

TOWSON UNIVERSITY  
OFFICE OF GRADUATE STUDIES

LATIN AMERICAN SOCIAL POLICY COMES OF AGE:  
CONDITIONAL CASH TRANSFER PROGRAMS

By

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A thesis

Presented to the faculty of

Towson University

In partial fulfillment

Of the requirements for the degree

Master of Science

Department of Social Science

Towson University

Towson, Maryland 21252

May, 2013

TOWSON UNIVERSITY  
OFFICE OF GRADUATE STUDIES  
THESIS APPROVAL PAGE

This is to certify that the thesis prepared by Marquel Bowler  
entitled Latin American Social Policy Comes of Age: Conditional Cash Transfer Programs  
has been approved by the thesis committee as satisfactorily completing the thesis requirements for  
the degree Master of Science in Social Sciences

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## **Acknowledgements**

First I would like to acknowledge Dr. Lea Ramsdell for the immense amount of time and effort she put into helping me complete my thesis. I could not have imagined a better advisor to guide me through the research and writing of my thesis. Besides my advisor, I would like to thank the rest of my committee members, Dr. Alison McCartney and Dr. John Bullock, for their insightful comments and questions. My sincere thanks also goes out to all the friends who let me use them as a sounding board, even if they didn't know the first thing about my research. I am especially thankful to Melissa Turpin, who I called traveling to and from classes and meetings on a regular basis. I am also grateful for all the friends over the past semester that understood why I was busy and threw me a party after submitting my draft to my committee members. I would also like to thank Capitol Surveys, INC. for allowing me to put graduate school first and my job second. Last but not the least, I would like to thank my family, my parents, Dwight and Addie Bowler, and all my other relatives that gave me encouragement over the last three years.

## **Abstract**

### **LATIN AMERICAN SOCIAL POLICY COMES OF AGE: CONDITIONAL CASH TRANSFER PROGRAMS**

Marquel Bowler

Governments and international organizations are responsible for donating immense funds to eradicate poverty worldwide; however, the effect of this assistance on the daily lives of the poor in many cases has been nominal. Since many remain ignorant of the extent of global poverty there is little inspiration to generate solutions that work to assuage poverty. The US has copious programs aimed at assisting those in poverty; however, these programs have not achieved the same optimistic results as the conditional cash transfer programs (CCTs) now flourishing in Latin America. In order to understand where the ideas for CCTs originated, an understanding of social policy is explored. Subsequently, Latin America demonstrates the success of CCTs and why there is the potential for the programs use in the US. New York City has already down its own trial program. Overall, CCTs have unprecedented success and the US should take note and follow Latin America's example.

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## **Introduction**

Governments and international organizations provide massive funds to eradicate poverty worldwide; however, the impact of this assistance on the daily lives of the poor in many cases has been minimal. The World Bank defines poverty as those living on less than \$2 dollars a day and extreme poverty as people living under \$1.25 a day (The World Bank, 2013). According to the World Bank, 1.3 billion people live below the extreme poverty line, while an additional 1.3 billion live under \$2 dollars day. The 2.6 billion people represent over 30 percent of the world's population. Because many remain unaware of the magnitude of global poverty there is little motivation to create solutions that work more efficiently to alleviate poverty.

The United Nations (UN) took a strong stance against poverty in September 2000 when it made the first of its eight Millennium Development Goals (MDGs) that of eradicating extreme poverty and hunger by 2015. The UN established three targets to reach this goal: to halve the amount of people in extreme poverty by 2015 using 1990 as a baseline for data; to achieve full and productive employment for everyone; and to decrease by one half the proportion of people that suffer from hunger (The United Nations, 2013). Currently, only 45 of the 85 countries monitored are on target for cutting poverty in half by 2015 (The World Bank, Poverty Overview, 2013). According to the World Bank, extreme poverty worldwide has been reduced by 233 million since 2000, yet in 2011 456 million people were still working and living in extreme poverty. The UN estimates that about 15 percent of the world is undernourished and, regardless of substantial improvements in children's health, there is still about one in five children under the age of five are still underweight (The United Nations, 2013).

Although the United States (US) is not monitored by the MDG program it has experimented with many different poverty policies, from providing housing to the poor to issuing EBT cards to the poor. Since the inception of welfare policy in the US in the nineteenth century, politicians and scholars alike have analyzed the causes and effects of government programs for poverty alleviation and have proposed theoretical frameworks to guide US poverty policy. Interestingly, a review of the literature reveals that none of the US's policies has had overwhelming success in improving the lives of those living in poverty. In fact, the number of people living in poverty has been climbing since 2000, from about 31 million to over 45 million people as of 2011 (United States Census Bureau, 2012). Though the percentage of people living in poverty has held steady for the past forty years at 10-15 percent of the population (United States Census Bureau, 2012), the persistence of this percentage reflects the ineffectiveness of the US's poverty policies. The US, an industrialized state, has numerous programs aimed at helping those in poverty; however, these programs have not managed to achieve the same positive results as the conditional cash transfer programs (CCTs) now flourishing in Latin America.

Though social policy in the US may be traced back to the early nineteenth century, it took off on a wider scale in the mid-1930s with the introduction of the social insurance movement during the Great Depression. Since that time, illustrious economists and political scientists have studied extensively the role of such policy in a democracy that practices capitalism. Their studies reflect the tensions inherent in a system that, simultaneously, presupposes the equality of all and rewards some more than others in the competitive sphere of the market place.

Latin America, on the other hand, experienced a different pattern of economic development, and thus, of social policy during the twentieth century. In defiance of US economic interests in the region, several Latin American countries resorted to import substitution industrialization (ISI) as a strategy of economic development with varying degrees of success. The US imposition of neoliberalism through the Washington Consensus in the 1990s wiped away most vestiges of the ISI policies. However, by the new millennium it became apparent that this economic development model had only succeeded in exacerbating the skewed income distribution by disproportionately burdening the poor with the brunt of austerity measures. The emergence of neostructuralism in the mid-1990s is an alternate approach to economic development, one which blends with the current social needs of Latin America.

Conditional cash transfers are government-run programs that give money directly to those living in poverty as long as beneficiaries comply with certain conditions such as attendance in school. These programs emerged within Latin America in the early 1990s and have since garnered international attention because of their unprecedented success at reducing poverty levels. Since the start of these programs, Mexico and Brazil have seen poverty rates cut in half. The CCT model has spread across continents, from Africa to Asia, and even to North America.

In the past, social policy paradigms from “developed” countries were imposed on “underdeveloped” countries by international development organizations as well as the US government itself. CCTs present an inversion of this dynamic. Latin America has not only taken the initiative to address poverty in the region, it has created a hybrid approach that has captured the attention of international development agencies and industrialized



countries alike, explicitly the US. Due to its less than successful poverty policies, communities across the US, including New York City, are looking to the CCTs as a model for poverty eradication. This role reversal through the CCTs may be the beginning of a trend toward recognizing the creativity and pragmatism of policy makers and scholars in what, perhaps, should no longer be thought of as the subordinate “developing” world.

### **Evolution of Social Policy in Industrialized Nation States**

Social policy is a subset of public policy that is aimed at improving human welfare. Typically, social policy promotes general equality and inclusion through a variety of programs. Daniel Béland defines social policy as the “aim to support the poor, fight inequality and promote citizenship solidarity, reduce market dependency, and/or protect workers and their families against specific economic risks” (2010, p. 19). Likewise, Anthony Hall and James Midgley (2004) describe social policy as the “measures that affect people’s well-being, whether through the provision of welfare services or by means of policies that impact upon livelihoods more generally” (Hall & Midgley, 2004, p. xiv). Social policy encompasses the government’s plans to ameliorate the circumstances of its citizens. However, much of the literature refers to the application of social policy in industrialized states and does not address the context for such policy in developing countries. This study reviews influential theories and approaches found in the body of studies emerging from the US and Britain primarily. In addition, it calls for a broader definition of social policy, one which takes into account cultural and historical factors not necessarily observable in the developed world.

One of the first modern social policies was the Poor Law, introduced in 1834 by the United Kingdom. This law called for the use of means testing to decide who was deserving of government assistance. Because the Poor Law was based on the premise that it was the responsibility of the individual to evade or break out of poverty, those receiving assistance were considered poor because of their own shortcomings (Townsend, 1983). The goal of the law was to encourage those suffering to get a job or to reach out to family for support. Michael Hill (1983) affirms that the Poor Law was “designed to force reluctant workers to lower the price of their labour to the market level under threat of incarceration in the workhouse” (p. 242). Peter Townsend (1983) argues that these callous attitudes denigrating the poor through the Poor Law spread to the next generation. Deacon and Bradshaw (1983) point out that the Poor Law resulted in the humiliation of those receiving help: “...someone who was maintained at the expense of others and thus forfeited all status, all respect and any right of citizenship” (Deacon & Bradshaw, 1983, p. 6). The Poor Law shows that the stigma attached to accepting state assistance is deeply rooted in the emergence of modern industrialized nation-states.

Following on the heels of the UK’s Poor Law was the movement to create poorhouses in the US at the beginning of the nineteenth century, which Skocpol (1995) asserts to be one of the US’s greatest attempts at implementing targeting policies. Poorhouses, also known as almshouses, were intended to be a low cost way to help the poor. The goal of this policy was to provide stability to the poor by finding them jobs, by developing character through employment and a structured life, and by incentivizing them to keep children enrolled in school. However, by the 1850s the poorhouses began to fail in their mission because the costs were more than expected and they became

increasingly systematically underfunded. Furthermore, the people in charge of running the poorhouses became corrupt and oppressed those living in the poorhouses. In the end, the poorhouses lost their funding and by the 1900s had become old-age homes for those unfortunate elderly without the means or family to provide for themselves. (Skocpol, 1995).

Subsequent to the failed almshouse policy, between 1911 and 1931 more than forty states enacted legislation that provided pensions for mothers with the intent to help mothers provide for their children when there was not a breadwinner. Nevertheless, this social policy met a similar fate to that of the almshouses. Skocpol notes: “Despite generous intentions and broad popular support, mothers’ pensions evolved into one of the most socially demeaning and poorly funded parts of modern U.S. social provision” (p. 255). The program suffered in large part because it targeted urban areas and local communities that did not want their taxpayer dollars to go toward programs for the poor. In order to minimize costs, the eligibility requirements were so strenuous that few women were able to qualify. In addition, the amount provided to women was so meager that many resorted to taking in male boarders and working low paying jobs to survive. These activities, in turn, often resulted in social services charging the women with child neglect or immorality. This lack of understanding led to social workers taking over the program, however, they made the requirements even more strict and ended up turning the program into a “cumbersome and demeaning form of public welfare” (Skocpol, 1995, p. 256).

