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Democracy is a charming form of government, full of variety and disorder, and dispensing a sort of equality to equals and unequals alike.

—Plato

Latin America has undergone a spectacular transformation over the past few decades. The region, which was once among the poorest and least developed on the planet, has achieved an impressive level of integration and progress in many areas. Education and health standards have improved dramatically, changing the lives of entire generations. In the economic arena, financial integration has been at the heart of the region's growing exposure and relevance as a key player in world financial markets. The importance of the region as a powerful block has been enhanced by the consolidation of the democratic processes taking place in almost every member country.

Despite these titanic achievements, the region still faces daunting challenges. Citizen-participation levels in the building of democracy are still far from optimal. Inequality, especially regarding the gender gap and the distribution of wealth, remains an area of concern. The wealthy few still hold the majority of the resources, and most women have not yet enjoyed the same economic and social opportunities afforded to men. Insecurity has reached alarming levels, threatening peace and social stability. More than ever, democracy needs to be protected, and indeed fostered, throughout the region.

This is the aspiration of the Latin America Policy Journal (LAPJ) at the John F. Kennedy School of Government at Harvard University: to create a strong community of Latin American emerging and consolidated leaders, one in which we can reflect, dialogue, and act in unison to face the most pressing problems of our region.

Latin Americans have come to understand and deeply believe in the importance of strengthening the bonds in our region. We recognize the value of a strong identity that builds upon our shared heritage and our shared present and future. We understand that there is something greater than being Mexican, Colombian, or Argentinian. That something greater is being Latin American. We understand that because we share similar challenges, we can and must learn from and assist each other.

In our second volume, we bring together presidents and former presidents, scholars, policy makers, journalists, and students from different backgrounds and experiences. In their writings, these individuals reflect on the challenges of democratization in Latin America. Many of our countries have work to do to quicken their evolution from democracies of voters to democracies of citizens.

This journal allows us to think critically, engage in dialogue, act, and learn from different practices across the region in order to continue the spectacular transformation that Latin America has undergone thus far.

Mariana Filgueira Risso
Editor-in-Chief

Priscilla Gutierrez
Margarita Saenz
Managing Editors

March 2013, Cambridge, MA

SECTION 2

Thoughts from the Frontline

MEXICO

Modernization and a New Economy

By Enrique Peña Nieto



ENRIQUE PEÑA Nieto was born on 20 July 1966. He holds a law degree from the Universidad Panamericana in Mexico City and a master's in business administration from the Instituto Tecnológico de Estudios Superiores de Monterrey.

He was a state legislator for the State of Mexico, the most populous one in the country, between 2003 and 2004. From 2005 to 2011, he was governor of the State of Mexico. At the end of his term as governor, he publicly expressed his hopes for running for the presidency. He won the presidential election on 1 July 2012 and was sworn in on 1 December 2012.

Mexico's future is full of potential. The past decade brought important changes. A fortified democracy saw the first peaceful rotation of government in generations. Today, freedoms of press, assembly, and speech are hardly an issue of debate; indeed, Mexico's civil society is thriving as never before. Business reforms liberated the private sector from its dependence on politics and bureaucracy. Yet notwithstanding these changes, economic expansion has been sluggish during the last few years. This is poised to change dramatically in the coming years.

Mexico's economic acceleration is already happening. Fortunately, the global economic crisis of 2008 spared many emerging economies—Mexico included—from much damage. Today, Mexico is in the enviable position of enjoying an economic rebound, despite the fact that many of our large Latin American partners are starting to slow down. A survey by Mexico's central bank expects the economy to expand by 3.87 percent in 2012 (Banco de Mexico 2012).

My government views the acceleration of the economic expansion as our number one priority. If Mexico is to achieve its place as a world leader, we must—once and for all—use economic growth to raise millions of our fellow citizens out of poverty.

According to analysts at Goldman Sachs and Nomura, Mexico will be one of the ten largest economies in the next decade (O'Neill 2012). Goldman Sachs' Jim O'Neill explains that by 2020, Mexico could be one of the top ten economies if it develops to its full potential (2011). Similarly, Nomura's Tony Volpon and Benito Berber argue that Mexico's economy might even be bigger than Brazil's within ten years (Rapoza 2012).

I like to agree with those financial leaders who have said that the coming decade will belong to the so-called MIST nations (Mexico, Indonesia, South Korea, and Turkey), which are the four biggest markets in Goldman Sachs Next-11 Equity Fund.

Today, Mexico is one of the most open large economies in the world. It is the sec-

ond-largest supplier of electronic goods to the United States. Rising manufacturing costs overseas, combined with high petroleum prices and long shipping times, make Mexico an increasingly desirable destination for foreign capital in the Western hemisphere. And manufacturing is coming home to our nation. Honda, Mazda, Coca-Cola, DuPont, General Motors, Nissan, and many others are flocking to our borders, as are investments in aerospace technology.

Competitiveness estimated that the first three of these reforms would add 2.5 percentage points to our country's growth rate (Instituto Mexicano para la Competitividad 2011). Before I even took office, the Mexican Congress approved significant reforms to the country's antiquated labor law. The sweeping measure allows for streamlined

We must find new ways to take advantage of the country's enormous energy potential

Despite these encouraging forecasts, many Mexicans still live in poverty. Although we have solidified and opened up our country, our economy has not done enough for the people who need it most.

A central tenant of my pledge to the Mexican people has been the improvement of economic conditions for the millions struggling to make ends meet. For them, the fact that our economy is one of the world's largest has made no difference in their daily lives. Average growth of 1.7 percent between 2001 and 2010, according to the Instituto Nacional de Estadística y Geografía (INEGI, the National Institute of Statistics and Geography), means that they still struggle to find a well-paying job. Affording the basic costs of life proves difficult. The country needs profound structural changes if it is to meet the challenges of the twenty-first century global economy.

My strategy to ensure this success involves a multi-pronged approach to reform Mexico's labor laws, energy sector, competition framework, and tax code. The Mexican Institute for

hiring of workers. It will improve market flexibility and modernize the economy while boosting growth and productivity. And it will end burdensome rules that discouraged businesses from hiring workers and pushed millions into the informal economy, where workers have limited protections and virtually no benefits. In fact, more than 29 percent of workers are informally employed.¹

Similarly, we must change the view that for decades has predominated in Mexico's energy sector. Now is the time to modernize the country's most important company, Petróleos Mexicanos (PEMEX). We must find new ways to take advantage of the country's enormous energy potential. While I do not intend to privatize PEMEX, reform is needed to allow private investment—both national and foreign—in this important segment of the Mexican economy. The challenge to achieving such a reform is reaching political consensus to break the political gridlock that has led to years of stagnation in energy production.

My proposal to reform the energy sector keeps the state in control of the oil industry and the nation's hydrocarbon reserves but provides PEMEX the powers and legal authority necessary to enter into strategic public-private alliances. If PEMEX is to benefit all Mexicans, the company requires investments in new technologies, which come through increased private-sector partnerships. Why exhaust Mexico's financial capacity by investing in new projects if they

can be financed by private capital? As a result, a new legal framework must be in place to allow private investors to assume greater investment risks. This is the only way to maximize PEMEX's production capabilities, increase its profitability, and improve transparency. These changes will bring millions of dollars into our economy.

Simultaneously, we must wean the federal government off its dependence on PEMEX by pushing for changes in Mexico's tax system. Currently PEMEX's revenue provides about one-third of Mexico's public budget, according to the INEGI. I will introduce a bill to simplify and expand tax collection

starts by boosting funding for social welfare programs. It also includes measures such as increased domestic agricultural production to reduce prices of basic goods and contribute to the reduction of poverty, temporary unemployment insurance for those who lose their jobs, and a "universal pension" for Mexicans sixty-five and older.

Indeed, Mexico is poised to enter a new period of expansion. Achieving the prominence we so desire can only happen if Mexico breaks through its past political stagnation and institutional roadblocks to build an economy that has long-term strength and alleviates the epidemic of poverty. We can do both.

Mexico's economy is also being held back by a lack of competition in sectors of the economy where there is a high concentration of ownership.

that would boost revenues by at least four percentage points. Such changes will ensure we have the resources to invest in social welfare programs in order to lift millions out of poverty.

Mexico's economy is also being held back by a lack of competition in sectors of the economy where there is a high concentration of ownership. We must loosen the grip of a handful of companies on entire industries. In order to spur growth, Mexico must go beyond recent strengthening of its antitrust commission. Currently, rulings by the Federal Competition Commission are adjudicated in ordinary courts, which can take exceedingly long periods of time and face extremely complicated, technical proceedings. Specialized courts for competition matters should be created with subject matter experts expediting the legal process. Opening these sectors to competition is seminal to economic development within Mexico.

While growing the economy moves Mexico in the right direction, specific action to lift people out of poverty is also needed. This

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Endnotes

1. For the second quarter of 2012, the Instituto Nacional de Estadística y Geografía reported a total of 14.2 million people received income from the informal economy. That number represents 29.3 percent of the working-age population in Mexico.

DEMOCRATIC GOVERNANCE IN LATIN AMERICA

A Work in Progress

by Michael Shifter



MICHAEL SHIFTER is president of the Inter-American Dialogue, a Washington, DC-based policy forum on Western hemisphere affairs. Shifter previously served as the organization's vice president for policy and managed its programs on the Andean region and democratic governance. Since 1993, he has been adjunct professor of Latin American politics at Georgetown University's School of Foreign

Service. Before joining the Inter-American Dialogue, Shifter directed the Latin American and Caribbean program at the National Endowment for Democracy and the Ford Foundation's governance and human rights program in the Andean region and the Southern Cone, where he was based in Lima, Peru, and then Santiago de Chile. Prior to that, he served as a representative at the Inter-American Foundation for the Brazil program. Shifter writes and comments widely on U.S.-Latin American relations and hemispheric affairs and has frequently testified before the U.S. Congress. He is coeditor, along with Jorge Dominguez, of Constructing Democratic Governance in Latin America. He is contributing editor to Current History and a member of the Council on Foreign Relations. Shifter graduated summa cum laude from Oberlin College and received a master's degree in sociology from Harvard University.

