was delayed until August, one month after the midterm elections of that year. 26 This practice was codified into law by including in the budget bills a prohibition to enroll new beneficiaries in the program starting six months prior to an election.

Third, an independent evaluation of Progresa was conducted in the early stages of the program. It was the first social policy in Mexico rigorously evaluated and the design and implementation of the evaluation was done in collaboration with the International Food Policy Research Institute (IFPRI).

Regarding the agency in charge of the program, Progresa was first designed, and then assigned a place in the federal bureaucracy. 27 To administer Progresa, a new autonomous agency was created within the Ministry of Social Development. This agency is in charge of the implementation of the program all the way down to delivering cash transfers to beneficiaries.

26 Author’s interview with program designer’s, Mexico City, August 2005.
27 Author’s interview with program designer’s, Mexico City, August 2005.
The program circumvents intermediaries, including traditional and powerful mechanisms of federal resource distribution, such as governors, and the state-level bureaucracy of the Ministry of Social Development.

Although the program had rules from its conception, President Zedillo maintained bureaucratic control over the agency. He was in charge of unilaterally appointing the director of the agency, and a committee to oversee the program was also set up comprising representatives from the ministries of Education, Health, and Social Development. All ministers are appointed directly by the president without ratification from congress. For the initial years of program operations, the president appointed a scientist as Director of the agency. This contrasts with programs operated in previous administrations that were administered by prominent politicians.²⁸

In sum, resistance by politicians from all parties to the president’s antipoverty policy led the president to design a cash transfer program with rules that included ex-ante and ex-post controls on the bureaucracy. In addition to the program design, the incentives of the new bureaucracy were further shaped by a decree which established that using Progresa or any other social program for political reasons is a federal offense. Legislators from all parties were skeptical about the program, but ultimately decided not to block the program’s budget. This outcome would have been unlikely had the program’s design excluded provisions to limit executive’s discretion.

²⁸The first coordinator of Progresa, Gómez de León, was trained as a demographer at the Catholic University of Leuven, Harvard University, and Princeton University. Prior to coordinating Progresa, he had been the Director of the Mexican Population Council (Conapo), and had coordinated the department of Demography of the Center for Economic and Demographic Studies at the Colegio de Mexico.
Colombia

In Colombia, SISBEN I, the first targeting mechanism used to select program recipients of various social assistance programs was notorious for its political manipulation. The system was established under the administration of President Ernesto Samper, who served from 1994-1998 and faced fewer institutional checks from Congress than any other president during the period under study in this book. President Pastrana, who succeeded President Samper, faced a very different political and institutional configuration characterized by the presence of greater institutional checks on his power. President Pastrana commissioned an independent evaluation of the targeting system, in part because he faced greater checks from legislators. The evaluation confirmed that SISBEN I had been manipulated by staff in charge of conducting the census interviews to determine eligibility for various social programs. The evaluation also detected systematic underreporting of people’s incomes by people themselves, and opportunistic manipulation by staff of the timing of the interviews. The evaluators of SISBEN I concluded that the system needed reforms. They recommended pilot projects to test new targeting instruments, standardization of procedures, as well as a permanent process of monitoring of the new targeting system to ensure the quality and accuracy of the information, and promote efficiency in identifying the poorest households in the population.

29 The World Bank data on political institutions records a value of 2 for this period. President Samper is probably best known for his involvement in a scandal surrounding the flow of drug cartel money to his presidential campaign.
30 In the WB data checks increase from 2 in 1998 to 5 in 1999.
In 2000, shortly after the evaluation results of SISBEN I were made available, President Pastrana launched the Colombian CCT program *Familias en Accion* as part of the peace-building program called *Plan Colombia*. In its early years of operations, the *Familias en Accion* program was fairly small. The program was first evaluated in 2002 by a team composed of representatives of national and international agencies including the International Monetary Fund, the World Bank, the Inter-American Development Bank, and the Institute for Fiscal Studies.