After review of the unsuccessful almshouse and mother’s pensions, Skocpol (1995) concludes that the US was a “welfare state laggard” due to the lack of social insurance before 1935 and to the overall lack of comprehensive social programs,

especially in comparison to those in Europe at the time (Skocpol, 1995, p. 12). She does note, though, that the New Deal from the 1930s was a serious attempt at addressing some of the shortcomings of social policy in the US, in spite of the fact it did not challenge gender or race disparities, and benefits varied greatly between private and public sectors. Skocpol (1995) highlights that the 1935 legislation from the New Deal did include federally required, state-run unemployment insurance, federally subsidized public assistance, and national contributory old-age insurance (p. 13). Lawrence Mead (1992) explains that the government at this time took more accountability for employment than ever before. However, to qualify for all the new measures the beneficiary needed to have been employed before so that the programs did little for those who remained unemployed (Mead, 1992).

After the US introduced the New Deal to overcome the depression, the UK initiated the Beveridge Report (1944), written by William Beveridge, to surmount the welfare problem that surfaced during World War II. Weir (2001) considers the UK the original welfare state because of The Beveridge Report, which provided the outline for the UK government to design its welfare state by combining social programs that were once disorganized and did not protect all the disadvantaged (Loney, Boswell, & Clarke, 1983). Derek Fraser admits that while the majority of the report was on insurance, the groundbreaking part was Beveridge's concept of the "five giants", "social insurance was only a part of a comprehensive social policy which involved attacking the five giants of Want, Disease, Ignorance, Squalor and Idleness" (Fraser, 2009, p. 253). Beveridge claimed that while society was concerned with freedom in terms of freedom to speak, write, and vote it should also be concerned with freedom from the "five giants". The

Beveridge Report shaped the guidelines for the social policy reforms that led to the welfare state.

In the years following World War II, scholars and social scientists reflected upon the New Deal and the Beveridge Report and began to elaborate new theories on social welfare. T.H. Marshall (1950) claimed that, in order for society to function its members must be vested in their citizenship in the state. He divided citizenship into three sets of rights: civil, political, and social. By civil rights, he referred to rights essential to individual freedom, and these came about in the eighteenth century. He described political rights, appearing in the nineteenth century, as those that grant all the opportunity to participate in the political system, including the right to exercise political power and to vote. Lastly, his conceptualization of social rights encompassed entitlement to economic welfare and security.

The last set of rights, social, came about only in the 20th century and has proved to be the most controversial aspect of his theory on citizenship. It entailed:

the whole range from the right to a modicum of economic welfare and security to the right to share to the full in the social heritage and to live the life of a civilized being according to the standard of prevailing society (Marshall, 1950, p. 11).

In exchange for these rights, citizens must fulfill compulsory duties, such as paying taxes and insurance, attending school, or serving in the military. Hartley Dean comments further on the implications of Marshall's ideas:

But rights to welfare can come with strings attached. Entitlement to various kinds of welfare has been and can still be subject to the good character, the good behavior or the healthy lifestyles of recipients, or expressly conditional on the

recipients' participation in training or work experience or on ensuring their children attend school (Dean, 2010, p. 103).

While Marshall (1950) concedes that, in large populations, it becomes unrealistic to make sure everyone is participating in their duties, he insists that these duties cannot be ignored. Marshall became very influential because of his belief that the welfare state should provide not only civil and political rights but social rights as well.

The influence of Marshall was felt in the next big overhaul of America's welfare legislation, which took off in the 1960s due to the civil rights movement, John F. Kennedy's death, and Lyndon B. Johnson's "War on Poverty" (Béland, 2010). Poverty policy grew substantially in the 1960s as part of the War on Poverty and the Great Society project. These programs led to a fifteen-year increase in funding for welfare programs and succeeded in lessening the poverty rate, particularly for African Americans, whose percentage of poor fell 25 percent from 1959 to 1974 (Mead, 1992). Skocpol and Béland agree that the 1960s marked the second wave of welfare policy being this was the first time since 1935 that new programs were evaluated. The government took responsibility for social programs, making them more unified and focusing on improving the skills of the poor. Washington started programs such as Head Start for preschool children, and Job Corps, a training program so the poor could become more educated with the hopes of earning higher wages (Mead, 1992).

According to Lawrence Mead (1992) these compensatory programs had a minimal effect. The War on Poverty was revolutionary in its intents, but faced obstacles mostly related to unemployment. In order to try to fix the unemployment problem the government aimed to allocate additional money to the poor through Aid to Families with

Dependent Children (AFDC), food stamps, and Medicaid. These programs created the opportunity for the poor to live without employment and, according to Mead, they shifted to dependency (Mead, 1992).

An alternate view of the poor and poverty policy during this time was put forth by Milton Friedman (1962). He asserted that the US would be better to give cash to the poor instead of public housing or other in-kind assistance. By giving people cash, they hold the power to make their own decisions rather than having them made for them. Moreover, according to Friedman, public housing consolidates the poor and segregates them from society, leading to other problems. For example, studies have shown the school systems in the area of public housing typically suffer due to 'problem' children, which Friedman (1962) defines typically as children from "broken families" being amassed together. Friedman (1962) purports that if "broken families", which amounted to at least one-third of public housing residents in the 1960s, could choose where they would live and were not grouped together, the incidence of "broken families" would be more sporadic in the community (Friedman, 1962), thus effecting the areas these families reside in less than before.

Friedman (1962) cites other aspects of government social policy that, for him, only exacerbate poverty rather than alleviate it. He contends that minimum wage legislation actually increases unemployment because employers can no longer afford to have as many employees. He also opposes farm price supports because they benefit the bigger farms rather than the smaller farmers. Furthermore, the consumers pay more for food because the food prices are higher due to the subsidy. Poor people cannot afford to pay more for food than they already do, and the subsidy makes it worse for them. Friedman

(1962) also asserts that social security is an invasion of privacy because it is redistributive. Social security reduces freedom because it does not let people choose how they want to invest for their retirement. For Friedman (1962), the compulsory method of collecting and disbursing social security funds amounts to the state saying it knows what is better for its citizens than they themselves do. He also accuses the government of stifling the alleviation of poverty because public “charity” lessens the amount of private charity that is targeted toward the poor. Because he supports the liberal philosophy of freedom and opportunity, Friedman advocates for the poor to have the freedom to choose what they do with the charity given to them.

### **Analysis of Effectiveness of Poverty Policy**

While Friedman offers a new way to look at social policy, Charles Murray (1984) postulates three premises that should frame such policy, and he severely criticizes the US for not adhering to them:

Premise#1: People respond to incentives and disincentives. Sticks and carrots work.

Premise #2: People are not inherently hard working or moral. In the absence of countervailing influences, people will avoid work and be amoral.

Premise#3: People must be held responsible for their actions.

(Murray, 1984, p. 146).

According to Hartley Dean (2010), Murray advocates that citizens should provide for themselves rather than having the government provide for them because this creates dependency on the government.



Murray (1984) supported the above premises through his evaluation of the Negative Income Tax Experiment (NIT), a trial program launched by the US government in the late 1960s and the 1970s (Murray, 1984). The government designed the program to provide supplemental income to those below the poverty line. The trials took place in several cities with varying lengths. The goal was to see the effect that the supplemental income had on the recipients' willingness to work. The study showed that the NIT did have a negative impact on the recipients' willingness to work. Male willingness to work was reduced by 9 percent whereas female willingness to work was reduced by 20 percent (Murray, 1984, p. 151). One interest group, young males who were not heads of households and were unmarried, drastically dropped their participation in the labor force by 43 percent due to the program. The research took into account that those opting to further their education may have represented a portion of this decrease, but it was found that that was not significant. Murray (1984) suggested that the most staggering statistic was the increase in the length of unemployment for those in the NIT program: "Such periods lengthened by nine weeks (27 percent) for husbands, fifty weeks (42 percent) for wives, and fifty-six weeks (60 percent) for single female heads of houses, in comparison to the control group" (Murray, 1984, p. 152). The NIT program also affected the family unit. The divorce rate increased an average of over 30 percent for families enrolled in the program, and in some locations, the divorce rate spiked to over 50 percent (Murray, 1984). After the failure of the NIT, a new conservative administration took office with different ideas on welfare reform, which aligned with Murray's three premises.

During the early 1980s, under the Ronald Reagan administration in the US and Prime Minister Margaret Thatcher's in the UK, welfare programs received less funding.

However, in the US the states received more sovereignty and used this new power to create their own state-wide work programs (Mead, 1992). According to Mead (1992), the states' own work programs set the stage for the Family Support Act (FSA). The FSA was introduced in 1988 and focused on work programs, support services, and child support (Mead, 1992).

Mead (1992) asserts that the government trend moving towards work programs leaves the aspect of freedom to choose behind while going in the direction of authoritative social policies that he views as more paternalistic. Stuart White (2000) picks up on Mead's new paternalism theory, which includes three basic assertions: poverty is caused by the long-term poor being deprived of jobs; there is a lack of work due to deficient education among the poor, and; to improve the interests of the poor work should be compulsory (White S. , 2000). Mead (1992) states that "new paternalism seeks openly to manage behavior" (p. 181) through requirements. The FSA, for example, is a culmination of new paternalism in social policy. According to Mead (1992), the act delivered new benefits and services but also imposed mainstream social standards on the poor.

In order to achieve these social standards, Mead (1997, 207) states that most social policy experts recommend more poverty benefits because they believe the welfare state is not doing enough. In addition, many contend that the state is obliged to provide more welfare support when the economy is down and less when the economy recovers. Regrettably, this pattern has not been the case in the past. Mead (1997, 210) points out that the largest expansions in the American welfare system were during the late 1960s and late 1980s when unemployment was low (Mead, 1997). For him, it is counterintuitive

to provide more welfare benefits when the economy is thriving than when it is depressed because when the economy is flourishing it is easier to find jobs. Mead argues that when the economy is booming the government should be creating a reserve (safety net) for when the economy will eventually fall instead of spending it when not needed.

Mead (1997) outlines two downfalls to the welfare state- the cost and the potential dependency on government assistance which only maintains poverty. The cost of welfare is the primary reason that market-driven industrialized states such as the US advocate for reducing social spending. Mead does not make a call on whether social spending harms the national economy: “any link between a nation’s social spending and its economic prowess is unclear” (Mead, 1997, p. 200). He is more concerned with the social cost of poverty than the economic effects. Mead defines poverty as “not only people living below a recognized social minimum but the dysfunctional life style often associated with low income – crime, drug addiction, unwed pregnancy, child abuse, and school failure” (Mead, 1997, p.201). He attributes these characteristics to those receiving public assistance as a result of means-tested benefits (Mead, 1997).