Abstract

Democracy is deepening across much of Latin America, especially in Mexico and Brazil, the two major countries. In a region once plagued by bloody coups and military interventionism, free and fair elections are now the norm. Significant economic and social advances, including a sharp decline in poverty levels and even in inequality in some countries, have contributed to improved governance. At the same time, in a number of countries, political parties are weak and there has been erosion of checks on executive authority. The spread of violent crime poses a risk to the rule of law in some nations.

Democratic governance in an increasingly diverse Latin America is moving in many different directions at the same time. It is therefore wise to resist the temptation to pick a specific issue or country—say, press freedom in Argentina—to draw a categorical conclusion about democracy for the region as a whole. Sharply contrasting governance models and leadership styles make any sweeping generalization impossible. A further complication is the notable absence of the consensus that existed immediately following the Cold War period regarding what constitutes democracy in the region—and the will to defend it when threatened.

Making Strides in Key Areas

Nonetheless, it is credible to argue that, on balance, the state of democratic governance is making important strides. For starters, free and fair elections—long the sole metric by which democracies were evaluated—function far better in the vast majority of countries than they did in the past. This is not to say that observers should take them for granted; there have been unfortunate

gains, though hardly irreversible, should be recognized as at least fulfilling what Samuel P. Huntington called “the modest meaning of democracy” (Huntington 1989).

If the region has made progress in organizing freer and fairer elections, it has also, for the most part, performed well in economic and social terms. To be sure, the gains are far from uniform, but the data is impressive and not unrelated to a critical element of democracy in Latin America today: social well-being, or, to use the increasingly fashionable term, “social inclusion.”

Since 2003, Latin America has registered the best economic growth in a generation. Experts who made dire predictions about the impact of the 2008 financial crisis on the region were proven wrong (Foxley 2009). With the exception of Mexico—chiefly because of its deep economic connections to the United States, where the crisis emerged—the region weathered the recession remarkably well. To be sure, much success can be attributed to China’s strong appetite for the abundant commodities in several South American countries, but sound macroeconomic policy making and management were also critical to the region’s solid performance.

Experts who made dire predictions about the impact of the 2008 financial crisis on the region were proven wrong...

cases of electoral fraud in countries such as Nicaragua, for instance. Still, the overall shift toward stronger electoral democracy is clear and salutary.

A recent example of this trend, which is of great importance for the United States and the region, is Mexico. Despite some backsliding and the controversy surrounding the 1 July 2012 election of Enrique Peña Nieto as president, the country had made progress since the 1990s in the independence and professionalism of its electoral authority. Mexico’s press is also notably more independent and vibrant than it had been. These

Even in 2013, in the context of the Euro zone crisis, China’s slowdown, and sluggish growth in the United States, Latin America is expected to grow more than 4 percent according to the Organisation of Economic Co-operation and Development (Associated Press 2012). Over the past decade, such a relatively benign environment has spurred a number of Latin American governments to undertake innovative social policies such as conditional cash transfer (CCT) programs. These programs got off the ground in Mexico but have spread to other countries in the region. CCTs have helped reduce poverty quite

dramatically in some countries and have even contributed to a decline in levels of inequality—long Latin America’s Achilles heel (López-Calva and Lustig 2010).

Against this backdrop, two questions stand out. First, can the region’s social and economic progress, fueled by a burgeoning demand for commodities, be sustained at

expectations are managed, this could well be a recipe for public frustration and political uncertainty. Some countries (e.g., Chile) that are performing well in economic and social terms are also experiencing a growing “malaise” with the state of politics.

Of course, the popular theme of social inclusion is a broad notion that goes beyond

...will the region’s governments take advantage of today’s favorable circumstances (which may be short-lived) to pursue long-pending institutional reforms in such areas as taxation, education, infrastructure, justice, and security?

the pace of recent years? And second, will the region’s governments take advantage of today’s favorable circumstances (which may be short-lived) to pursue long-pending institutional reforms in such areas as taxation, education, infrastructure, justice, and security? All of these are crucial to enhancing the region’s relatively low productivity and competitiveness levels. Some warn that despite its social and economic advances, Latin America has become “complacent” in recent years (Kohli et al. 2010).

Nonetheless, few question that the number of Latin American citizens with access to consumer goods and higher levels of education is growing considerably. A recent study by the World Bank estimates that Latin America’s middle class expanded by 50 percent between 2003 and 2009, from 103 million to 152 million people (Economist 2012).

The implications for the region’s politics and the quality of its democracy are immense (Fukuyama 2012). In key respects, the expanding middle class is a salutary development that gives citizens a more substantial stake in their political systems. At the same time, however, its strength increases pressure on governments that, in many cases, have scant capacity to respond and deliver the services demanded. Depending on how such

reducing poverty. It also emphasizes active participation in the key institutions that shape citizens’ lives. In this respect, Latin America’s advances are also undeniable. In country after country, traditional, often rigid, economic and political structures have collapsed or at least loosened up, providing openings to groups that had previously been excluded.

In Bolivia, for example, this dimension of social inclusion is striking. Since 2006, Evo Morales, an indigenous leader, has been president of a nation of a majority indigenous population. In other countries, too, “people’s power,” expressed in the heightened mobilization and organization of indigenous and Afro-descendants, is on the rise. Although in some countries, Bolivia included, “people’s power” has come into conflict with governments that encourage economic development, the phenomenon is healthy for democracy.

The increasing contributions of women to Latin America’s economy and politics are similarly indisputable and have further enriched democracy in much of the region. Female presidents—today, Brazil’s Dilma Rousseff, Argentina’s Cristina Fernandez de Kirchner, and Costa Rica’s Laura Chinchilla—are examples of this positive trend, as

The increasing contributions of women to Latin America's economy and politics are similarly indisputable and have further enriched democracy in much of the region."

are Chile's Michelle Bachelet and other previous female heads of state in Latin America.

The basis for a reasonably favorable assessment of democracy in the region is strengthened by reference to positive developments in Latin America's two largest and most influential countries—Mexico and Brazil (Dominguez and Shifter 2013). In Mexico, though the wave of criminal violence dominates media accounts—and represents the principal risk to the rule of law—democratic progress on other critical dimensions is clear. The political party system is competitive, and the media is more open and diverse than it was during the prolonged period of one-party rule.

In Brazil, the region's biggest country and the world's sixth-largest economy, the democratic advances have also been impressive by historical measures. The country has benefited from effective political leadership, reflected in a succession of democratically elected presidents, beginning with Fernando Henrique Cardoso, followed by Luiz Inácio "Lula" da Silva, and currently with Dilma Rousseff. Democracy enjoys broad public support, and the political system's credibility has been considerably enhanced by Brazil's economic and social progress. Through prudent macroeconomic management and the Bolsa Familia cash transfer program, some 20 million were lifted out of poverty during the Lula years (2003-2010) (Forero 2011).

Problem Areas

Although the region's democratic gains are clear, other areas remain more problematic. Two distinct but related challenges stand out. The first is the effectiveness and coherence of the region's political parties; the sec-

ond has to do with adherence to the rule of law and weak checks on executive authority. On the second point, governance models and leadership styles depart markedly from the democratic norm and have echoes of more traditional forms of populism and authoritarianism.

Political parties are the least trusted institution in Latin America and are in disarray across much of the region. For instance, though it is one of Latin America's fastest-growing economies, Peru is virtually devoid of political parties. The parties imploded at the end of the 1980s and have yet to recover and rebuild. According to the AmericasBarometer 2012 comparative survey, in Peru, trust in political institutions and politicians is among the lowest in the region. Argentina, too, has profound institutional weaknesses. There is rampant factionalism and infighting within the dominant Peronist Party. Political parties are also in considerable disarray in such countries as Bolivia, Ecuador, and Venezuela.

In those countries as well there is a serious problem with powerful executives running roughshod over ostensibly independent institutions such as the judiciary. In Venezuela, Ecuador, and Bolivia, for instance, there has been a tendency to overhaul constitutional checks and balances and move toward greater concentration of powers in the executive branch. Under such governance systems, buttressing the rule of law or fostering a genuine balance of powers have been, at best, subordinate goals.

As many rights groups and the Organization of American States' Inter-American Commission on Human Rights have reported, there has also been a troubling erosion of basic press freedoms in some countries.

Hence, while these nations may have regular and fair elections—and in some cases advances in social progress—they largely lack the governance systems that reflect the tenets of representative democracy expressed in the Inter-American Democratic Charter, approved in 2001.

Today, coups and threats of military intervention are rare (though they haven't disappeared, as evidenced by Honduras in 2009), but presidents are getting more skilled at craftily obscuring authoritarian and autocratic tendencies under the guise of democracy. And the consensus that once existed about what constitutes violations of democratic principles and how best to respond to them has broken down.

Indeed, although the Inter-American Democratic Charter is quite explicit in calling for collective action to prevent and repair transgressions to representative democracy, the test cases have in fact been met with relative silence. This is mainly a product of profound political changes in the Americas and transformations in hemispheric relations. Political fragmentation has notably increased, and the notion of "Latin America" as a coherent category is more dubious in light of such divergent paths.

The new configuration of regional organizations illustrates how dramatically the landscape has changed in recent years. The Organization of American States, which for a long time has tried to reestablish its relevance and credibility, is increasingly troubled and challenged by regional groupings like ALBA (Bolivarian Alliance for the Americas), UNASUR (Union of South American Nations), and CELAC (Community of Latin American and Caribbean States). It is still too soon to tell, however, whether these new organizations will take hold or be effective. UNASUR's suspension of Paraguay following the ouster of its president, Fernando Lugo, in June 2012, for example, was seen as too hasty—just as the impeachment of Lugo was precipitous and lacked adequate due process. In 2013, the key question is whether the various multilateral bodies, old and new, can perform effectively and enjoy broad credibility.