In 2003, Alvaro Uribe was elected president and he continued program operations. President Uribe split from the liberal party when the party denied him the presidential nomination and ran as an independent candidate in the 2003 elections. As a consequence, the president lacked support of most legislators including those of the liberal party. Among Colombian commentators there was a great deal of speculation about the alignment of various parties and movements in the legislature. Neither the Liberal party, with 32.5 percent of the seats, nor the Conservative party, with 12.7 percent of the seats, had a clear majority. In addition to legislators from these two traditional parties, congress was populated by legislators from numerous movements and political parties, as well as independents. The fractionalization of parties in Congress was a direct result of a 2002 electoral law that allowed political parties to subscribe to multiple lists for a single seat, and allowed the registration of independent candidates for congress. Thus, even

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33 In fact, the World Bank data set codes checks during the period between 2002 and 2010 as missing value.
34 For the 2002 elections, for example, 227 lists of candidates were registered to compete for 102 seats in the senate and a similar situation occurred with respect to the Lower House of Congress.
if president Uribe had not run as an independent candidate, he would not have had a majority of support in Congress.\textsuperscript{35}

In 2003, Congress legislated that the executive government was responsible for the design and elaboration of budget indicators that enabled legislators to evaluate and control the implementation of the CCT program.\textsuperscript{36} The law specified that three members of the economic committees in each chamber of Congress would be responsible for this evaluation.

President Uribe’s administration was responsive to the congressional mandate. Government accountability, efficiency, and the development of the poorest areas of Colombia were a central part of Uribe’s national development plan during his first term.\textsuperscript{37} To make the targeting system of social assistance more transparent, the president replaced the old SISBEN I, with a new targeting mechanism called SISBEN II. The new targeting system used a different questionnaire and a new scoring algorithm to select the households eligible for the Familias en Acción program. The algorithm has been kept secret to prevent the manipulation of the system (Camacho and Conover 2011).

The government also set guidelines to limit conducting eligibility interviews

\textsuperscript{35}Despite the fractionalization of parties and political movements represented in Congress, the 2002 legislature produced important political legislation. In 2003, Congress reformed the electoral law to decrease the number of parties in Congress. The reform increased the threshold for party registration to two percent of the vote, restricted parties from splitting lists, and prohibited independent candidates. Moreover, this legislature reformed the constitution to allow president Uribe to run for reelection. This reform led some commentators to characterize the legislature as Urbinista. Yet, this ex-post judgment ignores the negotiations that the president undertook to pursue his political and policy goals. Although it is hard to assess the support that president Uribe had during his two terms, institutional checks throughout his presidency remained relatively high. In the World Bank data, the checks to presidential powers variable is coded as 4 during Uribe’s administrations.

\textsuperscript{36}Law 812, approved on June 26, 2003.

or assigning social benefits in periods leading up to an election. Thus, the system of targeting in Colombia has limited opportunities for political manipulation.\footnote{Camacho and Conover (2011) find that there is still room for improvement in terms of detection of cheaters and restricting the selection of households eligible to programs to non-electoral periods.}

President Uribe expanded the coverage of \textit{Familias en Acción} during his second term using the new and more transparent targeting mechanism. In preparation for the program expansion, the operational rules of the program included additional ex-post mechanisms of control of the agency in charge of program operations, such as random spot checks of various program operations. However, the president kept bureaucratic control over the agency because appointment decisions remained a prerogative of the executive. An evaluator of the program concluded that \textit{Familias en Acción} produced overall positive effects on the health and education outcomes of beneficiaries, however, the evaluation suggested that the program needed to get some distance from the president.\footnote{Camino Recorrido} Given the president’s bureaucratic control over the program, the operational rules of the program, including the mechanisms to tie the president’s hands, played a more political role than just controlling bureaucratic drift. The rules were there to appease the opposition.

\textbf{Peru}

In Peru, President Toledo underestimated the chances that a congress controlled by the opposition would refuse to finance his first policy choice with respect to a CCT program. The initial policy proposal, designed in 2005,
involved cash disbursements to families living in extreme poverty with the condition that children attend school regularly and that children and pregnant women regularly access health services. This design of this initial proposal did not include provisions to reduce executive’s discretion. As a consequence, legislators refused to fund the original policy. The president revised the design of his policy, and ultimately congress approved the budget for the program. In the following paragraphs, I review this political process.

In February 2005, President Toledo announced his intentions to launch the Plan Pro-Peru program after program details were leaked to the press by political opponents. Accusations that the president was preparing a vote buying strategy for the upcoming 2006 presidential election tainted the perceptions of the program. Many politicians saw the launch of the program as a political maneuver by Toledo’s party to regain popularity. Lourdes Flores and Alan Garcia, presidential candidates in the 2006 election, claimed the program was being used as an electoral strategy. Garcia’s critique focused on the program’s lack of a planning process and Flores questioned whether the government was making sufficient effort to ensure that the program resources were reaching those most in need of social assistance.