While the social costs of these programs concern Mead (1997), the effect they have on the poor is also a significant concern. As referenced by Mead (1997), Marshall’s idea of duties the citizen has to perform in order to be deserving of benefits is threatened by the dysfunctionality of the poor. Mead (1997) explains that the poor currently invade on the non-poor’s expectations to obey the law, pay taxes, serve in the military, and go to school. He points to this failure to act as committed citizens who give back to the community as the reason why the non-poor consider them undeserving of financial assistance. Under Marshall’s arguments, dysfunctional poor would not qualify for social

rights because their lifestyles often do not reflect the “good behavior” expected of citizens, for example having a job or going to school. Following this reasoning, the dysfunctional poor would only get assistance through charity and would not be entitled to welfare due to not meeting the requirements of a citizen. (Mead, 1997)

A challenge to the welfare system stems from what Mead (1997) deems the ‘work problem’. While many assume the poor are deserving, Mead (1997) points to the lack of work discipline among some members of the society as a breach of their citizenship. Mead (1997) states conservatives and some liberals believe that these policies set up disincentives contributing to the ‘work problem’. They believe that welfare works to contradict marriage and employment. This perspective props up the stereotype of “welfare mothers” as lazy and undeserving. Mead (1997) explains, “mothers on the rolls are, in effect, paid not to marry or work, for if they did so they would lose benefits” (p. 213). Mead’s (1997) statement explains why mothers do not have an incentive to work because they would lose their benefits.

The ethics underlying social policy is another issue that US scholars have considered. Stuart White (2000) defines any type of social program that includes conditions on the people receiving help as “workfare” policies. White outlines the ethics of what he calls “welfare contractualism” and “workfare”. “Welfare contractualism” consists of a contract between the citizen and the state meaning that the citizen has obligations to meet as a condition for welfare eligibility. White (2000) states: “at the heart of the modern welfare state will be a new contract between the citizen and the government, based on responsibilities and rights” (White S. , 2000, p. 508). The opposite of welfare contractualism is unconditional basic income. White (2000) believes that the best welfare

model lies in a compromise between welfare contractualism and unconditional basic income. (White S. , 2000)

Welfare contractualism encompasses the guidelines of fair reciprocity, which according to White has four conditions:

1. Guarantee of a decent share of the social product for those meeting a minimum standard of productive participation
2. Decent opportunities for (and in) productive participation
3. Equitable treatment of different forms of productive participation
4. Universal enforcement of the minimum standard of productive participation.

(White S. , 2000, p. 516).

The first condition establishes practical work expectations with the provision that the government should intervene to provide temporary work if regular jobs are not available. The second condition goes past a job safety net to include higher education and training. The third condition considers the fact that everyone is different in his or her capabilities to work. For example, the expectations for the participation of a single mother differs from those of a married mother in a two-parent household. In order for the last condition of universalism to be met, White expresses that everyone must participate. He reasons those who inherit wealth are not participating because they did not earn the wealth themselves. (White S. , 2000).

In addition to the notion of fair reciprocity, White (2000) declares that inequalities suffered by individuals through “no fault of their own” should be fixed by the government, though he does not define what he means by this expression. White (2000) describes a range of approaches, or “views”, on how to provide equal opportunity. The

full compliance view stipulates that there must be equal opportunity for citizens if they are to meet their requirements of citizenship. Citizens feel they do not have to contribute if society is unjust, especially if they are a part of the disadvantaged. White (2000) points out that the full compliance view is not rational in a capitalistic society where perfectly equal opportunity does not exist. The extreme opposite of the full compliance view is to “simply abandon the idea that there can be anything like a universal civic obligation to make a productive contribution to the community” (White S. , 2000, p. 522). Since White (2000) reckons that both of these views are too extreme, he offers a third option, the threshold compliance view, which is a reasonable medium between a citizen being a productive part of society and still having more opportunities within society. Contrary to the full compliance view, threshold compliance accounts for the fact that society is not perfectly equal. White (2000) refers to it as the ‘threshold’ because he is referring to a high threshold of equality even though it might not be completely equal.

According to White (2000), paternalism is used to justify welfare contractualism. Paternalism assumes that some people lack rationality and self-discipline and therefore do not deserve total autonomy. White notes that even people who are rationally minded understand that they can make irrational decisions leading them to willingly give up some of their personal sovereignty. Paternalism underpins social policies designed to modify the behavior of those receiving assistance. For example, rules are placed on the length of time one can receive welfare benefits in order to encourage recipients to look for employment. (White S. , 2000)

Beneficiaries of welfare benefits are concerned with the type of poverty policy enacted by the state. Ferge (2001) describes poverty policy as “a constituent element of

social policy. It covers public action that aims to deal with poverty when and if poverty is seen as a public issue” (Ferge, 2001, p. 11924). Ferge (2001) defines these perspectives of poverty on the basis of political ideology. The right considers poverty as a personal problem caused by the individual in poverty. The left sees poverty as inequality created by society due to the unequal distribution of wealth. (Ferge, 2001)

Ferge acknowledges that several factors obstruct the effective implementation of poverty policy. He notes that one of the main challenges is to separate the helpless poor from the able-bodied poor; in other words, those deserving of help compared to those considered not deserving. A second problem is a community’s willingness to help only the local poor and not those living outside the community. Another issue according to Ferge (2001) is the process by which the appropriate amount of aid to give is determined.

Since the late 1990s, new ideas have emerged on how to revamp poverty policy. According to Ferge (2001), one of these is the possibility of a global reduction in poverty through global redistribution spearheaded by research through international organizations, explicitly the United Nations, International Labor Office, and the World Bank. Another option would be investment in human capital and creating jobs (Ferge, 2001). He considers investment in human capital because there is an increasing number of able-bodied poor due to unemployment and low paying jobs.

To carry out the new poverty policies successfully, a targeted approach is necessary. A targeted social policy requires criteria to be used in identifying the recipients for assistance. Targeting became more popular during the fiscal crisis in the 1970s compared to previous years when governments leaned towards universal policies

(Mkandawire, 2005). However, now the new approach “combines targeting by means and targeting by conditions attached to personal behavior” (Berrick, 2001, p. 132).

In more recent years, the US has been re-evaluating its targeting policies to help with the discrimination that the poor have historically endured between the non-poor and the poor (Berrick, 2001). In previous years, the targeting practices revolved around a specific group, for example, the disabled or elderly. Group membership with a combination of means testing has made up US targeting practices in the past. Berrick (2001) suggests a newer approach combining means testing and conditions attached to personal behavior. These reforms started in the mid-1990s when proof of US citizenship was made a requirement to receive benefits:

All of these reforms were designed to reduce federal expenditures in areas that had witnessed considerable caseload growth, and importantly, all are fashioned to restrict or reform individuals’ behavior to align with the perceived or actual normative behaviors and expectations of the majority of population. (Berrick, 2001, p. 132)

Berrick (2001) believes influencing the behaviors of the poor might alleviate short-term problems in poverty policy. However, the imperative part of the policies is the altering of American behavior through them. He concludes that results of these policies will be determined in time (Berrick, 2001).

### **Social Policy in the Latin American Context**

From the foregoing discussion, it becomes clear that the debate on the best way to address poverty through social policy is ongoing. Nevertheless, certain lessons emerge from the literature, most notably that incentives/disincentives are key in social policy, the



tendency toward paternalism is difficult to avoid, and freedom of choice for beneficiaries is essential. It is important to remember that recipients respond to incentives and disincentives. However, incentives and disincentives can become paternalistic in nature, and in turn, lessen a recipient's freedom of choice. The US experience with social policy has been uneven because its social programs generally fail to heed the lessons of the past. As Weir (2001) has observed: "most welfare state research has focused on the developed world because it is only these countries that have recognized and enacted a range of social rights broadly applicable to all citizens" (Weir, 2001, p. 11434). Latin America has studied the evolution of social policy in the industrialized West and has enacted its own policies that do follow the elements shown to be crucial to effective social policy.

Before undertaking a discussion of Latin American social policy, it is imperative to examine the region's history of economic development. Latin America has experimented with multiple development models in the twentieth century including Import Substitution Industrialization (ISI) and the neoliberalism imposed by the Washington Consensus in the 1990s. Both ISI and neoliberalism focus on growing the economy. (ECLAC, 2010).

The Economic Commission for Latin America (ECLA) endorsed ISI because it was believed that it would decrease Latin America's economic dependency on industrialized states. Starting in the 1930s, larger states in the region began to practice this inward economic policy. There were several elements to the ISI strategy. In order to lessen imports into the country, the state assisted domestic entrepreneurs in starting new businesses and developing existing ones. Additionally, ISI encouraged Multinational corporations (MNCs) to establish plants to sustain the domestic market because they

brought with them new technology and capital. Furthermore, in efforts to keep money and power at home, host countries encouraged nationals, rather than foreigners, to be in middle and upper-level management. Moreover, the host countries controlled MNCs' repatriation of profit. Economists contended that this development model would reduce the negative effects of the trade imbalance between Latin America and the industrialized states because "less of the foreign exchange earned through the sale of primary products would be expended on finished goods and more capital would stay in the country," (Vanden & Prevost, 2009, p. 162). The larger, more developed Latin American countries, such as Mexico, Argentina, and Brazil, used ISI and experienced periodic industrialization through the Second World War. Subsequently, ISI became official policy in many countries, and governments invited MNCs to invest in the domestic markets. (Vanden & Prevost, 2009)

ISI was originally meant to develop domestic markets and those of neighboring states in order to focus energy and resources on domestic industries. However, starting in the 1960s, domestic demand declined in Latin America, and countries looked externally to a more export-oriented approach that welcomed additional MNCs. ISI was still the prevailing model, but instead of simply selling products domestically, states began to look outward for new markets. From the 1960s to 1980s, Latin America began to transform through the introduction and development of technology. Unfortunately, this technology was capital intensive and did not reach the bulk of the labor force, which did not have the education to operate the new technology brought by MNCs (Vanden & Prevost, 2009).