The fluid and uncertain outlook in the Americas is not only a product of the region's striking political, social, and economic transformation but also the result of fundamental changes in the United States. In many respects, the trends in the United States are worrying, including widening inequality, an increasingly precarious middle class, and rock-bottom levels of trust in basic political institutions like Congress. Washington, DC, has become less engaged and influential in the region, especially in South America, where Brazil has taken a more dominant role. The United States' economic predicament has led to drastic budget cuts and, coupled with distractions by other, more urgent policy priorities, has hampered its ability to shape developments in the Americas.

To be sure, U.S. relations with the region during the first Obama administration were largely cordial. U.S. Secretary of State Hillary Rodham Clinton's multiple visits to the region, including her last one to Peru in the fall of 2012, highlight a marked concern with the empowerment of women and social inclusion, which resonates with the region's priorities. Most Latin Americans also welcomed Washington's less ideological and more restrained posture toward Venezuela's Hugo Chávez, especially compared with that of the previous Bush administration. Still, the relationship was characterized by a noticeable distancing, as the region pursued its own separate course while viewing Washington as preoccupied with its own agenda.

The November 2012 election results in the United States and the onset of President Barack Obama's second term have once again raised expectations about a possibly more productive and robust relationship with Latin America. The sense of optimism is mainly the product of the decisive "Latino vote" in the elections and the sudden, apparently bipartisan support, for immigration reform. Such an achievement would be motivated by the demographic changes and political interests in the United States rather than by Latin American interests, however. Nonetheless, if there were a meaningful reform to U.S. immigration policy, such an action would send

a powerful, positive message that would be greeted enthusiastically throughout the region, especially in Mexico, the source of the bulk of unauthorized migrants in the United States.

The United States' greater engagement with Cuba would similarly be applauded in Latin America. Reducing travel and trade restrictions—possibly lifting the fifty-plus-year embargo—would be symbolically important for U.S.-Latin American relations. No other issue has so sharply separated Washington from the rest of the region. In November, Obama obtained roughly half of the Cuban American vote in Florida, suggesting a generational shift in that community and more political space to pursue policy changes. But any serious moves will still be politically difficult, and there is no sign that the Cuba issue has been a high priority for Obama, as he has signaled with immigration.

Finally, following the votes in Colorado and Washington State that legalized the recreational use of marijuana, there has been increasing discussion about possible changes in Washington's anti-drug policy. Although public opinion in the United States may be changing on this issue, dramatic policy reforms are improbable in the short term.

The drug issue is closely linked to perhaps the greatest risk to the rule of law and democratic governance in a number of Latin American countries: crime and insecurity. Reliable surveys consistently reveal that citizen insecurity is today the public's principal concern. To be sure, drugs are a separate issue, but studies have found that it is a significant risk factor connected to criminal violence (Costa 2012). The situation in some countries, such as the "northern triangle" of Guatemala, Honduras, and El Salvador, as well as Venezuela in South America, is particularly dire. And since 2006, some 60,000 deaths have resulted from drug-fueled violence in Mexico (Shifter 2012). Effectively tackling crime as well as other major challenges to sound, effective democracies calls for a major effort in institutional reform and renewal. The region's regular elections, and

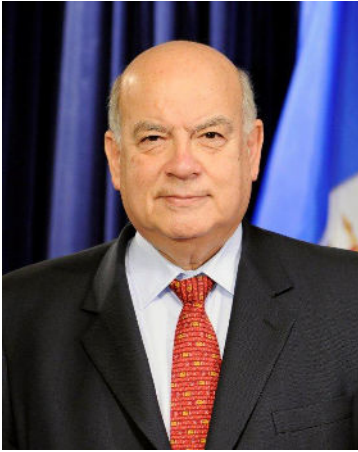
notably, the impressive social and economic strides seen in recent years, are surely encouraging developments. These advances are, however, by no means irreversible. And institutions like political parties and others that are essential to fostering the rule of law, such as justice systems, are lagging behind in a number of countries. Achieving a strong sense of democracy throughout the Americas remains a work in progress.

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DEMOCRACY IN THE AMERICAS

José Miguel Insulza



JOSÉ MIGUEL INSULZA was elected as Secretary General of the Organization of American States in 2005 and reelected in 2010. The Chilean politician has an accomplished record of public service in his country. A lawyer by profession, he has a law degree from the University of Chile, did post-graduate studies at the Latin American Social Sciences Faculty (FLACSO), and has a master's in political science from the University of Michigan. In the early 1970s, Insulza played an active role in Salvador Allende's Popular Unity government, and following the coup that brought General Augusto Pinochet into power, he went into exile for fifteen years, first in Rome and then in Mexico. In Mexico City, he was a researcher and then direc-

tor of the United States Studies Institute in the Center for Economic Research and Teaching. He also taught at Mexico's National Autonomous University, the Ibero-American University, and the Diplomatic Studies Institute. Insulza was able to return to Chile in early 1988 and joined the Coalition of Parties for Democracy, which won the plebiscite against the Pinochet regime in October of that year. Under the presidency of Patricio Aylwin, Insulza served as Chilean Ambassador for International Cooperation, Director of Multilateral Economic Affairs at the Ministry of Foreign Affairs, and Vice President of the International Cooperation Agency. In March 1994, under the administration of President Eduardo Frei, Insulza became Under-Secretary of Foreign Affairs and in September of that year was appointed Minister of Foreign Affairs. In 1999, he became Secretary General of the Presidency, and the following year he became President Ricardo Lagos's Minister of the Interior and Vice President of the Republic. When he left that post in May 2005, he had served as a government minister for more than a decade, the longest continuous tenure for a minister in Chilean history.

All the heads of state or government who participated in the last three Summits of the Americas were democratically elected. This situation was unprecedented in the hemisphere; the past twenty-five years have become the most prolonged period of democracy in the Western hemisphere since independence.

Democracy begins with free and fair elections. However, there are other essential elements necessary to be truly democratic. Electoral beginnings are indispensable, but not sufficient, as stated in the Organization of American States' Inter-American Democratic Charter (IADC), which was signed by the countries of the Americas on 11 September 2001 in Lima, Peru. The charter pro-

setbacks destructive of democracy when they are prolonged or reappear. These are the suppression of power centers outside the government, the elimination of inequalities between categories, that is, rigid divisions between social sectors, and the generation of "trust networks" within society.

There is no doubt that our societies have made important progress in these three pro-

Democracy begins with free and fair elections. However, there are other essential elements necessary to be truly democratic.

claims democracy as a right of the peoples of the Americas and a commitment for every government of the region.

The charter includes a much wider range of conditions for a government to be considered democratic. Of course, it includes "periodic, free, and fair elections based on secret balloting and universal suffrage," but also adds, *inter alia*, respect for human rights, exercise of power in accordance with the rule of law, the pluralistic system of political parties, the separation of powers and independence of the branches of government, freedom of expression and of the press, and transparency of government activities.

No democracy in the world fully meets all the conditions set forth by the charter. The IADC is a program for democracy, an ideal that all the countries of the Americas embraced freely when it was approved in 2001. But when we evaluate the recent development of our democracies, we can use this as a standard to compare how much the democracies in the countries that approved the charter have progressed or eroded since then.

The late Charles Tilly, author of *Democracy* (published in 2007 by the Cambridge University Press), referred to three large-scale processes that give form to democracy or, to the contrary, can represent historical

cesses, with natural limitations if we consider the time period involved. Real power centers outside the government continue to exert outsized influence, especially in the economic arena, but are greatly reduced in the military and religious spheres. Even though the practices of race and gender discrimination persist, continuing to trap people in poverty and inequality, there has been considerable headway in almost completely eliminating such practices from our laws.

Nonetheless, the risks of deconstruction (destruction) are present. Today's powerful criminal groups are a seed of independent power. They control their own territories and dictate their own laws, which they impose on others outside the authority of the state. The privileges that a small minority of people enjoy and the existence of social systems (health, education, and security) that are differentiated in terms of access and quality lead to the creation of distinct categories of citizens.

Governability has also increased substantially in recent years. While in the fifteen years from 1990 to 2005 eighteen governments of the region ended before their terms were completed, in recent years only two, in Honduras and Paraguay, have ended prematurely.

Nevertheless, institutions are fragile and consensus building is still not a priority. In

the context of a legitimate political struggle, the democratic fallacy that the majority has the right to change the system as it sees fit has been gaining force. Consequently, the majority tends to accumulate power and disregard the participation and rights of minorities. The justification for this temptation is always the need to “complete a task” or to deal with “urgent crises” in society.

majority of citizens due to the concentration of wealth and power in a few hands, the introduction of controls that eliminate free opposition, and threats and violence against social communicators are all threats to this essential feature of democracy.

Although political success has to do with results, these results cannot be the sole justification for changing the rules and seeking

Lack of political access by the majority of citizens, due to the concentration of wealth and power in a few hands; the introduction of controls that eliminate free opposition (...) are threats to this essential feature of democracy.

But if institutions and laws are changed for this reason, institutions are weakened, as is ultimately the democracy those institutions claim to defend.

The temptation to reform laws governing the length of terms of office and reelection arises every time they see a possible political advantage in it, while they frequently amend laws regulating fundamental aspects of democracy, including the exercise of public freedoms.

Latin America is in a constant process of revising its political institutions, and in some cases this does not occur as a result of a legitimate desire to create a broader consensus and greater stability, but rather as a way to gain electoral advantages to preserve or enhance an administration's power.