One congressman succinctly expressed the position of legislators in Congress during the time leading up the elections:

...we do not question the need to implement large-scale social programs like Pro-Peru, but we are concerned with the nature of the policy proposal and its technical viability. An improvised policy so close to the next electoral process means that thousands of millions of soles will be wasted ... the poor cannot wait any
longer and they need the State’s assistance until the economy is able to guarantee them employment and an adequate income. But this does not mean that we will allow the government to use the poor as an excuse to return to clientelist practices. We all have the responsibility to ensure that this initiative works, but we need to oversee it permanently.\textsuperscript{40}

In March of 2005, Congress solicited the presence of state-officials involved in the design of the program, including the Ministers of Economy, Health, and Women and Social Development, at a series of hearings to discuss program characteristics and its budget. During their presentations, the ministers were elusive about the program’s design and the geographic areas that the program would cover. Indeed, ministers were hesitant even to defend the name of the program, Pro-Peru.

The President of the Council of Ministers explained in a press conference when pressed by reporters to talk about the program:

The program is not finished. Today we spent more than an hour studying the proposal [in the session of the council of ministers], and when completed the program will be announced in detail to the country . . . We are not crafting something new. It has been mentioned that programs exist in Brazil, Mexico, and other countries. Everything will be done in a transparent way, and the resources for the program, since they are additional expenditures, will have to go through Congress, and Congress will make

\textsuperscript{40}http://www.congreso.gob.pe/congresista/2006/jperalta/Art-Opinion/0023.htm
the modifications that are considered appropriate. Here [in this administration] nothing will be imposed without the necessary information. We plan to implement it in May not in February. We are collecting information to make sure that the beneficiaries are the poorest because in Peru there are many poor, and most likely we will not reach all of the poor, but at least the poorest of the poor. So, that is where we are. The program is not finalized, is being discussed internally, and we greatly appreciate receiving suggestions of any kind. Today, in a survey that will hopefully be disseminated by journalists, fifty-eight percent of Peruvians supported the proposal of a social assistance program. Fifty-eight percent is high, considering those who did not express an opinion. Now, as you know, polls are not the absolute truth, but you have to use them when you like them and when you do not . . . So I think it is interesting to know the support [social assistance] already has. Almost sixty percent of the population say they are in favor of social aid to the needy.\footnote{Press conference following the session of the Council of Ministers No.263, Presidencia del Consejo de Ministros, February 15, 2005.}

On April 7th, 2005, the President signed a decree that created the National Program of Direct Assistance to the Poorest, or Juntos, Peru’s first CCT program.\footnote{Supreme Decree No. 032-2005-PCM.} Legislators’ objections, however, continued. Congressmen from the American Popular Revolutionary Alliance (APRA) publicly refused to approve the federal budget for the program. One congressman stated that “the government is improvising, and pulling an ace from its sleeve. The
program has no structure, has clear electoral purposes, and is not sustainable.”

A congresswoman explicitly demanded a “transparent social policy that guarantees that the program is treated as a pilot project . . . and is further operated only after evaluating its results based on census data.”

The push back from legislators was not in vain. As a first concession, the president changed the name of the program from *Plan Pro-Peru*, which was similar to the name of the president’s party, to *Peru Posible*. To boost support for the newly named program, the president presented it as the government’s flagship program to achieve the Millennium Goals. It was clear that the president and his staff were taking legislators’ concerns into consideration. The President of the Council of Ministers explained that “in a democratic regime each [branch of government] plays a role . . . This is called balance of powers. We, in a democracy, have to accept it, and it does not bother us. On the contrary, we have articulated our actions taking this into consideration. I have repeated numerous times that in the previous fifty years, each time the president lost the majority in Congress, there was a coup. This is the first time in fifty years that a democratic and legitimate government has been sustained with an opposing parliament. The first time . . . What does this mean? That Peruvians have to get used to a parliament where the executive has no majority. We need to keep the system because that is the mandate of the people . . .”

The change in the program’s name and the alignment of the program with

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43 *La República*, June 06 2005
the Millennium Goals were insufficient to take the program off the agenda in Congress. Some of the concerns that legislators expressed in plenary sessions related to the program’s budget. For example, a legislator from the opposition demanded that the federal budget include specific line items that allowed Congress to identify the allocation of transfers, with particular attention to “Pro-Peru or Juntos, or however they call it now, which could show signs of corruption.” 46 Meanwhile, a congressman from National Unity said that his party would not vote in favor of the budget because “it was irresponsible to begin to give away money without having a well-defined program, a list of eligible households, the budget, and a definition of program objectives” (La República, June 06 2005). 47

Other concerns expressed by legislators related to the criteria to select program recipients. A legislator from APRA expressed a concern that without a census of the poor, it was likely that the allocation of resources through Juntos would benefit the undeserving. 48 A legislator from Popular Action (PAP) shared this concern and highlighted a study conducted by the University of the Pacific that suggested massive leakages of benefits to the non-poor in the operation of the subsidy for milk. 49

To appease some of these concerns, the president of the Council of Ministers presented legislators with a more detailed account of the Juntos program, including a description of its targeting system, and its scope in May 2005.