Regrettably, maintaining the ISI model required borrowing money from outside sources. The countries needed this money for investment in new plants, growing demand for Western goods, and, in some states, obtaining costly military equipment. New machinery and patented processes consumed capital rapidly, despite an increase in exports. In order to meet the demand for Western goods more imports had to come into the countries. Due to the oil crisis in the early 1970s, banks, such as Bank of America and Chase Manhattan, began holding funds of petroleum producing countries and lending the money to Latin America. Due to a recession and rising interest rates in the 1980s, these loans led to the Latin American debt crisis. Latin America's external debt was less than \$30 billion in 1970 but grew to \$230 billion in 1980 (Vanden & Prevost, 2009, p. 165). International organizations came together in an attempt to solve the debt crisis with a new ideology. International organizations, such as the International Monetary Fund (IMF), the World Bank (WB), and the US Treasury, assumed a stronger role, governing more decisions on loans to developing countries. For example, international organizations influenced the discussing of repayment packages, decreasing interest rates, and debt-for-nature agreements. To advance their new economic ideas, international organizations put a conservative political ideology in effect. This new ideology, which came to be known as neoliberalism, was spearheaded by the Reagan and Thatcher administrations and called for liberalizing markets, downsizing government, and deregulating business in order to encourage economic competition. Neoliberalism is thus a "new version of the classical eighteenth-century economic liberalism ... classical economic liberals believe that the magic hand of the market, not government control or trade barriers, should regulate the economy," (Vanden & Prevost, 2009, p. 167). It was in this period that Latin America

was forced to abandon ISI and adopt neoliberalism as it tried to combat the debt crisis. The shift to neoliberalism meant Latin American countries were faced with the task of reducing government costs and inflation. In accordance with the neoliberal paradigm, the way to accomplish this policy change was through fiscal reform, more monetary restraint, a reduction in public sector jobs and services, the elimination of government subsidies for social services, and a wage freeze. (Vanden & Prevost, 2009)

International organizations such as the WB and the IMF imposed the above agenda which became known as the Washington Consensus on debt-burdened Latin American countries. According to Peter Smith, the primary purposes of the reforms were to undo state monopolies by breaking up ruling elites, to deregulate business to inspire more entrepreneurship, and to stimulate economic and political competition (2008, p. 224). Purportedly, advancing such an agenda would lead to globalization and economic development. The rationales behind these reforms were that Latin American states would produce efficiently and export the majority of their products to boost earnings. However, these policies did not advance Latin American development the way international organizations thought they would. As a result, GDP fluctuated throughout the 1990s. Mexico's GDP climbed in 1991-1994 from 314 billion to 421 billion but drastically dropped in 1995 to 286 billion. Mexico's GDP did not recover until 1998 when it was back at 421 billion. Brazil also experienced fluctuations in GDP, rising from 390 billion in 1992 to 843 billion in 1998 and then plummeting in 1999 to 586 billion. Brazil did not experience any significant growth in the late 1990s and early 2000s (The World Bank, 2013). In November 2003, the Summit of the Americas ended in disappointment because several of the newly elected governments on the political left in Latin America were

moving away from the neoliberal model. While the US still had close ties with Colombia, Mexico, and Peru, which continued with neoliberal policies, several other countries were distancing themselves from the US by promoting other regional groups such as MERCOSUR (Common Markets of the South). (Vanden & Prevost, 2009)

Overall, the neoliberal model left a mediocre legacy. There was some recovery of economic growth and a decrease in inflation to single digits; however, wages did not improve and unemployment persisted. Additionally, poverty continued to escalate because of inequality in the distribution of income. Two of the largest economies in Latin America, Mexico and Brazil, both attempted to implement these economic models with mixed results. Now, both have embarked on a new model of economic development through poverty alleviation. (Vanden & Prevost, 2009)

### **Evolution of Mexico's Development Models**

Mexico implemented ISI in 1934 and continued those policies until 1982 (Vanden & Prevost, 2009). During this time, there was development in the private sector, a good deal of it coming from MNCs. For example, Volkswagen set up an assembly plant after World War II as a part of ISI.

However, many MNCs took issue with ISI policy because of the strong involvement of the home country's government. A case in point is the nationalization of the petroleum industry in Mexico in the 1930s under President Lazaro Cardenas. In 1938, US and British petroleum companies rejected the ruling by the Mexican Supreme Court that allowed the petroleum workers union to have a collective contract. As a consequence, Britain pulled its investments and the US halted a multitude of transactions with Mexico. Despite these strained international relations, the decision to nationalize

this key industry was well received within Mexico (Vanden & Prevost, 2009).

Nonetheless, MNCs continued to control the auto, electrical machinery, and chemical industries. As MNCs were entering Mexico, the state decided in the 1940s “that 51 percent of all companies doing business in Mexico be owned by Mexican nationals or Mexican corporations,” (Vanden & Prevost, 2009, p. 163). At this time, MNCs accounted for around six percent of economic growth in Mexico from 1940-1970. (Vanden & Prevost, 2009)

As the economic policies of Mexico began to shift from ISI to neoliberalism in the early 1980s due to the debt crisis, the economic landscape began to change as well. During the years from 1982-1988 Mexico underwent debt negotiations, austerity measures, and restructuring. The austerity measures included the termination of public agencies, the elimination of price controls, and a considerable drop in real wages (Vanden & Prevost, 2009, p. 321). In 1990, the Brady Plan, devised to relieve Mexico of some of its external debt, came into effect. The Brady Plan allowed debt relief in exchange for a better guarantee of collectability, economic reform, and tradable debt (Trade Association for Emerging Markets, 2009). During this period, the Washington Consensus agenda took hold in Mexico. Several companies, specifically from the US, Japan, Europe and Taiwan, took advantage of the neoliberal reforms and set up assembly plants along the US-Mexico border known as *maquiladoras*. (Vanden & Prevost, 2009)

Mexico needed to raise money in order to put a dent in its external debt. In order to accomplish this goal the government privatized several assets and raised 20 billion dollars from 1990-1992 (Vanden & Prevost, 2009). The total number of government initiatives fell from 1,152 in 1982 to 232 in 1992. Neoliberal policies led to an increase in

trade, ultimately resulting in the establishment of the North American Free Trade Agreement (NAFTA), which cemented free trade in the region in January 1994. NAFTA caused many small- and medium-sized Mexican companies to go out of business because they could not compete with US companies that the US government subsidized (Vanden & Prevost, 2009). In 1994, Mexico's economy crashed, and the Clinton administration along with other international organizations gave more loans for restructuring. Mexico secured 48 billion from outside sources and in turn started an austerity program (Vanden & Prevost, 2009, p. 329). The economy started to grow again by 5 percent in 1995 and up to 9 percent in 1997. However, the lower and middle classes in Mexico suffered from the austerity measures. During this period, an estimated 46 percent of the population was living in poverty. The state attempted to start an anti-poverty program to combat inequality and poverty, but it was severely underfunded (Vanden & Prevost, 2009). *Progres*a was implemented in 1997 as part of the above anti-poverty program. The reigning political party was the Institutional Revolution Party (PRI) until 2000 when Vincent Fox won the presidential election as a part of National Action Party (PAN). Though Fox did little to change the neoliberal policies in Mexico during his years in office, he expanded the CCT *Progres*a and renamed it *Oportunidades* to include urban families. In 2006, the people elected Felipe Calderon of PAN as president who continued to carry out neoliberal policies as well as the CCT program (Vanden & Prevost, 2009). The current president, Enrique Peña Nieto, who recently took office in December 2012, has stated that he will continue to improve the *Oportunidades* program (Garcia, 2012).

## **Evolution of Brazil's Development Models**

Brazil, like Mexico, implemented the ISI and neoliberal economic models in the twentieth century. Brazil introduced ISI in the 1930s and continued to promote the economic model until 1992. ISI took Brazil from being just a coffee exporter to a “highly diverse industrialized country, producing aircraft, weaponry, subway cars, electronics, pharmaceuticals, petrochemicals, textiles, and footwear,” (Vanden & Prevost, 2009, p. 379). Brazil experienced rapid economic growth in the 1960s and 1970s because of low wages and labor costs, resources from the national pension program, and foreign loans. Foreign investment in Brazil heavily increased after the military coup in 1964. The generals abandoned moderate ideas for growth and looked towards making Brazil a superpower. After the oil crisis of 1973, international banks were looking for investments and found Brazil's economy suitable. By 1974, Brazil borrowed more money than it had in the previous 150 years combined and used the money to enhance various sectors of the economy from transportation to communications (APA Publications UK, 2013). The military maintained control until 1985 and even allowed the federal government some control of the economy. However, these same conditions led to depression and inflation in the 1980s because Brazil could not pay back the loans supporting the growth and the corruption of the military government. Vanden and Prevost (2009) call the 1980s the “lost decade” because “the economy stagnated as inflation increased, the worst conditions since the 1929 depression... The combination of this depression and inflation was a major factor in the loss of power of the military” (Vanden & Prevost, 2009, p. 380).

In order to revive the economy, Brazil moved to a neoliberal model in the 1990s with the Fernando Collor de Mello government (1990-1992), under the same



international pressures that Mexico faced. In spite of restraints imposed by industrialized states, Collor managed to sign the Treaty of Asuncion, which led to the creation of the Common Market of the South, MERCOSUR. The original members of MERCOSUR included Brazil, Argentina, Paraguay, and Uruguay. In a surprising turn of events, Congress impeached Collor, the first time ever in Latin America that a president had been legally removed from office. After his impeachment, the Vice President Itamar Franco took office and appointed Fernando Henrique Cardoso as finance minister. Cardoso and an army of economists were able to radically reduce inflation by 1994. Cardoso's success as finance minister led to his rise to president in 1994, when he continued the neoliberal policies with a new twist, a model that has come to be known as neostructuralism.

Neostructuralism is an idea from ECLAC that came about in the 1990s to counteract the harsh policies of neoliberalism. The main objectives of neostructuralism are to consolidate existing reforms, stabilize the macroeconomic environment, and to use government resources efficiently. In order to achieve these goals, the government needs to have transparency, equity, and democratic institutions. These new ideas combined with neoliberalism to form a hybrid development model with less of an emphasis on the free market and more of an emphasis on social equity. (Leiva, 2008)

Luiz Inacio Lula de Silva (Lula), president of Brazil from 2002-2010, continued to implement this hybrid economic model to great effect. One of his accomplishments was to expand MERCOSUR in an effort to develop economic integration of Latin America. Under his leadership, Venezuela and Bolivia, joined Argentina, Brazil, Paraguay and Uruguay as members of MERCOSUR. Lula also expanded social programs throughout the country especially with his Zero Hunger campaign and expansion of

*Bolsa-Familia* a federal CCT program. Brazilians elected Dilma Rousseff for president in October 2010, and she has continued to follow Lula's economic development policies. Unlike Mexico's economy, Brazil's economy has stabilized and is growing rapidly. According to Forbes in 2010, Brazil had the second largest GDP in the world and was close to overtaking France and Britain's economies to be the fifth largest in the World as of 2010 (Blankfeld, 2010). Brazil is also a member of BRIC, which is an acronym for the up and coming economies around the world, Brazil, Russia, India, and China. Brazil is the most popular place for foreign investment among the BRIC countries (O'Neill, 2012). The striking thing about Brazil's emergence as a powerhouse economy is that it has occurred within a non-neoliberal framework. However, in spite of this growth, not all have benefited equally, and poverty is still prevalent. (Vanden & Prevost, 2009)

### **The Move from Neoliberalism to CCTs**

Neoliberalism is an economic model that has not necessarily worked for Latin America because the Washington Consensus aimed specifically to lessen social spending. It resulted in less money and resources to combat poverty and inequality, which run rampant in the region. While there are still several neoliberal policies in place, most governments are spending again on social policy.