Especially worrisome is the attempt to control the branch of government on which the very existence of the rule of law relies: the judicial branch. When the government controls the courts, this leaves its opponents defenseless and illegitimately alters the political equilibrium of society. Similarly, control of the media poses a serious risk for democracy, which depends on an effective freedom of expression. Lack of political access by the

any means to prolong an administration in power. In a democracy, all power must have limits; otherwise, leaders would replace institutions, giving rise to new forms of *caudillismo*, which we already suffered for extensive periods in our past history.

In short, although democracy has achieved major gains in the region, based on many constructive elements, there are still elements that can destruct it, which coexist alongside these gains. Interaction between the two on the political front will determine whether our region exercises its full potential and takes advantage of the major opportunities offered by the global economy or remains, as so many times in the past, at the “threshold,” as prisoner of its own phantoms.

SECTION 2

Security and Peace

Guerrillas and organized crime groups are not new to Latin America. However, in the past two decades these groups, both national and transnational, have increased in number and have diversified their activities into, for example, human trafficking, drugs, and pornography. Through corruption, intimidation, and political assassinations, non-state armed actors threaten some of the fundamental principles of democracy, including freedom, liberty, and peace.

This section presents four analyses on security and democracy in Latin America, including an article by Álvaro Uribe Velez, former President of Colombia, which describes the implementation of a comprehensive strategy involving the state, the private sector, and the society as fundamental actors in the peace strategy.

In particular, the section includes rich perspectives on how the countries of the region have dealt in different ways with security threats, with a specific focus on Colombia and Mexico through articles by Sandra Ley, Juanita León, and Ana Paola Cueva Navarro. It is worth noting that Central America remains as an alarming zone, which faces similar threats to the ones that Colombia and Mexico have confronted but with weaker institutions.

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MPA Candidate 2014

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AN OVERVIEW OF THE POLITICAL CONSEQUENCES OF CRIME AND INSECURITY IN LATIN AMERICA

Sandra Ley



SANDRA LEY is a political science PhD candidate from Duke University. She has a BA in political science from the Centro de Investigación y Docencia Económicas in Mexico City. Prior to her graduate studies, she worked as a public opinion analyst and consultant. Her research interests include Latin American politics, organized crime, violence, and the impact of violence on political behavior. Her dissertation project examines how criminal violence in Mexico influences citizens' decisions to participate, both electorally and non-electorally, as well as their voting decisions. Ley's research is currently funded by the Inter-American Foundation Grassroots Fellowship.

Abstract:

Latin America currently stands as one of the most violent regions in the world. Such unfortunate realities affect Latin Americans' daily lives in their economic, social, and political spheres. This article provides an overview of the available research that has begun to analyze the extent to which the widespread crime and insecurity in Latin America are also affecting public perceptions and political behavior. Evidence so far suggests that the consequences for democracy in the region are considerable.

Latin American countries that transitioned to democratic regimes in recent decades are facing severe security crises today. Regional homicide rates are comparable to those of African countries in the midst of civil war. According to the United Nations Development Programme (UNDP), in 2005, there were 24.43 homicides per 100,000 inhabitants in Latin America (UNDP 2009, 67-68). If we only look at Central America, the homicide rate was at 29.3, which is not far away from the figure for Africa (31.7), despite the fact that the latter is a region heavily affected by civil war. Such violent realities necessarily affect human development, but much remains to be learned regarding the

political consequences. This article provides an overview of the available research that has begun to analyze the extent to which the widespread crime and insecurity in Latin America are also affecting public perceptions and political behavior.

Violence in Latin America

In order to further understand how violence can potentially affect Latin Americans' attitudes and political behavior, we must first comprehend the situation of security in the region. In 2004, the highest homicide rates were concentrated in sub-Saharan Africa, immediately followed by Central and South America. These regions fall within the high homicide rate range of 20 to more than 30 homicides per 100,000 population. In contrast, East and Southeast Asia, as well as West and Central Europe, show the lowest homicide levels, with rates lower than 3 homicides per 100,000 population (Geneva Declaration 2008). Thus, Latin America ranks among the most violent regions, showing war-like symptoms despite being formally at peace (Heinemann and Verner 2006, 2). If we look at the evolution of crime in the region, this situation has certainly become increasingly dangerous over the past decade, as homicide rates have more than doubled, and the rate of property crime has tripled (Bergman 2006, 213).

Insecurity is particularly alarming in Central America. Crime in this region is quite complex due to the intersection of human, weapon, and drug trafficking organizations with *maras* (gangs). Crime rates in El Salvador, Guatemala, and Honduras are mainly attributed to gang-related activities. These countries have the highest homicide rates in the Latin American region. In El Salvador, the Mara Salvatrucha (MS-13)

and Calle 18 have evolved from loosely organized gangs to highly organized crime syndicates (Burton 2006), penetrating other Central American countries. Even in Costa Rica, a relatively peaceful country, there has been an increase in violent crime, as it is midway between the drug-producing countries of Latin America.

Outside of Central America, the picture does not look any better. Colombia has a long history of nonstate armed actors, although most of their activities intensified since the 1980s. Guerrilla organizations and paramilitary groups have engaged in kidnapping, massacres of civilians, drug production, and exportation and have regularly expropriated land and extorted income from Colombian citizens (Gutiérrez Sanín 2008). Still today, Colombia exhibits homicide rates similar to those of the Central American countries. Therefore, crime, insecurity, and violence have been permanent issues in the Colombian political agenda. In Brazil, shoot-outs between rival drug gangs in favela slums kill thousands each year, mainly in Sao Paulo and Rio de Janeiro (Downie 2009). Drug traffickers in Rio de Janeiro and Sao Paulo have attacked government buildings and public officials and also set on fire and bombed buses (Arias 2006; Bailey and Taylor 2009). In Rio, murder rates have averaged 50 per 100,000 (Arias 2006). This number would be even higher if it considered disappearances. In Mexico, organized, crime-related violence and the federal government's fight against drugs has yielded approximately 60,000 deaths in the 2006 to 2012 period (Molzahn et al. 2012). This death toll surpasses that of the average civil war of the twentieth century. In Venezuela, homicide rates are comparable to those in Central America. In particular, Caracas was

In general, it has been found that recent crime victimization and heightened perceptions of risk and insecurity are important predictors of anti-democratic attitudes (···) in Latin America.

ranked as the world's murder capital in 2008 (Foreign Policy 2008).

Figure 1 shows the homicides rate trends in eighteen Latin American countries. For comparability purposes, this graph uses the data available through the United Nations Office on Drugs and Crime. It must be said, however, that official data on crime in Latin America is extremely unreliable, mainly because of underreporting of crime to authorities, the collapse of the auditing processes, a lack of systematization of records, and failures in the editing process (Bergman 2006, 220). Despite its limitations, Figure 1 does help illustrate the alarming security crisis in the region, particularly in Central America, as well as the cross-country variation in this regard.

What are the political consequences of this upward trend in violence in the Latin American region? How is democracy being affected by this phenomenon? We can identify at least three different aspects of democratic politics that are significantly impacted by violence: democratic values, political par-

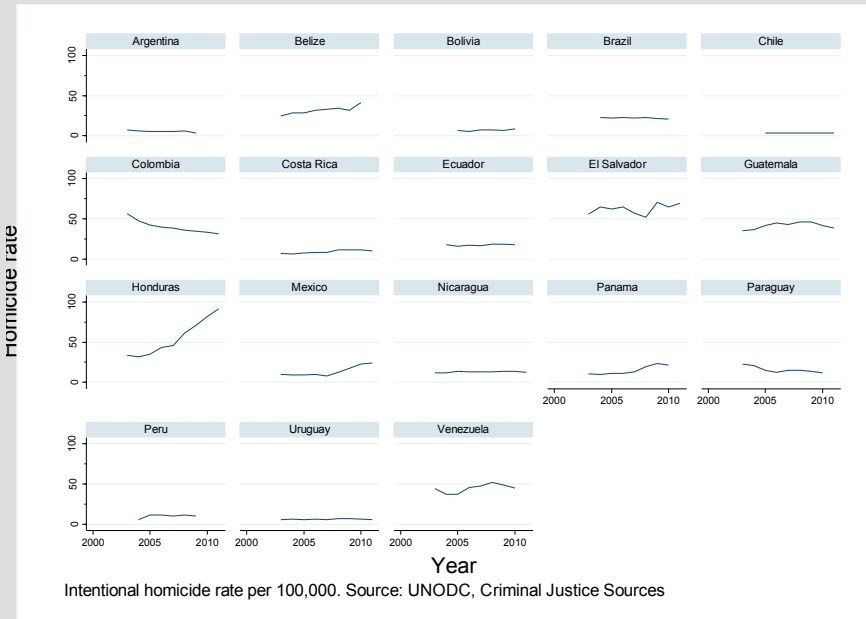
ticipation, and voting behavior. The following sections address each of these aspects through a detailed review of the available works in this regard.

Democratic Values

Democratic transitions have been found to be associated with an increase in criminality (Villarreal 2002; Wantchekon and Yehoue 2002). As citizens begin to experience democracy and simultaneously perceive that democratic rules and institutions do not provide them with a requisite level of security, they appear to become less likely to support a democratic regime (Fernandez and Kuenzi 2010). In some cases, democracy may even be considered to exacerbate crime by protecting the rights of criminals. This can result in public demand for the use of non-democratic strategies to combat crime. Under these circumstances, *Mano Dura* (iron fist) types of policies are likely to gain wider public support.

Most research that has been developed in the literature on the consequences of crimi-

Figure 1. Homicide rates in Latin America, 2003-2010.



nal violence refers, in fact, to the impact of crime on democratic values and the stability of democracy in the region. In general, it has been found that recent crime victimization and heightened perceptions of risk and insecurity are important predictors of antidemocratic attitudes (Pérez 2003/2004; Bateson 2010), diminished support for democracy (Pérez 2003/2004; Ceobanu et al. 2010; Fernandez and Kuenzi 2010), and diminished system support (Carreras n.d.) in Latin America.