46 Parliament debates, April 21, 2005.
47 A few congressmen presented alternative policies to improve the living conditions of the poor. For example, a congressman from Concertación Parlamentaria proposed to use the cash transfer money to provide potable water to the poor (La República, June 19 2005).
48 Parliament debates, April 28, 2005
49 Parliamentary debates, June 23, 2005.
He also notified legislators that the executive intended to ask Congress to approve a credit to finance part of the program’s operations.\textsuperscript{50} Nevertheless, legislators were hesitant to approve the budget and the additional funding.

A legislator representing a coalition of opposition parties explained his position to the president of the Council of Ministers by stating: “The relevant question is what will be done with 120 million new soles from now until the end of the year? There is no formal proposal, or pilot project, or implementation rules . . . [the program] can be operated to win an electoral audience. This is why we propose not to block an efficient program like the ones implemented in so many other countries, rather we want a pilot project that cannot be politically manipulated. Therefore, we must limit the resources of the program. I say no to the 140 million that the government wants, but yes to 60 million from now until the end of the year.”\textsuperscript{51} Negotiations over the funding delayed the launch of the program.

Lack of resources was not the reason why legislators from opposition parties hesitated to approve the program’s budget. As explicitly mentioned by a legislator of CP: “The problem with \textit{Juntos} is not if there is money or not, it is of action. When surveyors go to Chuschi to set up the pilot they will enroll their families, or teachers will enroll their wives. This is the real problem.”\textsuperscript{52} Legislators from the opposition wanted guarantees that the president would not politicize the program. They proposed that the program should circumvent the agency in charge of previous social programs, which was known for its inefficiency, and its politically motivated leakages of

\textsuperscript{50}Parliament debates, May 11, 2005.
\textsuperscript{51}Parliamentary debates, June 23, 2005.
\textsuperscript{52}Parliamentary debates, June 23, 2005.
program resources. Legislators also proposed that the president take more time to prepare the details of program implementation, and to delay the scale up of the program until after the presidential elections.\footnote{Concerns with electoral business cycles were explicitly mentioned in Congress. For example, one congressman stated: “Other countries have been successful because they set aside the bureaucracy that makes social programs inefficient and slow. We question the improvisation, and above all that they want to execute the program in their last year of government, when they are about to leave” (Parliamentary debates, September 1, 2005).} A final proposal from legislators was the creation of a transparency committee to oversee the implementation of the program.\footnote{Congresswoman Anel Townsend from Political Party Democracy was active in this process. She suggested a national agreement to prevent the political use of the program.}

The political turbulence over the program’s budget motivated the president to strengthen the design of the program, as well as create the board of transparency, which incorporated representatives from various social sectors, including members of the church.\footnote{Parliamentary debates June 23, August 25, and September 1.} Legislators from the incumbent federal party sided with the president. One such legislator stated: “it hurts to be told that we work with electoral goals in mind. We are not like the governments of the past that financed assistance programs to do politics and, like some say, bring water to their well. We are a new party, with quality, decency, and we want to govern in conjunction with all other political parties.”\footnote{Parliamentary debates, June 23, 2005.} Legislators from the president’s party argued that the administration “does not intend to do politics with this program, and what has been proposed is that the transparency board oversees the implementation. Certainly, this congress also has to oversee the program so that the money is not used to fund proselytism. But to say that Congress, having the money, will not
help the poorest sectors is a mistake.”

Legislators from the president’s party also argued that in addition to the transparency committee, the fact that the program was conditional on achievements on health and schooling would ensure that overseeing the program was not a problem. After provisions had been incorporated into the program design, Congress finally approved the budget to fund program operations.

During his presidential address to Congress on July 28th 2005, President Toledo formally presented the program to legislators. He highlighted three features of Juntos. First, he stated that the program aimed to reach Peruvians living in extreme poverty, and to provide them with basic health, nutrition, and education services through the provision of cash incentives. He also noted that the program was intended to help people in areas that had previously been affected by the violence of Shining Path to obtain identification cards, which he argued was a right in itself. Second, the president restated the program budget requirements and the plan to scale up the coverage. Finally, the president reiterated the creation of the Transparency Committee, and thanked Archbishop Luis Bambarén, a leader of the campaign against the program, for accepting the position of chair of the board. To further demonstrate his commitment to transparency, the president vowed to make the lists of program recipients available in churches, public schools, and medical centers.