Because of the ineffectiveness of neoliberal policies, Mexico and Brazil have taken social policy into their own hands and have established full-fledged programs to combat poverty. The guidelines and suggestions of the industrialized world have fallen to the wayside because Latin America no longer finds them relevant. CCT programs originated in the region and are now influencing other areas across the globe, including developed countries. In this context, the developed world no longer sets the strategies

used in social policy. The top-down approach of economic policy seems to be fading in Latin America. In fact, the organizations that originally supported neoliberal policies now back CCT programs. Interestingly, the World Bank and IMF, two of the organizations initially requiring austerity measures, now help research and fund conditional cash transfer (CCT) programs in both Brazil and Mexico. The World Bank has provided billions of dollars to Mexico for the *Oportunidades* program. In April 2009, the World Bank financed 1.5 billion and then an additional 1.2 billion in November of 2010 (The World Bank, Mexico: All Projects, 2013). Brazil has also received funding, although in much smaller amounts, 572 million in June 2004 and another 200 million in September of 2010 (The World Bank, Brazil: All Projects, 2013). It is important to note not only does the World Bank provide funding for the CCT programs but they also participate in collecting the data and define the levels of poverty. There may be a conflicting of interest because the World Bank involves itself in all aspects of CCT programs.

Income inequality is a common social issue in Latin America that has spurred the creation of these new social policies in the form of CCT programs. ECLAC explains the necessity of this innovative approach: “If the challenge of equality is to be properly addressed, the region [Latin América] must move beyond the ‘minimalist’ view of the welfare state and of social policy that prevailed during the 1990s and move towards the construction of a universal basic social safety net that will become structural rather than a residual feature of the development model,” (ECLAC , 2010, p. 175). If a state has a minimalist approach, it provides little for its citizens in terms of social welfare. ECLAC argues that governments should use 1.8 to 2.7 percent of a country’s GDP to cover transfer payments to those in need (Fiszbein & Schady, 2009).

The government allocates this money for public transfers to meet consumption needs. These needs include “types of consumption that are vital to the development of capabilities, such as nutrition, health care and education” (ECLAC, 2010, p. 196). The percent of consumption needs met by the state for children ages 0-19 varies by country. In Latin America as a whole, only 20 percent of an age group’s consumption needs are met by the state (ECLAC, 2010). This low level is staggering, in comparison to Spain and Germany, which provide for 35-40 percent (ECLAC, 2010). Countries such as Japan, Norway, and Finland provide 50 percent (ECLAC, 2010). These developed countries provide a substantial amount of money for the well-being of their children. As discussed below, the use of CCT programs directly targets the consumption needs that Latin America is currently lacking when compared to more developed countries.

### **Social Policy Context of CCT Programs**

In the mid-1990s, Latin American countries developed conditional cash transfer (CCTs) programs as a new method for fighting poverty (Glassman, Tejerina, & Johannsen, 2009). The goal of CCT programs is to break the poverty cycle by increasing the education and improving the health of the next generation. Several countries in Latin America have incorporated CCT programs into their social policy, including but not limited to Mexico, Brazil, Chile, and Nicaragua. CCTs are designed to provide both immediate and long-term relief to the poor. According to the World Bank Group, the extreme poor are those living on less than \$1.25 a day, and the World Bank Group defines “deep deprivation” as those living on less than \$2 a day (The World Bank, Poverty Overview, 2013). The programs use cash incentives to motivate parents to invest

time and money in their children so that the children will have better opportunities as adults because they will be educated (Barber & Gertler, 2009).

The philosophy and implementation of CCTs are informed by economic theories related to social policy. For example Milton Friedman in his theory of cash over specific goods, advocates for cash to be placed directly into the hands of the poor. With cash transfers, the recipients may choose the way they want to spend the money and thus retain the decision-making power that Friedman finds essential in a free market economy. Another of the concerns identified by Friedman is the consolidation of the poor in proximity to one another, such as section 8 housing in the US. When government policy results in separating the poor, the area that they inhabit tends to decline as well as the school system because the poor are grouped together. An interesting aspect of CCTs is that the programs do not merge the poor into neighborhoods because in order to claim benefits beneficiaries do not have to relocate.

White's concept of welfare contractualism also comes into play in CCTs. A contract needs to be put in place from which both parties, the government and the recipients, benefit. The World Bank's definition of conditional cash transfers is as follows: "programs provide cash payments to poor households that meet certain behavioral requirements, generally related to children's health care and education," (The World Bank, 2010). Thus, families enter into a "contract" with the government whereby they receive funds in exchange for meeting the conditions outlined by the program. For most CCTs, the conditions include school attendance and regular health check-ups for children and pregnant women. If a family breaks this contract, it stops receiving the money. By resorting to this social contractualism paradigm, the state teaches parents to

take responsibility for their children's education and health, thus instilling in them values that the state deems important to national development.

Not only does the state want parents to assume responsibility but also the risk involved in entering the program. This system encourages risk sharing, since families must forego the money their children would have earned from working by sending them to school instead. Having a personal stake in the outcome of a program entices families to succeed in the program. Therefore, CCT programs depend on both the state and family to be effective.

Another aspect of social policy that has shaped CCT programs is related to the notion of social citizenship. As outlined previously, Marshall has shown that this is crucial and contends that there are three stages to citizenship— civil, political, and social. The last stage, social rights is in direct correlation with CCT programs. Social rights refers to economic welfare and security and a certain standard of living and education. CCT programs address all of these social rights. The cash received by beneficiaries can bring economic welfare and security which leads to a higher standard of living.

Furthermore, CCT programs enhance citizenship through education because children enrolled in the program must attend school where they learn about the state's history, heritage and values as well as their rights as citizens. Building on Marshall, White describes the relationship between the state and its citizens as one of reciprocity. While citizens must perform certain duties to receive government benefits, the state, in return, acquires a degree of stability and control. In the case of CCTs, the government gets an educated workforce in exchange for funding CCT programs. As discussed later,

the amount of children going from lower secondary school to upper secondary school has increased by several percentage points.

Welfare contractualism requires that conditions be set on the recipient but these conditions come with consequences. The goal of a conditional transfer is “to induce a particular response by recipient households” (Handa, Peterman, Davis, & Stampini, 2009, p. 2). Murray has set forth three premises that he deems are essential to effective social policy. Despite the US’s incapability to design a program that encompasses these premises, Latin America’s CCT programs have done just that. The first premise states that results come from incentives and disincentives, such as the cash transfers given directly to parents or through withholding the transfers when children do not go to school or get health checkups. The second premise, that individuals must be motivated to work, is also present in CCTs in the form of work required to achieve an education on the part of both the children and the parents. The countervailing influences for this premise in CCTs include school officials and, in Mexico, community liaisons known as *promotoras*. Murray’s third premise is that beneficiaries are responsible for their actions. In CCT programs, the actions of the beneficiaries dictate whether they are given money every month. If a beneficiary’s actions do not comply with expectations, the government can withhold benefits. For example, if a mother decides not to attend health checkups while pregnant she will not continue to be enrolled in the CCT program. Since it could be argued that CCTs meet all of Murray’s three premises, they have been more effective than social policies that do not meet the premises.

Though the CCT programs incorporate many of the features deemed necessary for a successful social program, in the final analysis the effectiveness of CCT programs is

heavily reliant on how far they range, whom they reach, and the amount of money they distribute (ECLAC, 2010). The reach of the programs is important because the government wants the poorest to receive help first. Targeting is a commonly used method to determine those in the greatest need in industrialized countries. The World Bank determines its targeted approach to poverty based on data related to consumption collected through household surveys conducted by the World Bank (The World Bank, 2000). It has found that these data better summarize long-run welfare levels than do income data because the income of poor people can greatly fluctuate depending on the season and the work available at that time (The World Bank, 2000).

The government targets people in low-income strata because they respond to cash incentives due to a lack of other options. Not only do the people in the program benefit from CCTs but those surrounding them do as well through the trickle-down effect because when situations improve for some, their good fortune will filter to others. Fiszbein and Schady (2009) refer to the trickle-down effect as spillover with the opportunity to “increase the prices of consumption goods through higher demand, or could increase prevailing local wages because of the reduction in the labor supply of children” (Fiszbein & Schady, 2009, p. 122). In a community where only some families are receiving money, the assumption is that they will help families that are less fortunate. Moreover, higher demand and price increases mean sellers are making more profit. Due to more children being enrolled in school, employers are pressed to hire adults at a higher wage, another trickle-down effect.

Paternalism is a feature of some social policy that manifests itself differently in CCT programs. As discussed previously, paternalism rationalizes the reason to infringe



on a citizen's sovereignty. In CCT programs, however, the recipients have the freedom to decide what they do with cash. Essentially, if they want to spend it on alcohol and cigarettes, there is nothing forbidding them from doing so. Fiszbein and Schady (2009) have found through their research that CCTs tend to be a less paternalistic approach compared to other methods, such as those used in the US, for two reasons. Due to the parents' lack of education, CCTs provide the parents the information they need to make an informed decision regarding their children. Second, CCTs are not viewed as the government dictating how to live, but as collaboration between the government and the beneficiary (Fiszbein & Schady, 2009). Programs in the US such as Section 8 housing dictate where citizens have to live, which is much more paternalistic. CCTs are more collaborative than other social programs because the beneficiaries retain more decision making power. Overall, while there are aspects of paternalism in CCT programs, the ties to paternalism are not as strong as those of other social programs.

The programs remain a fresh, modern approach to welfare. The CCT social contract gives beneficiaries the right to choose how they spend their benefits while providing the government with a better educated population. As a result, fewer people are living in poverty, and national economies are rebounding. The most notable CCT programs are in Brazil and Mexico, where they have the largest impact (Glassman, Tejerina, & Johannsen, 2009, p. 2) and where they have become the principal form of social assistance (Fiszbein & Schady, 2009). Both of these countries have seen a double-digit drop in poverty that could be related to these programs (The World Bank, 2013).