Political Participation

The upholding of democratic values is a fundamental issue for understanding the development of democracy in Latin America. However, the question that remains is whether the diminished support for democracy in the context of violence translates to differences in political behavior, such as political participation.

When analyzing surveys from four world regions, Regina Bateson (2012) affirms that victims of crime increase their involvement in politics. From attendance to community meetings to protest, Bateson finds that victims of crime are more politically active and engaged than their peers. If that is the case, one might be inclined to think that rising criminality might not be so detrimental for the region. However, we must not jump ahead to such conclusions.

First, due to the nature and timing of the surveys she uses, Bateson is unable to test the effect of victimization on turnout (the author is only able to conduct a placebo test to check that recent crime victimization does not predict prior political participation measured as past vote). However, Alejandro Trelles and Miguel Carreras (2012) analyze the role of violence on turnout using municipal-level data for presidential elections in Mexico since 2000. The authors find an important negative relationship between homicide rates and aggregate turnout. Given this finding, we must also recognize that, second, there are fundamental differences in the nature and logic of the various forms

of participation that a citizen living in a democracy has access to. The motivations to participate in a protest against insecurity are very different from those that push an individual to go to the polling station on election day. Past local elections in Colombia, Guatemala, and Mexico have shown that voters face major challenges when making the decision on whether to vote or not. Candidates are threatened prior to the election to force them to retire from the competition; others are murdered; and even voters face threats as criminal groups attempt to influence their vote.

Third, Bateson analyzes victimization experiences in Africa, Latin America, Europe, and Asia. Nevertheless, we must acknowledge that the phenomenon of crime differs substantially in each region. At least the actors and the characteristics of the justice system in each region—or even in each country—differ substantially and most likely have important consequences for the forms, types, and timing of participation. Moreover, incorporating the context of violence in which voters live is important for explaining when, where, and how victims and non-victims decide to participate.

That the nature of violence and the actors that produce it are important variables to take into consideration in order to draw any kind of conclusions about the impact of violence on political behavior is confirmed by the works of Miguel Garcia Sanchez (2007; 2010) and Jorge Andrés Gallego (2011) when analyzing the Colombian case. The findings by both authors agree that illegal armed groups use divergent strategies to alter voting behavior and affect electoral outcomes in a way that is consistent with their political objectives. For the particular case of Colombia, disputed areas seem to exhibit the lowest probability of voting (Garcia Sanchez 2010). Furthermore, guerrillas sabotage elections and suppress turnout (Gallego 2011), while paramilitaries seek to influence vote preferences in favor of right-wing candidates (Garcia Sanchez 2010; Gallego 2011).

Voting Behavior

As violence has risen in Latin America, human development is inevitably affected. As mentioned earlier, electorates in many Latin American countries rate rising insecurity as a key political problem. Whether or not Latin American voters are able to hold their elected officials accountable for such a situation—in the hopes of reaching better solutions to prevailing insecurity—is a fundamental question for the future of democracy in the region.

On the topic of electoral accountability, most of the available research has concentrated on economic voting (Fiorina 1981; Lewis-Beck 1986; Lewis-Beck 1990; MacKuen et al. 1992; Rattinger and Krämer 1998; Powell and Whitten 1993; Pacek and Radcliff 1995; Nadeau et al. 2002; Anderson 2000). However, there are limitations to these models. The economy is not always the only issue on which citizens vote or evaluate their authorities. High insecurity certainly also affects prospects of survival and a comfortable living. Moreover, one of the essential responsibilities of the state is the protection of its citizens.

Using monthly presidential approval data for the period between 1985 and 1997 for two Peruvian presidencies, Moisés Arce (2003) finds that higher levels of political violence hurt left-leaning governments, but not necessarily right-leaning governments. The author suggests that it is likely that voters expect right-leaning governments to deal better with political violence and thus are more supportive of their efforts. If so, this could also reinforce demands for *Mano Dura* policies, as mentioned earlier.

Looking at the Latin American region in general, I have also analyzed the impact of Latin Americans' perceptions of insecurity and personal experience with crime on their voting behavior. My results indicate that the more insecure a voter feels and the more he or she considers crime to be a threat to the future well-being of the country, the less likely he or she is to support the incumbent national party (Ley 2011). Thus, my analysis suggests that national executives are held ac-

countable for insecurity concerns.

Closing Remarks

Latin America currently stands as one of the most violent regions in the world. This necessarily impacts Latin Americans' daily lives in their economic, social, and political spheres. Available research presented here suggests that the consequences for democracy in the region are considerable. Given that perceptions of insecurity and fear generated by crime have been found to deeply shape political attitudes and behavior, it is fundamental to understand how such perceptions and feelings of insecurity are formed. From both a theoretical and public policy perspective, it is necessary to develop a deeper analysis of how fear of crime is constructed. Criminologists, sociologists, and psychologists have developed this agenda to a greater extent. This literature has failed to look at its implications in the political domain, but the overview presented here definitely indicates that these elements should be studied together.

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COLOMBIA 2002-2010

Lessons from the Communitary State

Álvaro Uribe Velez



ÁLVARO URIBE VELEZ was first elected as president of Colombia in 2002 and then re-elected in 2006, becoming the first re-elected president in Colombia's modern history. Uribe holds a degree in law from the Universidad de Antioquia and a postgraduate management degree from the Harvard Extension School. In 1998, he was awarded the Simón Bolívar Scholarship and was nominated Senior Associate Member at St. Antony's College in Oxford. Uribe has held several public offices in Colombia; he was the mayor of Medellín in 1982, senator between 1986 and 1994, and governor of Antioquia in 1995. After finishing his term as president, Uribe has dedicated his time to sharing his experiences as a professor and guest lecturer at different universities around the world.

When my administration began in 2002, many analysts said that Colombia was a *failed state*. Every year, the country faced thirty-thousand homicides and almost three-thousand kidnappings, and more than three-hundred municipalities lacked the presence of their mayors due threats made against their lives. Investment rates were low, unemployment was climbing, and poverty levels were close to 57 percent.

The situation represented a distinct crisis in national confidence. Thousands of Colombians saw no choice but to leave the country indefinitely, and people were continuously feeling hopeless as the brutality of terrorist organizations turned more aggressive. As president, I was elected to face these challenges and to put in place the framework of a communitarian state.

The communitarian state is based on the principles of:

- Macroeconomic stability (fiscal and monetary prudence)
- A focalized and efficient social policy (coverage and quality for all)
- Security and rule of law
- Institutional approach to private initiative
- A public administration managed by results
- Direct democracy and constant people participation as a governance cornerstone

For these principles to be applied, the state, the private sector, and society as a whole

are required to work in direct coordination toward common objectives. For this reason, we decided to integrate these principles into three main policies, as discussed below.

Democratic Security Policy

This first policy was intended as a means to integrate the concept of security and rule of law, hand in hand with human rights protection, individual liberties, and open and transparent democratic participation. The democratic security policy was also based on the following key elements:

- **Security for all.** Our primary goal was to ensure that all Colombians could count on the protection of their life and liberties from our armed forces in every single region. Only after we ensured that all our citizens felt the state's protection could we recover trust and confidence in the government.
- **Fighting all forms of crime.** Operated with corresponding dedication, we simultaneously aimed to confront all forms of organized crime. From the outset, this effort implied a dismantling of paramilitary groups, guerrilla organizations, and drug cartels.
- **Security without ad hoc legislation.** In order to build a credible security policy, we decided against exceptional legislation. Instead, we chose to put together a security framework based on regular legislation, which was kept under close supervision of the judicial system.
- **Security with liberties and human rights.** Another pillar of our security policy was to focus on human rights protection and to guarantee the full implementation of individual liberties. Security cannot be effective at the expense of restricting liberties nor without a true commitment to apply the principles of International Humanitarian Law. Tackling this subject was confirmation that our strategy of public order would not tolerate abuses on the part of our security structure.
- **Victims' recognition.** The state security

action aimed to place criminals from terrorist organizations under judicial custody, demanding victim reparation and the confession of criminal behaviors.

Investor Confidence Policy

This second policy was based on an organized institutional approach toward private initiative. This second step also requires comprehensive, proactive methodology.

- **Sound macroeconomic principles.** Our objective was the reduction of the government fiscal deficit, insurance for a more focalized public spending structure, a new public debt composition with a larger concentration on the local capital markets, inflation targeting, increased tax collections, a recovery of the country investment grade, and the need to undertake unpopular but necessary structural reforms.
- **Competitiveness.** Improving Colombia's infrastructure with public private partnerships and modern concession frameworks lay at the essence of our transformation in the transportation sector. At the same time, we worked tirelessly for simplified regulatory legislation that positioned Colombia as a viable competitor on the world stage: connectivity penetration, modernization of the logistics chain, and creating a legal stability apparatus to bring long-term investment in strategic sectors like mining, oil and gas, and the agro industry.
- **Access to markets.** For our administration, opening new markets for the Colombian products became a strategic pillar. Previous strategies focused on unilateral trade liberalization, which resulted in a rapid inflow of foreign products without the right channel for our products to reach new opportunities. Our strategy evolved into the negotiations on free trade treaties with close trade partners and put in place investment and double taxation pacts with a variety of key economic global players.