57 Parliament debates, August 25, 2005
59 For the effect of cash transfer programs on registration rates see Hunter and Borges 2011.
60 Parliamentary Debates, July 28, 2005. The transparency committees were included
The program was inaugurated in the district of Chuschi (Ayacucho) in September of 2005. The ceremony was led by President Toledo, three cabinet ministers, as well as the director of the program, and representatives from the United Nations Development Program. Chuschi was chosen because of its significance as the place where the Shining Path committed its first terrorist act in 1980. After the ceremony, Archbishop Bambaren announced that “the social assistance program, Juntos, will not be politicized ... it is not just distributing money to the people; we are remembering the poor in Peru.” He also suggested that opponents of the program become better informed, and urged beneficiaries to comply with the school and health requirements. Finally, he highlighted that the program had a rigorous selection process, which prioritized areas most affected by violence. In the first phases of the program, enrollment took place in the seventy poorest rural districts in Peru in four different regions.

Directly after the inauguration event, legislators from the president’s party continued to defend the program against criticism from opponents of Juntos ... In one plenary session, a legislator in favor of the program stated: “When it is about peasants and indigenous communities, there is never support for them [in congress], even if we always talk about the poor ... We, legislators, need to worry about oversight, and ensuring that resources are reaching the poorest of the poor. It shouldn’t be so easy to disqualify the program as politicized, unless you are against Juntos. We, the peasant communities, salute the program because our fellow peasants never get

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61 Expreso, September 8, 2005.
62 Huancavelica, Ayacucho, Huanuco and Apurimac.
Election day in 2006 came, and APRA’s candidate, Alan Garcia, won the presidency. In his first address to Congress, President Garcia announced that austerity was going to distinguish his administration. To illustrate his plans he said: “...Austerity will begin with my presidency. I have found more than 400 employees, in addition to security personnel. I will reduce them by half. Fifteen million have been spent on furniture and rugs, but with that amount of money we could have financed assistance through Juntos to cover 14,000 families during a year. There has been no priority on social spending. Poverty relief programs need to be integrated to avoid duplication and inefficiencies. We will coordinate the existing 122 programs, and will improve the allocation of the milk subsidy ... Similarly, we will improve the processes of the cash transfer in Juntos, and we will reduce operation and marketing costs.”

President Garcia’s administration, which was ideologically to the left of the previous administration, modified the language used to describe Juntos to emphasize the program’s role in promoting children’s development and social inclusion. Discussions between the president of the Council of Ministers and legislators throughout 2006 reflect this change. At one point in a parliamentary debate, the president of the Council stated “We want everyone’s commitment to fight for our children against everything that hurts them ... The Juntos program is adjusting its operation to achieve social inclusion and promote the development of human capacities.”

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the focus on children, the new administration continued to emphasize the non-partisan nature of the program. When the president of the Council announced to legislators that the president planned to expand the program, he reminded congress that, “It is our intention, and I emphasize this, that this program will be operated without political criteria. We appreciate the work done by the Transparency Committee, and by its chair Archbishop Luis Bambarén.”

Legislators from various parties expressed their support for continuing the funding of the program in 2007 and 2008. One legislator remarked that the Juntos program “prevents the State from operating it in a clientelistic way. It has been targeted rigorously, it cannot be manipulated . . . It is Peru’s contribution to the Latin American experience; we want it to continue its success without being politically manipulated. The World Bank, and PNUD continue to believe in it, because it has been operated in a rigorous way.” Similarly, a legislator from GPN stated: “We need to guarantee the funding for social programs. We cannot lower the goal for Juntos and abandon children to undernourishment. What crime have children committed? The State is responsible for the future of children in Peru.”

Despite their continued support, legislators have kept a watchful eye over program operations. Discussions about cutting the program’s budget reappear on a yearly basis. In 2005, legislators warned the Minister of Economy that they were aware that the government was not going to be able to spend the full programmed budget before the end of the year. They also questioned

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the targeting of the program when they learned from a press report that some recipients saved part of the money. One legislator argued: “Why do we propose cutting *Juntos*’s budget? Because in today’s newspaper we read that program recipients are saving the money. Why would a poor person save 100 new soles? Because he is not poor, because he has money . . . Our proposal is to suspend the program, and redistribute its resources.”69 Three years later, legislators continued to call for government transparency and accountability in the operation of *Juntos*. A legislator from the opposition remarked that *Juntos* “had to be well operated. [The government] say that they need more time for the program’s evaluation. Now more than ever, it is our responsibility to demand the evaluation of social programs . . . We cannot give up our right to demand accountability from those responsible for social programs.”70

In sum, after the president was willing to tie his hands, legislators agreed to fund the president’s policy, but legislators have continued to make clear that they are willing to use their budgetary powers to ensure that the president does not politicize the program.