### **Mexico's *Oportunidades* Program**

Prior to the implementation of CCT programs, the number of people living in poverty in Mexico was alarming. Sarah Bradshaw (2008) states that CCT programs came in the wake of the destruction caused by the negative effects of structural adjustment programs (SAPs) during neoliberal era (2008, p. 189). According to Bradshaw, SAPs were used to have a direct effect on the economy, specifically through foreign investment, but not on the people. In turn, SAPs had an adverse effect on social policy because SAPs cut money to social programs.

Nevertheless, in the mid-1990s, Mexico still provided fifteen food subsidy programs. Effective targeting for each subsidy required means testing to determine who received government help, but of the fifteen food subsidy programs, four of them had no targeting mechanisms. Consequently, over half of the subsidies were going to families in urban areas that the government considered non-poor households (Fiszbein & Schady, 2009). Additionally, government spending focused on urban areas to the neglect of rural areas. Fiszbein and Schady (2009) estimate that about 60 percent of poor rural families were receiving no assistance prior to *Oportunidades* (p. 35). Clearly, Mexico needed to revamp its social policy to improve not only the well-being of its citizens but also the inefficiency of its social spending.

CCT programs came about in the 1990s as a result of these failed programs that contributed to a high poverty rate. The first CCT began in 1997 as a program called *Progresa* (Glassman, Tejerina, & Johannsen, 2009). The program's name changed to *Oportunidades* in 2002 when it expanded to include urban areas and high school students (Campos-Vasquez, Esquivel, & Lustig, 2012). The program addresses three main issues:

education, general health, and nutrition (Urquieta, Mroz, & Angeles, 2009). The government makes payments to mothers whose children attend school consistently. Beneficiaries carry out general health requirements during the program, including an essential health care package provided by the Ministry of Health or the Mexican Institute of Social Security, which includes assistance with pregnancy and delivery care (Urquieta, Mroz, & Angeles, 2009). Nutritional supplements go to children under two, pregnant or lactating women, and malnourished children ages two-four (Urquieta, Mroz, & Angeles, 2009). Due to financial limitations, the government initially included only 320 communities in the program in 1998, but later added another 168 communities in 2000 (Doskoch, 2009). By staggering the entrance of communities into the program, analysts were able to evaluate initial results before expansion (Doskoch, 2009).

Eligibility for *Oportunidades* is a two-step process. First, the program defines which communities need help and, second, it identifies the poorest households in those communities (Barber & Gertler, 2009). Mexico uses geographic targeting to discover the rural areas in which to start the program. *Oportunidades* also employs a proxy means test, which the World Bank describes as:

Tests [that] generate a score for applicant households based on fairly easy to observe characteristics of the household such as the location and quality of its dwelling, its ownership of durable goods, demographic structure of the household, and the education and, possibly, the occupations of adult members. (The World Bank Group, 2011)

Employees of the program plug these indicators into formulas to create a statistical analysis. The World Bank states that this method requires minimal information compared

to that required for a regular means test. However, there are drawbacks of the proxy means test, most notably the fact that it requires a literate, computer proficient staff and that the computer generated prediction based on data collected may be inaccurate (The World Bank Group, 2011). The formula used is not able to account for inherent inaccuracies in the information provided by the household nor for the sporadic changes that occur in poverty-stricken homes. Nonetheless, the World Bank affirms the usefulness of the proxy means test by countries in situations similar to that of Mexico. Because of the margin of error of proxy means testing, some policy makers suspected that people from other communities would migrate to where they could receive government assistance. However, officials have attempted to thwart such migration by only enrolling families during a specific “certification period” (Barber & Gertler, 2009). In theory, this is an effective way to keep outsiders from taking advantage of another community’s program and to keep results consistent.

Once all the requirements are met, beneficiaries qualify to receive payment. The amount of money mothers receive depends on how many children they have and their levels in school. Families with children in secondary school receive more money than those with children in primary school. Generally, children do attend primary school whereas the number of children that move on to secondary school drops significantly. As shown later in table 1, children continuing from lower secondary to upper secondary school was only 55.8 percent. In 2009, the total amount a family could receive per month was \$90 for children in primary school and \$160 for children in secondary school (Barber & Gertler, 2009). The cash transfer also varies by gender once children reach secondary school; girls in secondary school are able to receive more money than boys on the same

level. This distinction was created because, statistically, girls did not complete as many years in school, as did boys, therefore, the aim of the program was to provide an incentive to keep the girls in school for longer (Bradshaw, 2008). The percentage of females in secondary school has increased from 49.4% in 1996 to 51.5% in 2009 and the net enrollment rate of females in secondary school has increased 19% from 1997-2011 (The World Bank, 2013). Before the CCT program, girls were less likely to continue with their education than were boys.

To continue to be eligible for payments, parents must comply with requirements including sending their children to school, taking them for health clinic visits, and attending monthly meetings. Children have to be in school 80 percent of the time monthly and 93 percent annually (Adato & Bassett, 2009). Mothers are typically the principle recipients of payments, which requires they attend the monthly meetings where they can be informed on health issues. Children over the age of 15 are also obligated to attend the health and nutrition meetings (Adato & Bassett, 2009).

In the case of Mexico, the meetings discussed above are directed by *promotoras*, or promoters, who are women educated about the program so that they may answer questions and provide a link between the clinics and the recipients. The *promotora* is a woman receiving benefits from the program who is selected by other recipient families to be the community liaison (Adato, Coady, & Ruel, 2000). It is a volunteer position, through the chosen *promotora* receives training and materials to carry out her job (Adato, Coady, & Ruel, 2000). The main function of the *promotoras* is to encourage and teach women about access to social services under the CCT. The assumed rationale behind *promotoras* is that the female recipients are more comfortable with someone they already

know because there is often a stigma attached to welfare. The thought was that since *promotoras* are enrolled in the program, they would not pass judgment on someone receiving welfare (Adato, Coady, & Ruel, 2000). Other examples of female empowerment through CCTs are discussed in greater detail later in the paper.

The *promotoras* are instrumental in explaining the requirements and benefits of the program to pregnant women (Barber & Gertler, 2009). If the pregnant women make five prenatal visits to the clinic, the expecting mother receives free delivery assistance (Urquieta, Mroz, & Angeles, 2009). The conditions of the program mandate expecting women to attend additional informational sessions on what to do when expecting, which they must attend in addition to the regular monthly meetings. The mandatory prenatal visits and meetings generate more contact between women and health service providers (Urquieta, Mroz, & Angeles, 2009). Therefore the CCT not only promotes the education of the next generation, but its health as well.

### **Mexico's Achievements with CCTs**

Since *Oportunidades*' inception, Mexico has gone from using .02 percent in 1997 of GDP to .48 percent in 2010 for the program (Campos-Vasquez, Esquivel, & Lustig, 2012). Adato & Bassett (2009) credit *Oportunidades* with an 11 percent decrease in the maternal-mortality rate and a 2 percent decline in infant mortality for Mexico (p. 65). Overall, the statistics measuring important economic indicators show an improvement in poverty levels since the implementation of CCTs. The portion of the poor gaining from *Oportunidades* has increased from 8 percent to 33 percent from 1994-2000 because of the expansion of funds for the program which has increased to reach more of the poor population (Campos-Vasquez, Esquivel, & Lustig, 2012).

In spite of significant progress, the table below demonstrates that *Oportunidades* has yet to reach its first two target indicators because The World Bank has set them high, 99 percent and 98 percent compliance respectively. The data show that *Oportunidades* is about 3 percent away from achievement of these high compliance rates. The World Bank attributes an increase in advancement of goals related to health conditions to the addition of more urban families in the program because they have better access to healthcare. Also, urban families tend to already be a little better off and have access to more jobs. According to the World Bank, the percentage of urban families in 2010 with improved sanitation and water facilities was 87% and 97% respectfully. Unlike rural families which only 79% had access to improved sanitation and 91% had access to improved water (The World Bank, 2013). For this reason, they may not feel the same necessity to comply with the program as the families living in rural areas. Yet, compliance is still very high, over 90% in all the categories. However, the increase in educational attainment is the main success. The number of children continuing to lower secondary school from primary school has increased by 7% while the number of those going from lower secondary to upper secondary school has increased by 9%. Both of these results have exceeded the target goals set by the World Bank. The positive results in education correlate to *Oportunidades* ability to increase the program size. In the four years between 2008 and 2012, *Oportunidades* was able to include almost 400,000 more families and almost 5 million more children, according to World Bank data.

**Table 1**  
**Data on Mexico**

Indicators	Baseline		Current	Target
% of families complying with health conditions	98.0% under 5yrs (2007)		96.2 (2012) <sup>a</sup>	99.1% (12/2013)
% of children complying with education	Primary 98% (2005)		Primary 95.7% (2012) <sup>b</sup>	Primary 98% (12/2013)
	Secondary 94.3% (2005)		Secondary 94.8% (2012)	Secondary 98.4% (12/2013)
% of students who transfer from primary school to lower secondary school	82.3 % (2006)		89.5 % (2011)	85.7 % (2013)
% of students who transfer from lower to upper secondary school	55.82 (2006)		64.46 (2011)	57.2 (2013)
Number of Municipalities, localities, families and children in <i>Oportunidades</i>	Municipalities	2,445	2,448	Maintain current levels
	Localities	95,819	96,499	
	Families	5,049,206	5,412,842	
	Children	7,222,855	11,243,242	
	2008		2012	2013

(The World Bank, 2013)

Moreover, families enrolled in *Oportunidades* have created a spillover effect.

Fiszbein and Schady (2009) have found that ineligible households living in communities where other households benefit from the program have been positively impacted. The ineligible households have been able to consume more because of the ability to borrow money from families in the program who have money to lend (Fiszbein & Schady, 2009).

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<sup>a</sup> World Bank attributes this to more urban families in the program where there are more problems with compliance

<sup>b</sup> Decline mainly due to a change in measurement of indicator. Now reflects children who both meet condition and actually received their grants.



Other elements may have contributed Mexico's declining poverty rate. Two notable things in Mexico are the end of the same party rule for decades and entering NAFTA in 1994. Due to NAFTA, many Mexican farmers who could not compete immigrated to the US to find work. Often times the immigrants repatriate the money, which could be a factor in poverty reduction.

### **Brazil's *Bolsa-Familia***

Despite boasting the seventh largest economy in the world, Brazil continues to battle widespread poverty and a highly skewed income distribution. A major contributor to poverty in Brazil is the unsuitable land in the northeastern part of the country on which many farmers still depend as their sole source of income (*Rural Poverty in Brazil*, 2008). Due to these conditions, the federal government started a program in 1995 called *Bolsa-Escola* (BE), which translates as scholarship-school. It was a unique educational program created with the purpose of mitigating short-term poverty while encouraging the possibilities of long-term gain. The *Bolsa-Escola* program made payments to impoverished families with the agreement that they would keep their children in school. The program became associated with the idea of improving education to fight poverty and social exclusion. There were two main objectives of BE: as a basic income program linked with education and as a way to get poor children to attend school. Research found the CCT program to be more cost effective per person than other social programs such as *Cesta-Alimentacao*, which provided food stamps (De Castro & Bursztyn, 2008).