Social Cohesion Policy

This third policy of social cohesion involved the permanent action to provide social services and opportunity for our country's disadvantaged population. This action results in a continual expansion of the middle class and involves the following:

- **Education revolution.** An education system with an emphasis on quality instruction, combining professional, vocational, and entrepreneurial training that allows students to have the right skills for the labor market.
- **Health for all.** We strove to achieve universal health care coverage for the less privileged through beneficiary targeting policies, particularly the expansion of middle class health benefits through the compulsory health program that ensures quality and coverage from health providers and more hands-on quality supervision from government authorities.
- **Expanding the access to finance.** The essence of our actions was to stimulate microfinance, creating a new low-income financial access method that we denominated Banca de las Oportunidades. This organization called for cooperation among non-banking correspondents, large financial corporations, and nongovernmental organizations, and impelled the financial sector to down-scale and tailor financial products for the neediest.
- **Closing the technology gaps.** Expanding broadband and connectivity technologies was the cornerstone of our telecommunication sector endeavors. These targets were met through the National Connectivity Agenda, which focused on rural areas and low-income populations.

National Development Plans

The conceptual structure defined in the three main policies of our administration became the soul of our National Development Plans during the periods of 2002 to 2006 and 2006 to 2010. With the inclusion of

more technical indicators, the government began a detailed, results-oriented, management oversight execution.

Thanks to the communitarian state agenda, between 2002 and 2010 Colombia:

- Achieved the lowest homicide, kidnapping, and terrorist rates in more than three decades
- Experienced the highest economic growth rates in more than twenty years and showed macroeconomic resilience; we experienced no negative growth when faced with the worst global economic crisis since the Great Depression
- Reached the highest education coverage rates in our history
- Signed more than twelve free trade agreements
- Received the highest levels of foreign direct investment in our nation's history
- Tripled our exports
- Doubled the number of individuals with banking accounts from three to seven million clients
- Reached 41 million mobile phone users, up from three million in 2002
- Reduced poverty from 57 percent to 37 percent
- Reduced unemployment from 18 percent to 10 percent
- Most importantly, regained confidence that a new, prosperous Colombia was an achievable reality for future generations

What is the secret behind this list of achievements? How can a government mobilize political support for carrying out such an agenda? My answer is based on four values that I have always believed are the essence of public service:

1. **Incremental compromise** — which demands the government and its officials continuously improve the way it serves the people.
2. **Policy congruence** — which demands that every action is linked to an objective.
3. **Leadership consistency** — which demands to lead by example and always, always take responsibility for government action.

4. Genuine caring — which requires a genuine and perennial interest in the people and their problems.

In the implementation of our government strategy there are some interesting examples that illustrate some of the tactical lessons.

Teamwork: Democratic Councils

In order to apply the values that we so strongly believed in, we decided to organize an open town hall session in a different municipality every single Saturday of my administration. The intention was to listen to and to dialogue with the people. That simple exercise, which we dubbed “Democratic Councils,” became the most important way of letting the common citizen participate in and directly face the government. For many decades the state dialogued with terrorist groups seeking peace but never dialogued with ordinary citizens.

We gave the citizens the right to demand state action and the right to be heard. As a result, public support became an engine of governance; instead of touting a populist agenda, we only committed to actions on which we could deliver. We created a result-based methodology to follow up on government pledges with the support of the Inter-American Development Bank. The Democratic Councils validated our philosophy that public participation is an essential element of a modern democracy.

Excellence: Macro Vision and Detailed Execution

Another example is the need to have an administration that combines a macro vision with detailed execution. For a country with the myriad problems that Colombia faced when I took office, it was essential to give the general public a national vision. But most importantly, it required that the head of the administration be profoundly engaged in the conducting of daily activities.

Such a commitment required discipline and determination, but once I as president and my cabinet put in place a results-based management culture, the public’s faith in

our true commitment to address their challenges was restored. I was personally criticized of being too involved in all the details of my administration, but if, in times of crisis, a leader does not combine vision with a profound understanding of the national agenda, people will immediately perceive disengagement.

The application of this principle was essential to building a strong relationship based on common understanding with the private sector and all its agremiations. They always found an administration that understood their problems, their statistics, and their risks and that was always committed to finding solutions.

Leadership: The Role of a Commander in Chief

The final example that I want to share has to do with the role that a civilian commander in chief has to play in a democratic society. As president I had the privilege of witnessing the bravery of young soldiers who dedicate their lives to defend freedom, and who, day after day, give us the opportunity to experience a stronger democracy. In a world where our nation is praised internationally, I must recognize that the personal engagement of the presidency, motivating the troops and taking responsibility in times of crisis, is pivotal to give our soldiers and policemen the inspiration and commitment to achieve results.

Another important role of the commander in chief is as a mediator between military forces and civilians. In order to create the right checks and balances for the operation of military forces, the government must be able to allow public scrutiny. That is why we permanently organized security councils where our officials shared their presentations (always full of impressive success graphics) with the public in order to confront facts and perceptions. That example created a bond between the population and security forces and contributed to the trust that Colombian citizens have in their armed forces today.

Final Thoughts

I strongly believe that a vibrant democracy requires security, freedom, social cohesion, independent institutions, and public participation. During 2002 to 2010, Colombia experienced a silent transformation turning into a fertile ground for investors, entrepreneurs, intellectuals, artists, tourists, and many others, thanks to the consolidation and implementation of these values.

We are a nation that believes in and applies the values of liberal democracy, free market, and liberty as the essence of progress. Instead of crisis, our nation is finally faced with great opportunity, and the Colombian people are committed to continue to work hard to guide the new generations through a blooming path of hope and opportunity.

I'm often criticized for raising my voice and remaining in the public discussion arena. Some suggest that I should retire and follow the example of other former presidents

who silently take a seat in the crowd.

It took a monumental sacrifice on behalf of our entire nation to leave the vicious cycle of chaos and hopelessness to build a new destiny. My duty as a citizen is to fight every day, hand in hand with my fellow Colombians, to prevent the return of terror and distrust. I have chosen to undertake this task by creating a nonprofit university to form new leaders; supporting a new generation of civil servants to reach local and national office in defense of the communitarian state, and continuing the constant dialogue with members of all our communities.

The role of a man that has been honored by the people to reach high office must always be to serve democracy, without any privilege different than the right to defend its ideals.

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COLOMBIA'S BEST SHOT AT PEACE

Juanita Leon



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The leftist FARC, or Revolutionary Armed Forces of Colombia, has been at war with the Colombian government since the 1960s, making it the longest-running insurgency in Latin America. There have been sporadic attempts at peace since the 1980s. The last attempt fell apart in 2002. Then-President Andres Pastrana ceded an area the size of Switzerland to the guerrilla group but ended negotiations after rebels launched a series of attacks across the country in an apparent bid to strengthen their position.

Following a decade of intense U.S.-backed military operations against the guerrilla organization, Colombian President Juan Manuel Santos began yet another attempt to end the country's conflict. At the end of 2012, the government entered into negotiations with FARC, which is the oldest and strongest guerrilla organization in the country. The talks aim to end five decades of an armed conflict that has killed an estimated 600,000 people in Colombia, according to the BBC News.

This process has a better chance of success than previous ones for several reasons: it was not the result of a campaign promise; it has clear rules and a feasible agenda that was negotiated in secret for more than a year and a half and spelled out in an agreement framework; and it is explicitly aimed at ending the armed conflict. That is, FARC accepted a term that would have it give up arms at the end of the process, something that this group has never accepted in writing before. The internal and external conditions favor a negotiation.

On the one hand, Cuba, which is the country hosting the negotiations and which has influence over Venezuelan President Hugo Chavez and FARC, is pushing for a peace agreement. These negotiations give Cuba a new positive international role that could eventually help to improve its standing with the United States. For President Chavez, the single most influential person over the guerrilla, it is more convenient to have FARC advancing his Bolivarian revolution through democratic means than acting as an armed guerrilla. His own political success plus that of Ecuadorian President Rafael Correa, Nicaraguan President Daniel Ortega, Bolivian President Evo Morales, Uruguayan President José Mujica, and Argentinian President Cristina Kirchner have convinced him and FARC that there

is a true political opportunity for the left in the continent and that FARC has to seize the moment because the left in Colombia has no political chance as long as the guerrillas exist. And lastly, the Obama administration's decision to end the war on terrorism and the war on drugs has created some room to negotiate with this guerrilla without it being branded as part of the "axis of evil."

At the domestic level, FARC and a good part of the establishment have come to the conclusion that in order to win the war each side would have to intensify the military struggle in a way that would be too costly for both of them.

The guerrilla organization did not find the land-to-air missiles that would have neutralized the military superiority of the government's armed forces, and in less than a decade, FARC also lost half of its secretariat. For the establishment, the near end of the U.S.-backed Plan Colombia means that it, alone, would have to fund any strengthening of the armed forces with uncertain results. For the establishment, it is cheaper to sign an agreement with FARC.

Moreover, the economic elite knows that it is impossible to compete internationally in the mining and large agribusiness sectors—the two new engines of the Colombian economy—if the guerrillas are extorting companies.

decades. The discussion revolves around two big issues: an ambitious rural reform and a law project to allow FARC to participate in politics through democratic means.

So far, only the first issue has been discussed. Although the conversations are confidential, FARC leaked its agrarian reform proposal to the media. It surprised everyone because it was not that distant from President Santos's government promises. It advocates for the end of large, unproductive estates; for an ambitious investment program in social development and rural infrastructure; for restrictions on foreign investment in land; and for the creation of special food production zones to guarantee food autonomy for Colombia.

If a peace agreement is brokered, Colombia will not only put an end to the armed conflict with FARC but will address a historical debt with the rural country. According to the last official report, 46.1 percent of Colombians in rural areas are poor, which is 13 percentage points above the national average.

Rural development is impossible if, at the same time, the problem of drug crops, specifically coca, is not addressed. If coca crops persist, and FARC demobilizes, another armed group will likely take its place since this illegal business needs an illegal regulator. FARC has proposed to legalize the

The economic elite knows that it is impossible to compete internationally in the mining and large agribusiness sectors—the two new engines of Colombian economy— if the guerrillas are extorting companies.

The Terms of the Agreement

According to the agreement framework, the goal of this negotiation is to create the conditions necessary to put an end to the armed struggle that has existed for more than four

coca crop, which is also in accordance with a recent proposal made by President Santos's minister of justice.