**Guatemala**

In Guatemala, the candidate for the National Unity of Hope (UNE) party, Alvaro Colom, won the 2007 presidential elections. The victory of President Colom marked the first time in 53 years that a left-leaning political party occupied the presidency in Guatemala. In the congressional elections, however, UNE won only 48 out of 158 seats in Congress, so the president did not

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have a majority of support among legislators.\footnote{Guatemala went through a civil war throughout the 1980s, and a peace agreement was signed by the movement \textit{Unidad Revolucionaria Guatemalteca} in 1996.}

In 2008, President Colom launched the cash transfer program \textit{Mi Familia Progresa}(MIFAPRO). Although the current design of the program in many ways resembles the design of the Mexican cash transfer program, the original design and operational rules of MIFAPRO included fewer provisions to tie the hands of the president. From its early years of operation the program has used a targeting system that takes into account feedback from World Bank economist. In addition, the program operations have become more transparent, and the program has been evaluated by both national and international organizations. One of the most important factors in the improvements in program design and implementation is legislative pressure. To illustrate this point, I will review a few developments in recent years in the program’s operation that are related to agency structure, transparency in the recipient lists, and monitoring of the program.

Similar to presidents in other countries in Latin America, President Colom maintained bureaucratic control over the agency responsible for operating the cash transfer program. However, the president’s desire to exert influence over the cash transfer program was more apparent in Guatemala than in other countries because the president appointed his wife, Sandra Torres de Colom, to coordinate the Council for Social Cohesion, the agency in charge of various social programs, including MIFAPRO. The bureaucratic control of the president and his wife over MIFAPRO fueled criticisms from legislators and civil society alike.
Some legislators denounced that the programs operated by the president’s wife in the Council for Social Cohesion were a political windfall for the president, and a part of an electoral strategy for the president to stay in power.\textsuperscript{72} Other legislators questioned the cash transfer program on the grounds that it was not operated with transparency.\textsuperscript{73} Further complaints about the program were related to the system used to target program beneficiaries. In particular, legislators complained that the census takers did not capture the poorest of the poor because they couldn’t reach their communities, couldn’t find them in their homes, or because the people themselves refused to report their demographic information.\textsuperscript{74}

Concerned that the cash transfer program was simply a vote buying strategy, legislators brought the issue of agency structure to the Supreme Court early in 2009. Legislators argued that the constitution does not allow the Office of the President to operate social programs directly, and therefore MIFAPRO should be reassigned to a different agency in the federal government. The Supreme Court ruled in favor of legislators, and the cash transfer program, along with its operating budget, were transferred to the Ministry of Education in March 2009, where the president created the System of Social Assistance to oversee the program.\textsuperscript{75}

Six months after the cash transfer program was reassigned to the Ministry of Education, the Minister resigned arguing that the Ministry did not have sufficient funds to operate its programs, including the cash transfer pro-

\textsuperscript{72} Prensa Libre, September 6, 2008.
\textsuperscript{73} Prensa Libre, October 28, 2008.
\textsuperscript{74} Prensa Libre, February 2, 2009.
\textsuperscript{75} Prensa Libre, March 5, 2009.
gram.\textsuperscript{76} Congress summoned the newly-appointed Minister of Education to Congress to discuss the results of the cash transfer program, as well as the reasons why the Ministry had designated information on the identity and addresses of recipients confidential.\textsuperscript{77} The practice of legislators summoning the Minister of Education, as well as other members of the federal government, to address legislators’ concerns became so regular that President Colom stated: “We cannot continue with a Congress that takes away forty percent of the time of Ministers with their hearings . . .”\textsuperscript{78}

Perhaps the most controversial issue surrounding MIFAPRO was the list of program recipients. The Ministry of Education, most likely by presidential instruction, kept the list secret for as long as it could. Legislators, who wanted access to the list, consulted the Supreme Court. The Court’s opinion was that the Ministry of Education had to make the list of recipients available to the Comptroller’s office, the entity in charge of overseeing the program.\textsuperscript{79} A congresswoman from the Encuentro por Guatemala party pressured the Ministry of Education to release the list in February 2009. The president defended the position of the Ministry, which was not to release the list, and argued that for security reasons it was a mistake to make the list of recipients public. Legislators perceived this argument as an excuse that the president was using to avoid making the program more transparent.\textsuperscript{80}