The government modified *Bolsa-Escola* in 2001 to include the Program for a Guaranteed Minimum Income (PGRM). PGRM provided financial support to municipalities carrying out *Bolsa-Escola* (Lindert, Linder, Hobbs, & Briere, 2007).

*Bolsa-Escola* required students to be in school at least 85 percent of days per month (De Castro & Bursztyn, 2008). The mothers were issued an individual magnetic card that they could use to withdraw their payments at the federal savings bank. The Ministry of Education delegated the task of monitoring the federal *Bolsa-Escola* program to a special secretariat. The duties of this secretariat included financial operations in different bank branches, local implementation of *Bolsa-Escola*, the generation of lists of families to be enrolled, and the distribution of electronic cards.

*Bolsa-Escola* was again overhauled when President Lula took office in 2003 and made a promise to end hunger in Brazil. In 2003, he started the Zero Hunger initiative, with the hope of eradicating poverty and lessening inequality in the country, which he planned to make a first priority of the government. The Zero Hunger initiative had a slow start but combining it with *Bolsa-Familia* gave it the strength to flourish. (Fox News Latino, 2011)

As part of his poverty alleviation initiative, Lula re-evaluated the *Bolsa-Escola* and combined it with other income transfer programs. The combination of BE and *Bolsa Alimentacao*, which targeted pregnant mothers and mothers with children under 6 years, was important because it allowed the programs to eliminate redundancies (Fiszbein & Schady, 2009). Lula integrated these two programs to create *Bolsa-Familia* (BF), a more holistic conditional cash transfer program. The objective of the new program was to incentivize more than just education by using social assistance. The *Bolsa-Familia* Program (BFP) seeks to reduce poverty and inequality by granting cash transfers contingent upon compliance with certain requirements such as school attendance, vaccines, and pre-natal visits. On average, in 2007, families considered below the poverty

line received a total of US \$35 a month in exchange for meeting the conditions (The World Bank, 2007). According to data from 2011, Brazil defines poor families as those living on R\$60-R\$120 (\$30-60USD) a month and extremely poor below R\$60 (Soares, 2012).

The *Bolsa-Familia* Program receives technical and financial support from the World Bank, which considers the program one of the main reasons for the positive social outcomes recently achieved by Brazil, such as a reduction in inequality measured by the GINI index. Moreover, The World Bank identifies BFP as one of the most effective programs for getting help to those who most need it. In Brazil, 94 percent of the funds reach the poorest 40 percent of the population (The World Bank, 2007). As a possible result, income inequality in Brazil decreased by close to 5 percent from 1995 to 2004 (The World Bank, 2007). In 2003, *Bolsa-Familia* covered around 16 percent of the population; by 2009, it covered 22 percent of the population (Soares, 2012). Because of its success, The World Bank has been involved with the nuts and bolts of the *Bolsa-Familia* program since 2003 (The World Bank, 2007).

*Bolsa-Familia* has gradually expanded in the new millennium. From 2003-2008 each eligible family received only one benefit for up to three children under the age of 15. However, in July 2008 the program expanded its perimeter to include up to two teenagers, ages 15-16. Brazil even went a step further in 2011 to include up to five children per household. As of March 2011, children under the age of 15 could receive about \$16 dollars a month while older children could receive \$19 dollars, up to age 17 (Soares, 2012). Therefore, the maximum a household can receive from *Bolsa-Familia* is about \$86 dollars a month.

The program provides benefits for a two-year period. After this time, the program re-evaluates the beneficiaries. However, Soares (2012) points out that municipalities have not been able to keep up with the evaluation of the participant families (Soares, 2012). It is not quite clear where this leaves the families that have not been re-evaluated.

Originally, the government planned to create an exit strategy from the program, but later decided not to implement exit strategies or a time limit because people want to leave the program on their own terms without being forced out before they are ready. In order to encourage beneficiaries to leave the program there are several other complimentary programs to help them with the transition away from government assistance. According to Soares (2010), these programs include adult schooling, opportunities for adolescents, employment preparation, subsidized power, rural electricity grid expansion, and rural extension or microcredit (p. 14). *Bolsa-Familia* has had 44,000 families request to exit the program. (Soares, 2012)

To determine which families are eligible, *Bolsa-Familia* uses geographic targeting to locate poor households. Furthermore, Brazil uses traditional means testing which is more extensive than a proxy means test. The World Bank considers the regular means test the “gold standard” for targeting (The World Bank Group, 2011). Brazil’s program uses municipalities to carry out the targeting practices and registrations (Fiszbein & Schady, 2009). *Bolsa-Familia* collects more complete, unbiased data by using local authorities, unlike in Mexico, where household surveys and a computer formula are the basis for targeting.

### **Brazil's Achievements in CCT Programs**

During Lula's time in office (2003-2010), he cut the number of extremely poor people in Brazil in half; tens of millions have come out of poverty, and the middle class has grown to be the largest portion of society (*A Giant Awakens Brazil*, 2009). Between 2005 and 2009 the percentage of the population living on less than two dollars a day has fallen from 30.8% to 21.4% (The World Bank, Poverty Overview, 2013). Clearly, *Bolsa-Familia* has had an immense impact on relieving poverty in Brazil. In 2005, *Bolsa-Familia Program* (BFP) covered over 8 million families with the goal to provide universal coverage of the poor by 2006, which included 11.2 million families (The World Bank, 2005). Statistics show that, though its goal was not reached, by December 2007, the program was helping 11.1 million families, about 24 percent of the population (De Castro & Bursztyn, 2008). When the program started in 2004, only 15.6 percent of Brazilian households were included in BFP. Though the program covers a small portion of the population, from 2003 to 2009 the number of people living in poverty fell 15 percent according to the World Bank (Brazil's Landmark Bolsa Família Program Receives US\$200 Million Loan, 2010). This program has been integral in reducing future poverty by breaking the cycle of intergenerational transmission through improved education. Though this reduction may not be attributable solely to CCTs, this program has been integral.

**Table 2**  
**Data on Brazil**

Indicators	Baseline	Original Target	Actual Target
Coverage of Extreme Poor	None Receiving	At least 2/3 of extreme poor families receiving BF transfers	11.1 million families receiving benefits (100% of target)
Date Achieved	9/30/2003	12/31/2008	4/18/2008
Targeting Accuracy	66% of benefits of pre-reform programs were received by those in poorest two quintiles	At least 40 percent of total transfers going to bottom quintile.	90 percent of BFP benefits were received by those in the poorest two quintiles
Date Achieved	1/1/2003	12/31/2008	4/17/2008
Improve School Attendance of the Poor	70% of municipalities reporting school attendance for BFP beneficiaries.	At least 80% of primary-age children in extremely poor beneficiary families attending school.	87.4 percent attending school had a monthly attendance rate above 85 percent
Date Achieved	10/1/2004	11/30/2005	6/30/2009
Improve Health Care Access to the Poor	75-77% of children 0-6 years of age in the impact evaluation sample presented their health cards.	At least 95% of beneficiary children with health cards	Reporting of compliance improved but, information is only available for about 64.48 % of families. 67.7 % of children of beneficiary families have their vaccinations monitored
Date Achieved	11/30/2005	12/31/2006	5/22/2009

(The World Bank, 2010)

While the data are somewhat dated, they show that Brazil has taken great strides, toward eliminating poverty. Once *Bolsa-Familia* met its goal of reaching a little over 11 million people in 2008, the government increased the coverage to 12.9 million in 2009.

President Rousseff approved another increase in coverage in 2011 (Soares, 2012). Even though Brazil has met its goals listed above, it has continued to expand them to cover even more of Brazil's struggling population. Soares (2012) notes that while the amount Brazil is spending on *Bolsa-Familia* is insignificant the improvement in inequality has been significant: "What is surprising is that a programme that amounts to less than 1 per cent of household income could be responsible for up to a quarter of a not insignificant reduction in inequality" (2012, p. 20). Poverty alleviation has been massive. From 2002-2010 extreme poverty has fallen about 6 percent (Soares, 2012). Additional elements may have impacted these results include the stronger economy, greater job opportunities, and other social programs targeting the poor.

### **Overall Effectiveness of CCT Programs**

The effectiveness of CCT programs as social policy greatly varies depending on the size of the programs. The programs in Brazil and Mexico share many characteristics. Both Brazil and Mexico cover about 20 percent of their populations with their CCT programs and the programs cost the countries about .5 percent of GDP (Fiszbein & Schady, 2009). According to Mexico's 2011 GDP, it used about 5.7 billion for *Oportunidades*. Brazil's GDP is much larger and used an estimated 12.3 billion in 2011 for *Bolsa-Familia* (The World Bank, Data, 2013). However, as mentioned earlier ECLAC recommends that both countries spend 1.8-2.7 percent of GDP on the programs. The World Bank deems Brazil and Mexico middle-income countries and they manage the CCT programs through ministries of social welfare or freestanding agencies. Fiszbein and Schady (2009) are quick to point out that Mexico and Brazil are the examples to follow due to their noted success. The authors establish Mexico as "one of the iconic programs

in this class” and argue that Brazil’s “efforts have been exemplary” (Fiszbein & Schady, 2009, p. 36). Mexico is considered iconic due to the amount of published research on *Oportunidades*; hundreds of papers have been published that can be accessed by anyone. Brazil’s exemplary efforts come from what sets it apart from Mexico. Brazil has taken a more lenient approach to conditions and has accentuated the idea of the redistribution of wealth over improving human capital. In the case of non-compliance under BFP, a social worker visits the family to assess the situation with the attitude that it is “a manifestation of some kind of obstacle that the family cannot overcome to access the service rather than an unwillingness to comply” (Fiszbein & Schady, 2009, p. 89). Conversely, Mexico immediately cuts funds to families for non-compliance (Fiszbein & Schady, 2009).