Even if coca crop legalization is not the final solution, from the negotiation table in Cuba an agreement has surfaced to make

FARC an ally in combating this first and weakest link in the drug chain.

The political benefits of this rural transformation would, of course, be reaped by FARC. Although this has not been agreed to yet, it is easy to anticipate that the demobilized guerrillas would “coordinate” this investment in their areas of influence. This would help to consolidate their political power in these regions, which they would likely then try to turn into votes in the 2014 legislative elections and, specially, in the 2015 local elections.

Because the whole goal of the process is to pave the way for FARC to advance its revolutionary program through democratic means, the second big issue of the negotiation is the group’s political participation.

During his first year, when he was already having secret talks with FARC, President Santos passed through Congress a constitutional reform that allows the attorney general to select some crimes and ignore the rest of an armed group’s in the context of a peace process. A new law has yet to be passed defining the criteria for this selectivity.

This law is a fundamental component of the peace process. Since it can only be discussed by Congress once a peace agreement has been reached, the government expects this to happen as late as July of 2013. If it happens afterward, it is unlikely that Congress would pass such a controversial law before legislative elections in March 2014.

The discussion of this law will be tough. Granting guerrillas some sort of amnesty (even if it is moderated by alternative penalties, reparation measures for victims, and some amount of truth) is not easy.

As cited in a 1 April 2011 *El Espectador* article, according to Fundación País Libre, a nongovernmental organization specialized in attending to kidnapped victims, between 2002 and 2011, FARC kidnapped 2,678 people. In its more than forty-year war, FARC has killed, maimed, and forcefully recruited and displaced thousands of Colombians. It calls itself the “Army of the People,” but according to the most recent poll, nine out of ten Colombians despise the group.

This discussion will be particularly tough because, as Ivan Marquez, chief FARC negotiator, made clear during the inauguration of the peace process, members of FARC consider themselves victims of the establishment—not perpetrators. They do not believe in a transitional justice either. They will not accept jail time. That will be the biggest hurdle.

In Colombia, very few things happen as they are planned. But if this process were to be the exception to that rule, the implications of a successful peace negotiation for democracy would be huge.

On the one hand, as I already explained, this process is the biggest opportunity that Colombia has had to “conquer” and develop the rural country and to close the inequality breach between rural and urban Colombia.

If tempted by the possibility to coordinate these rural development plans, FARC feels encouraged enough to turn to politics and “combat” the establishment through democratic channels, and if they are not killed in doing so, they can become an important opposition force in a country where a strong legal opposition is very much needed.

The left has never had a chance to be a real alternative to power; it has been difficult to dissent in Colombia without being stigmatized as a guerrilla collaborator. If the guerrillas give up arms, the left will have an opportunity to follow in the steps of the rest of Latin America.

An end to the armed conflict with FARC will not necessarily bring peace to Colombia. Paramilitary groups, now by the name of Bacrim, still exist. The Ejército de Liberación Nacional (ELN), another guerrilla group, has not been incorporated in the negotiations. Organized crime linked to drug dealing is getting stronger.

Nonetheless, the more than forty-year fight against FARC has been a centrifugal force that has taken away energy, imagination, and resources from everything else.

PALAS POR PISTOLAS

Art as a tool for social change

Ana Paola Cueva Navarro



FROM GUADALAJARA, Mexico, Ana Paola Cueva Navarro graduated from Harvard University in 2007 with a bachelor's degree in government and is currently pursuing a master's degree in international relations at the Harvard University Extension School. She is a program advisor at Harvard's LASPAU, Academic and Professional Programs for the Americas, where she has worked for the Organization of American States, the government of Colombia, and the U.S. Department of State through its Fulbright Scholarship program. Her professional experience includes an

internship at former Senator Edward Kennedy's office, collaborations with multiple political campaigns, varied roles at Harvard's Cultural Agents Initiative, and working with the Women in Informal Employment: Globalizing and Organizing (WIEGO) group.

“When I feel trapped, I ask myself, what would an artist do?”

— Antanas Mockus, Colombian politician,
mathematician, and philosopher

Art is a marker of social, economic, and political growth. When a society has evolved in any of these areas, art usually flourishes along with them. Similarly, if a society is in need of a transformation in any of these realms, it should invest in art, and a change will ensue.

Art is a powerful agent of change. It can be used to mediate conflicts, start dialogues, begin social movements, and give power and identity to the oppressed. Art crafts democracies. A perfect example of this “active art” is *Palas por Pistolas*, or *Shovels for Guns*, the work of Mexican artist Pedro Reyes. His piece was created by literally converting instruments of violence into tools used to engage citizens and help them imagine a transformation of their realities.

Mexico, Defining the Problem

Drug trafficking has become a social drama in Mexico, as well as the most successful business. One cartel alone can make up to \$3 billion a year in profits, comparable to the earnings of the likes of Netflix and Facebook (Radden Keefe 2012). Together with trafficking, violence has grown rapidly and uncontrollably as criminal groups have become more organized; the

cartels have also become conduits for human trafficking, kidnapping, and extortion. It has been estimated that more than 50,000 people have died as a result of the war on drugs from 2006 to 2012 (Radden Keefe 2012).

Harvard Business School Professors Aldo Musacchio and Noel Maurer have proposed that the only way they envision the drug trafficking problem in Mexico being resolved is either by militarizing Mexico, as was done in Colombia, or making a deal with the cartels like Mexico's PRI party used to do (Musacchio and Maurer 2010). The unfortunate reality is that, indeed, drug trafficking is an issue with complex and deep international roots. The Mexican government alone cannot resolve the drug problem as long as consumption/demand in the United States remains high and the latter fails to regulate its gun control laws. As President Felipe Calderón urgently pointed out to the U.S. Congress in an official visit in 2010, up to 80 percent of the weapons used by Mexican drug cartels can be traced back to the United States (Sheridan 2010).

Many approaches have been explored as solutions for combating the cartels and their drug lords, or "narcos," and the devastating violence that results from their dealings. However, there is one approach in particular that I would like to entertain: society must be shaken up and empowered through innovative interventions. Art gives individuals the opportunity to consider new possibilities; it creates a space for citizens to imagine a better reality. Mexican society needs to experience a dramatic change and start reclaiming its country through innovation and art.

Palas por Pistolas

Palas por Pistolas started in the city of Culiacan, which is the capital of the state of Sinaloa in Northwestern Mexico. Sinaloa is among the twelve states with the highest rates of violence in the country, accounting for 90 percent of the overall drug cartel-related executions. Furthermore, Culiacan is among the four municipalities, out of 456 in the whole of Mexico, that represent 36 percent of drug-related executions (Guerrero 2010).

Palas por Pistolas was born in 2008 in the midst of this dilemma as well as in the middle of one of the biggest increases in violence registered in Mexico in decades (Guerrero 2010). Culiacan's botanical garden was commissioning artists to do projects in its space, and Pedro Reyes decided to contribute. Palas por Pistolas is a participative piece that started with an invitation to the citizens of Culiacan to surrender weapons they owned in exchange for a coupon to be redeemed for appliances and electronics.

According to information on Reyes's Web site, a total of 1,527 weapons were collected. Out of that number, 40 percent were semiautomatic weapons, used exclusively for military purposes. Such weapons were taken to a military camp and destroyed with a steamroller in a public event—an act of protest and social engagement. The remains were melted and shaped into 1,527 shovels. These tools were made with the story behind their making engraved in their handles and were used to plant 1,527 trees in the region—an act celebrating the metamorphosis of an "agent of death into an agent of life," as written on Reyes's Web site. The shovels have been traveling since they were created and have been used to plant trees around the world in places like Paris, Vancouver, Colorado, Boston, and Washington, DC, where a tree was planted at the headquarters of the Organization of American States.

Introducing Pedro Reyes

Pedro Reyes is a contemporary Mexican artist, trained as an architect, who has dedicated his career to using art to create opportunities for people to understand issues in different ways and imagine new possibilities. In a 2006 interview for *BOMB* magazine, Reyes was defined in the following manner: "Reyes is an idealist: he lives and works thinking of ways to improve the world" (Cuevas 2006). That statement has proven to be true, as I found out in my own interview with Reyes on 14 April 2011, when he defined himself as "an artist who is always becoming, who makes labels work for him."

Reyes's art is a perfect vehicle for the transformation that Mexico needs to endure. Palas

por Pistolas is a piece that presents the viewer with shovels to be used to plant trees and is called art. Reyes's approach has its antecedents in the work of Joseph Beuys, an artist-activist who was a master of postcolonial performance art. Beuys embraced the mystic; as a performer, he believed in the healing power of art. He lived through a nearly fatal experience during World War II, from which a nomadic group called the Tatars rescued him. The Tatars used natural healing methods and elements, such as animal fat and felt wrappings, to nourish the artist back to health. Beuys was forever marked by this gesture and continued acknowledging this transformative event throughout his life by using or representing felt and fat as agents of healing in his performances.

Additionally, there are two other major influences on Reyes's work: former Bogota Mayor Antanas Mockus's approach to violence through innovative solutions and Chilean writer Alejandro Jodorowsky's concept of healing and transformation through rituals. *Palas por Pistolas* is a manifestation of these artists' influence on Reyes. Reyes created a piece that, by shocking the conventional ways to mitigate violence, allowed people to participate in the metamorphosis of an agent of destruction into an agent of life.

Palas por Pistolas has three dimensions: participation/protest, destruction, and transformation. By inviting citizens to surrender their weapons and allowing them to gain something material (appliances) out of it, they feel a change taking place right away. Starting from the very beginning, they feel empowered. Publicly destroying the weapons is an act of civic engagement, a protest, and a collective release of frustration. The healing through this transfiguration continues with the melting of the weapons and their reemergence as shovels, tools that redefine their new purpose as agents of life by being used to plant a tree. The tree continues living for the dead and exists as a result of civic participation, the transformation, and the release; it is an entity that embodies the possibility of a new reality.