In April of 2009, Congress approved a law to promote public access to information. With this law, the Ministry of Education had no choice but to

\textsuperscript{76}Prensa Libre, September 2, 2009.  
\textsuperscript{77}Prensa Libre, February 7, 2010.  
\textsuperscript{78}Prensa Libre, April 25, 2010.  
\textsuperscript{79}Prensa Libre, January 22, 2009.  
\textsuperscript{80}Prensa Libre, February 4, 2009.
publish the names of program recipients on its website, though they continued to refuse to publicize recipients’ identification numbers, or their addresses.\textsuperscript{81} The Ministry of Education delivered the names of recipients to congress in January 2010. However, legislators were not appeased since it was impossible to assess the quality of the information without the identification numbers. In response to the incomplete release of recipients’ data, the Court ordered the Ministry of Education to share the complete information with the General Comptroller.\textsuperscript{82} Shortly after this ruling, the Court also ruled that the Ministry of Education must share the information with legislators.\textsuperscript{83}

The Minister of Education failed to comply with the Court’s ruling, and again withheld information from Congress. As a consequence of failing to obey the Court’s order, the Court ordered the dismissal of the Minister of Education.\textsuperscript{84} In March of 2010, shortly after the Minister’s dismissal, the Ministry of Education, finally, shared the required information with Congress. Since then, information about program enrollment, including the full list of program recipients, has been public.

The previous discussion demonstrates how legislators used the Court to shape the rules governing the cash transfer program, but also their own budgetary powers to influence the development of the program, especially with respect to the establishment of monitoring mechanisms. The president’s wife, Sandra Torres de Colom, as head of the Council for Social Cohesion, regularly attended congressional sessions to negotiate increases to the budget.

\textsuperscript{81} \textit{Prensa Libre}, April 21, 2009.
\textsuperscript{82} \textit{Prensa Libre}, December 4, 2009 and January 6, 2010.
\textsuperscript{83} \textit{Prensa Libre}, January 23, 2010.
\textsuperscript{84} \textit{Prensa Libre}, February 26, 2010.
allocated for social assistance programs with legislators. Congress was not always responsive to her petitions, and on several occasions refused to approve additional funds for program expansions. In exchange for additional resources, legislators requested the codes that identified the cash transfer program in the federal budget. The president shared those codes with Congress, and as a result legislators are able to track program spending in the budget. In addition, Congress asked that each program recipient be assigned a unique identification number to make the monitoring of program enrollment more feasible.

Finally, in addition to the monitoring and evaluation mechanisms already in place, in 2010 the president created a civil society monitoring system to oversee the execution of the program. MIFAPRO is currently the most evaluated program in Guatemala. Both national agencies, such as the National Institute of Statistics and the General Comptroller’s Office, as well as international agencies such as the Mexican National Institute for Public Health (INSP), USAID, and the Inter-American Development Bank have evaluated the program. Congress eventually approved additional resources for the program, though in preparation for the 2011 presidential elections, Congress took measures to ensure the program could not be used to influence election. Legislators’ concerns were fueled by the decision of UNE to name Sandra Torres as their presidential candidate. UNE’s candidate choice became a political scandal because Guatemala’s constitution forbids relatives

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85 *Prensa Libre*, January 28, 2009.
86 *Prensa Libre*, November 4, 2008.
87 *Prensa Libre*, August 28, 2011.
of the president relatives to run for office. The presidential couple divorced in an attempt to circumvent this constitutional restriction, but the Supreme Court maintained that Sandra Torres’ candidacy was unconstitutional. The Court’s decision left the UNE without a presidential candidate. Nevertheless, legislators imposed restrictions on the federal budget to ensure that the cash transfer program could not receive resources from other agencies in the federal bureaucracy, to limit the likelihood that the program was used to boost the political support of the incumbent party.90

In sum, the original design of MIFAPRO did not include transparency mechanisms or effective monitoring systems. Provisions to make program operations more transparent were included as a response to explicit demands from Congress.91 Other program procedures have since been modified as a result of pressure from legislators. For example, in 2010 the program revised its communication strategy to improve the flow of information to poor households. The new strategy now includes more aggressive dissemination of information related to the criteria used by the program to select recipients.