While not reflected in the tables above, there has been a noticeable impact on the empowerment of women through both programs. Women now have the power of choice with the money they are given. By women becoming the consumer, the family dynamic can possibly change leading to a different outcome for children. Soares (2012) states that a study done by Suarez and Libardoni describes *Bolsa-Familia*’s effect on women: “programme has strong impacts on feelings of empowerment and citizenship, and on gender relations by empowering women in household decision-making, and also reduces the social isolation of women” (Soares, 2012, p. 25). In order to be a part of the program women need to attain official documents such as birth certificates and identity cards which have given women more autonomy (Soares, 2012). Additionally, both programs give money directly to women, empowering them financially. Bradshaw (2008) states that the program is designed to challenge gender roles with the intent to pursue women’s interests:



Although the programme does not claim to be primarily concerned with women's empowerment it is suggested that by putting resources in the hands of women and by encouraging women not to turn over the money to their husbands, the programme can be seen to be concerned with empowerment of women, both beneficiary women and, via education, their daughters as future women. (Bradshaw, 2008, p. 193)

Handa, Peterman, Davis, & Stampini (2009) state women are more “family friendly” and compatible with the goals of the program. Though measuring the degree of a woman's autonomy as a result of the program is difficult, it is clear that the programs are elevating the status of women in Brazil and Mexico.

Overall, millions of people have benefited from CCT programs, not just women. Brazil and Mexico have pursued different economic models over the past century in order to reach the point where these programs have been established. These programs have been in existence for almost two decades and the positive results they have produced are undeniable. The programs have been so successful that industrialized states have taken notice, such as the US in urban centers like New York City.

## **Conclusion**

The implementation of CCTs in Latin America can be correlated to the empowerment of millions who have been lifted out of poverty. The programs provide helpful assistance to the poor, women, children, the state, and the region. The number of people living in poverty has drastically decreased partly as a result of these programs. Brazil's poverty rate fell from 21.8 percent to 10.8 percent from 1996-2009 and in Mexico the poverty rate decreased from 20.1 percent to 4.5 percent from 1996-2010 (The World Bank, 2013). The CCT programs have not only had a positive effect on poverty rates but also on the lives of women who find themselves in positions of holding more

power than before. The education of children has improved impressively, particularly in secondary education. Mexico's enrollment in secondary school grew from 47.3 percent to 72.7 from 1994 to 2011 (The World Bank, 2013). Brazil has experienced comparable success with secondary school enrollment increasing almost 30 percent from 1998-2010 (The World Bank, 2013). These data are promising for Latin America as a whole since most of the countries in the region now use CCT programs.

### **New York Opportunity**

Because of the success of CCTs for the first time the industrialized world is being influenced by social policy first created and implemented in the developing world. New York City created its own CCT program influenced greatly by Mexico's *Oportunidades* program. Mayor Bloomberg created the Commission on Economic Opportunity and Poverty Reduction (CEO) after his reelection in 2006, and the CEO in turn started New York's CCT program, Opportunity New York/ Family Rewards (Aber, 2009). At first, the CEO wanted nothing to do with creating a CCT program, but after looking at over a decade of results from Latin America the CEO could not deny, "their innovation, evidence of effectiveness, value-orientation and their appeal to political leaders on the right and on the left of the political spectrum in both Mexico, where they began, and then throughout Latin America" (Aber, 2009, p. 58). Mayor Bloomberg's administration decided to adjust and to test a pilot program for the city.

Members of the CEO, the Administration, the Deputy Mayor and the Mayor himself journeyed to México to research *Oportunidades* in order to adapt it into a program that could be used in New York (Aber, 2009). Family Rewards is one of 40 programs currently being tested by the CEO for innovations in poverty alleviation

(Riccio, et al., 2010). The Mayor's key points of the program were to endure meticulous testing to be executed and controlled by neighborhood-based non-profit organizations (NBO), non-profit social policy research organization (MDRC) and non-profit for economic needs of people, businesses and communities (SEEDCO) (Aber, 2009). Upon their return to the United States MDRC, SEEDCO, consultants (a majority which were from Latin America), and the World Bank generated the program now known as Opportunity NYC/Family Rewards (ONYC).

Those designing the program made four significant changes to adapt CCTs to New York City. The first change was to go from a few large payments to several lesser payments for meeting a multitude of minor conditions. The New York program gives smaller payments, so that those enrolled in the program do not get a lump sum and spend it all at once. The second adjustment altered the program to contain motivations for parents and not just children to invest in health and education. Mexico aims its program at mostly children, whereas Opportunity New York aims at adults as well. The third alteration incentivized 'final outcomes' instead of just 'outputs'. One of ONYC's distinguishing qualities is that it emphasizes academic achievement and not just academic attendance (Riccio, et al., 2010). Lastly, while in Latin America CCTs are the major social programs, for New York City it was intended to be a supplement to other welfare programs already in place (Aber, 2009, p. 60).

After tailoring the program to fit New York City, local organizations set up by SEEDCO, needed to make people aware of the new program by visiting families in the target communities to explain how to enroll and receive awards. These organizations known as Neighborhood Partner Organizations (NPOs), set up workshops to explain how

to earn and claim rewards. NPOs continue to provide assistance to those enrolled in the program throughout its duration (Riccio, et al., 2010).

The rewards can be received in multiple ways such as, direct deposit into a bank account, store-valued cards, gift cards, or pre-paid cards. New York City officials connected with several local banks for people receiving awards to set up debit cards for free and that could not be overdrawn (Aber, 2009).

The program's enrollment was from August to December 2007 and included 4,800 families with children in fourth, seventh and ninth grade coming from six of the poorest neighborhoods in New York City (Aber, 2009). The first set of results that came out in the spring of 2009 showed that the average family in the CCT program received on average 3,000 dollars for meeting certain conditions. However, the breakdown of statistics show 16 percent earned less than 1,000 dollars while 15 percent earned over 5,000 (Aber, 2009). The program was accessible to 2,400 families for three years ending on August 31, 2010 making it the first complete CCT program in a developed country (Opportunity NYC).

A second longer test was conducted from September 2007 to December 2009 presenting similar results to that of the first. Overall, 98 percent of families received some rewards during the first two years while 65 percent merited a payment every month. Riccio et al. (2010) results show that 78 percent of the families received at least \$3,000 while 37 percent received over \$7,000 the first two years totaling over 14 million dollars. The families that netted more money tended to have parents that were more educated, married, and had more children (Riccio, et al., 2010).

Families receive money through achievement and effort. The achievement standards are through test scores, credit accumulation, and graduation. The money received through effort is more similar to the requirements of Mexico such as school attendance. Other efforts a family can pursue to receive money include parent-teacher conferences, owning a library card, and taking the PSAT (White, Phillips, & Riccio, 2007). Effort-based conditions do not require a certain outcome unlike the achievement based conditions which require successful scores, improvement or sustained high performance, to earn more money.

The program has three types of rewards based on education, health, and workforce. The workforce conditions are one of the adjustments made to aim the program at adults by requiring them to have full-time employment and partake in education or job training. These three categories total twenty-two different enticements stretching from \$20 to \$600 (Riccio, et al., 2010). The twenty-two rewards fell into three different categories, most of the rewards were earned through education (44%), health was second with 38 percent and work-related conditions was the lowest at 18 percent (Riccio, et al., 2010). The Family Rewards program does not dictate how the family can spend the money they earn. The funds were used for a variety of activities including everyday living expenses such as bills and educational purchases. Some families are even able to save some money or choose to treat themselves to electronic goods or special family trips:

For many families, celebration of accomplishments took the form of spending time together on leisure activities, like eating out, going on a trip, or seeing a movie that would otherwise have been prohibitively expensive, especially for

larger families with limited means. Many parents also used the money for children's allowances (Riccio, et al., 2010, p. 9)

Some parents were encouraged to enroll in literacy programs or continue their educations with the payments. Other purchases included school uniforms and shoes, household goods, beds, and bedding (Opportunity NYC).

Unfortunately, ONYC has achieved only mediocre results. Students with the incentive were only 8 percent more likely to pass regent exams, and very few exercised the incentive to get better health care. Officials attribute some of the poor results to the aggravation of the bureaucratic process of complex paperwork (Lucadamo, 2010). A majority of the educational gains were made on the high school level, and very few on the lower levels of education (Bosman, 2010). This may be due to the fact that high school students received some of the money and not just their parents. Bloomberg appraised that the program is not a failure but requires a concerted effort to fine tune it (Bosman, 2010). Overall, ONYC has determined that the program was overwhelming to the beneficiaries because it was too complex. According to Linda Gibbs, deputy mayor for health and human services, in the future, a more simplistic approach would be more appropriate (Bosman, 2010).

As an industrialized state, the US has many resources at its disposal to combat poverty, however, the use of these resources historically has done little to improve the lives of the poor. In fact, the social policy measures of the past have done little to lift people out of poverty and instead have stigmatized those who receive benefits. The review of social policy throughout the years shows how policies can change over time, from almshouses to welfare contractualism. The early social policies in the US had little

success. Programs such as almshouses and mother's pensions did little to relieve the burden on women. After the 1930s, the US made more strides towards bettering its social policy. The War on Poverty and the civil rights movement made a push towards social rights, channeling Marshall's idea that the government should provide some economic security to its citizens. However, after two decades of increased social policy the government changed to a more conservative view that emphasized neoliberal policies. While Friedman was a supporter of neoliberalism, his ideas align with those introduced by CCTs. Even though CCTs are government run programs they allow freedom of choice. CCTs have been innovative in adapting what works from the preceding policies.

There are several possible reasons that could have prevented success to ONYC. There are cultural differences between New York City and Mexico. In addition, the way information travels is different, word of mouth is common. Mexico provided promotoras to help explain the program to other women. While New York City did offer help to communities maybe beneficiaries were not comfortable reaching out to them. Low literacy rates may have played a factor in information being understood by beneficiaries. Of the five counties that make up New York City; New York County (Manhattan), Kings County (Brooklyn), Bronx County (the Bronx), Richmond County (Staten Island), and Queens County (Queens), several have very low literacy rates. The percent lacking basic prose literacy skills in 2003 for Bronx County was 41 percent, Kings County was at 37 percent, and Queens County was 46 percent (Institute of Education Sciences, 2003). Without the ONYC program being around for longer there was not an opportunity for word of mouth to spread the information about the program which would counteract the lack of literacy.

The notion of CCT programs that has emerged from Latin America offers a new way to help those suffering from poverty. Through the New York City program, the first of its kind in the US, has been less than an unqualified success, it has managed, in the short time span of three years, to reduce the poverty systematically among beneficiaries. Generally, the participating families were 16 percent less likely to live in poverty (Bosman, 2010). The US is learning from Latin America's alterations of its own policies. The ONYC program has not had the chance to develop for over a decade like *Oportunidades* and *Bolsa-Familia*. ONYC will be doing a three-year post-program evaluation this year to see the long-term effects of those who received benefits from 2007-2010. The results from ONYC are not negative, but it is clear that changes are needed, specifically a simpler program. Overall, CCTs have unprecedented success and the US should take note and follow Latin America's example.



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