**Argentina**

President Nestor Kirchner, who served from 2003-2007, and his successor Cristina Fernandez de Kirchner, who is the president at the time this book is being written, established three flagship cash transfer programs: *Plan Jefes y Jefas de Hogar, Plan Familias, and Asignación Universal por Hijo* (AUH). In the discussion that follows, I review the evolution of these programs with

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89. The Economist, March 15, 2011.
particular attention to the debates that took place in congress surrounding these programs. Through most of the period under study, the president in Argentina had a majority of support among legislators. It was not until the 2009 congressional elections that president Cristina Fernandez de Kirchner faced a divided Congress.

The economic crisis that Argentina faced in the early 2000s created a coalition in support of the emergency social assistance program, *Plan Jefes y Jefas de Hogar*. The policy was welcomed by Congress, where legislators recognized that the more than seventy social programs in operation at the time were ineffective at dealing with the economic crisis, required large bureaucracies to operate them, and captured an important share of the federal budget. Legislators from the opposition, however, expected that the program would become a universal unemployment insurance program that circumvented the bureaucracy and local party machines.\(^{92}\) When *Plan Jefes y Jefas de Hogar* began operations it was clear that the program did not meet the expectations of the opposition.

In February 2002, months after the program had begun, one opposition legislator remarked to Congress: “With respect to the program *Plan Jefes y Jefas* there is much imprecision about the budget of the program. We still do not know how it will be implemented, but we believe it is on the right track, and we need to work on it. We consider that the 800 million [pesos], more or less, that are in the budget are insufficient, and we presume that [the government] is trying to get loans from multilateral organizations. But most fundamentally we care about how the program will be implemented;\(^{92}\)

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we don’t want it to be paternalism, or to have a clientelist component . . . we want to take a step toward modern social security.”93

Two years later, in 2004, legislators from opposition parties were still dissatisfied with the program. One legislator remarked: “I want to make clear that I am not questioning the financial aid allocated to the provinces for social expenditure. I do not question spending in non-contributory pensions, or in the program Plan Jefes y Jefas. I do question the lack of mechanisms to evaluate, verify, and oversee [the program]. I question the discretion in the allocation of program resources.”94

Calls by legislators to reform the program continued. Some legislators proposed to transfer the resources directly to the unemployed through debit cards, so that the money would circumvent political and social leaders, as well as piqueteros.95 A few suggested to dismantle the program, and replace it with a universal unemployment insurance scheme conditional on full-time employment.96 And yet others suggested to replace the program with a universal system of allocation of money to children whose parents work in the informal economy.97

In 2005, after more than two years of debate, the government reformed the program. Although the Chief of Ministers announced these changes to Congress, legislators were not provided with details of the reforms.98 Shortly thereafter, the president announced that a large share of beneficiaries of

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95 Parliament debates, federal budget 2004, 37966.
96 Presupuesto 2005, 38057.
Plan Jefes y Jefas had been transferred to a program of wider scope: Plan Familias.\textsuperscript{99}

Legislators from the opposition questioned the new program as much as they had questioned its predecessor. One legislator explained that enrollment in social programs “has not increased since 2003. So it could be that the funds go to places where political punteros can include or exclude recipients . . . this means that his program is not an entitlement, but a benefit granted by the punteros”.\textsuperscript{100} Calls for insulating the program from clientelist pressures continued. One legislator expressed the frustration of the opposition in Congress by stating: “It is evident that in this budget we are missing the opportunity to change the trend . . . toward social programs that directly transfer income in a transparent way, with clear criteria to allocate the benefits . . .”\textsuperscript{101}

In 2009, facing a divided government, President Cristina de Krisnher launched the program AUH. AUH aims to improve the well-being of impoverished children who are not enrolled in other social programs, and whose parents are either unemployed, or working in the informal sector of the economy and earning less than minimum wage.\textsuperscript{102} Like other CCT programs in Latin America, the cash transfer households receive through AUH is conditional on parents taking their children to medical check-ups, and children’s school attendance. Three characteristics set AUH apart from other cash transfer programs in Argentina. First, AUH is accessed using a debit card.

\textsuperscript{102}Decree No. 1602/2009.  

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Second, AUH’s operational rules specify directly that there is no need for intermediaries to register for the program, or receive the transfers. That AUH circumvents *piqueteros* is publicly available and is a core component of the communication strategy of the program. Finally, shortly after the launch of the program, preparations for an independent evaluation began. As of 2011, the program had been evaluated by a research center based at the National University of La Plata.\textsuperscript{103}

\textsuperscript{103} *Centro de Estudios Distributivos, Laborales y Sociales, Facultad de Ciencias Económicas.*
Appendix Table: Marginal effects after probit models

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Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1