Palas por Pistolas has all the components needed to instigate a shift in conscious-

ness. Art serves as an outlet to groups going through traumatic events, giving them a chance to regain and reshape their identity. Just like other traumatic situations faced by a group, such as war or slavery, Mexican society has been scarred, and lately defined, by the violence and instability that has resulted from drug trafficking. As Jean Fisher states, "however seemingly distant the traumatic event may be, it does not cease consciously and unconsciously to frame the cultural identity and memory of its contemporary survivors" (2008, 192).

Is *Palas por Pistolas* Effective?

It would be naïve to claim that art alone will solve the drug cartel problem in Mexico. The intent of this article is certainly not to make such a statement. The aim is rather to make a case for art as a tool to create a space where transformation can occur. Art and innovative interventions serve as a prompter for a change in perspective in the mentalities of institutions, citizens, and I dare say, even in cartels.

Other methods have not worked, and even government officials have stated that this problem can only be solved if a transformation takes place from the inside out, starting from within Mexican society. In my 20 April 2011 private conversation with Alejandro Poiré, who later became Mexico's secretary of the interior, he asserted that when it comes to violence and the war on drugs, "the change has to come from society and from within the country's institutions."

Art can easily be dismissed as an instru-



ment unable to yield tangible results. Statistics cannot back up—just yet—the effectiveness of Palas por Pistolas as an agent of social change. However, it is important to consider that numbers can fail to reflect the very relevant transformation that is indeed taking place. As Doris Sommer and Andrés Sanín state, “pragmatists know that data [about art in this case] are not enough to make an argument, because hard facts do not exist unless we notice them, and noticing depends on culturally constructed expectations” (2010, 12).

The most important change cannot be measured with numbers. What has resulted from this work of art proves this point. Although violence in Culiacan has indeed diminished since the piece’s inception, we do not know for certain if it was in direct result of Palas por Pistolas. The more tale-telling result, however, is



what the work has come to be: Palas por Pistolas has grown to be an organization sponsored with private funds that will continue empowering people by planting trees with the shovels made out of guns. According to its Web site, its latest goal is to plant trees in both the United States and Mexico in a bilateral effort to promote awareness about drug- and gun-related violence on both sides of the border.

Mexico is thirsty for change. An artistic intervention such as Palas por Pistolas is giving people the opportunity to participate, be shaken up, and imagine, even for just a moment, that violence is over. As Sommer and Sanín have poignantly asserted, “the function of art is to intervene in order to upset conventional patterns, to create surprise in situations that had seemed familiar and unremarkable. Interventions refresh perception as well as

one’s performance in society” (2010, 13).

Conclusion

Pedro Reyes’s Palas por Pistolas is a very effective example of art as a tool of social change in Mexico. His innovative art is creating a space where hope is growing strong. Further examination is unquestionably needed to determine the quantifiable results of Reyes’s work. There is, however, instant success in that citizens have been able to participate in seeking a solution, healing, and imagining a different future. There is also long-term success in the creation of a new organization that continues expanding the message and the effects of Palas por Pistolas. This initiative unequivocally demonstrates that hope is rising in a more democratic Mexican society and spreading to others. Palas por Pistolas represents the process that Mexico itself is going through—a transmutation through destruction and more importantly through the use of innovation and imagination. This is process that Reyes rightfully calls “social alchemy.”

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SECTION 3

Economic and Social Development

Countries in Latin America and the Caribbean (LAC) have recently taken important steps toward economic consolidation, and as a result, many social indicators have also improved. While the region currently exhibits the lowest poverty rates in three decades, it still faces important challenges: 167 million people live below the poverty line (including 66 million homeless), inequality and gender discrimination remain unacceptably high, and progress has not occurred uniformly (some countries lag behind in social indicators). Moreover, the region needs to manage its natural resource wealth in a more sustainable and financially stable manner. These issues continue to hinder the ongoing process of democratic consolidation. LAC countries need to address these challenges if they are to take full advantage of the region's buoyant labor force and recent economic progress.

In this section, Elia De la Cruz Toledo looks at the gender wage gap in Latin America and the Caribbean; Carlos Goedder explores the role of natural resources; Agustina Schijman and Guadalupe Dorna focus on mapping a better future for migrants in Buenos Aires City; and Marcos Fioravanti examines the importance of water and sanitation as tools for survival.

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THE GENDER WAGE GAP IN THE LATIN AMERICAN AND CARIBBEAN REGION

Elia De la Cruz Toledo



ELIA DE LA CRUZ TOLEDO is currently a third-year PhD student in social policy at Columbia University's School of Social Work. She holds a bachelor's degree in economics from the Instituto Tecnológico Autónomo de México and a master's degree in public administration from Columbia University's School of International and Public Affairs. She has worked as an intern at different international organizations such as the International Labor Organization and at the Inter-American Development Bank. She is currently working as a research assistant to Professor Ronald Mincy on the impact of the recession on families' welfare. Her fields of interest are labor and gender economics particularly, but not exclusively,

in Mexico. Her dissertation work is focused on female employment, the measuring issues of the gender wage gap, and the effectiveness of public policies that encourage mother's participation in the labor market in Mexico.

Abstract:

More than seventy million women in Latin America and the Caribbean have joined the labor force since the 1980s. However, significant gender wage differences persist in the region. At least three hypotheses could explain this phenomenon. First, a significant share of women prioritize job flexibility over career advancements to combine home and market activities. Second, women are, on average, less aggressive in the job market and this tends to inhibit women's potential earnings. Third, women enroll in more lucrative majors at lower rates than men. Women's economic and political participation strengthens democracy and fosters growth. Thus, governments should improve women's bargaining position in the labor market.

Women's labor participation has increased steadily in Latin America and the Caribbean (LAC) over the last few decades. More than seventy million women have joined the labor market since the 1980s (Chioda 2011; Ñopo 2012). Since

the beginning of the 1990s, the proportion of active, working-age women increased from one-half to two-thirds (Ñopo 2012). Unfortunately, there are still significant gender differences in wages and job security in almost all the countries of the LAC region. Juan Pablo Atal, Hugo Ñopo, and Natalia Winder (2009) found that, after controlling for observable demographic and job-related characteristics, there is an average unexplained wage differential between men and women of 19 percent. Results range from a statistically insignificant gap in Ecuador to a 28 percent gap in Nicaragua (see Table 1). According to the International Labor Organization, on average, women in the region need four more years of education than men to earn a greater income and two years more than men to earn about the same income and have the same opportunities for advancing (Abramo and Valenzuela 2006).

There are several explanations that can shed some light on the persistence of gender wage disparities in LAC (see Atal et al. 2009 for a Latin American country-by-country literature review). This article explores three hypotheses based on the following facts and their relevance in the most recent literature (Bertrand 2010; Goldin and Katz 2011; Ñopo, 2012): First, the increase in female labor force participation has been driven by married and cohabiting women and by mothers who, on average, prefer flexible jobs (Atal et al. 2009). Second, more recently, advances in psychology and experimental literature have stressed the importance of psychological and behavioral factors (e.g., risk preferences and attitudes toward competition) in determining gender wage differentials (Fortin 2008; Bertrand 2010). And third, the gender educational attainment gap in LAC has reversed from being male-dominated to female-dominated; moreover, largely equal rates of enrollment among

LAC's boys and girls from six to eleven years of age (with exceptions in countries with large indigenous populations like Guatemala, Belize, and Bolivia) have increased girls' probabilities of enrollment in secondary and tertiary school (Chioda 2011). Despite these facts, women hold, on average, a lower share in the more lucrative professions (Ñopo 2012). Other hypotheses, widely studied in industrialized countries, that aim to explain the gender gap in earnings, but that are not explored in this article include: the "motherhood penalty" (i.e., a decrease in wages for loss of job experience while having a child); gender differences in preferences for types of jobs (i.e., field and workload); and statistical discrimination by gender (i.e., when an employer discriminates against a woman based on the average characteristics of other women) (Altonji and Blank 1999; Budig and England 2001; Niederle and Yestrumskas 2008; England 2010).

It is important to acknowledge that the LAC region has achieved great gender parity in education, health, and politics over the last few decades, especially when compared to other regions of the developing world. However, such gains have not necessarily improved women's condition in the labor market at the same pace (Chioda 2011). Thus, it is key to understand the dynamics of the gender wage gap to promote structural changes that provide long-term solutions to gender inequality in the labor market.

The first hypothesis is that in order to combine home and labor market activities, women tend to prioritize workplace flexibility. Hugo Ñopo (2012) found that, in Colombia, a man works, on average, forty-eight hours a week, while a woman works forty hours per week. Once household chores are accounted for, women work a total of seventy-two hours per week, while men work sixty-one hours per week. Thus, while

Unfortunately, there are still significant gender differences in wages and job security in almost all the countries of the LAC region.

women's working hours in the labor market are below that of men, the overall number of combined hours (home and market) tend to be, on average, higher for LAC women. Additionally, in Latin American countries, women are over represented in the informal labor market, and they are more likely to be self-employed (Brown et al. 1999; Pagán and Ullibarri 2000). In the region, one out of every four women works in the informal market; the ratio for men is one out of ten (Ñopo 2012). These types of job are, on average, low-paid, unstable, and do not generate sufficient incentives for human capital investments from either the employers or the employees. An additional problem is that if gender earnings differentials reinforce

the division of labor within the household, this will potentially create a self-fulfilling feedback mechanism (Albanesi and Olivetti 2006). This means that if, for instance, a wife earns a lower wage than that of her husband, the stream of future foregone wages relative to his would be lower, thus it would be “less costly” for her to invest more time in home activities and spend less time (or invest less) in the labor market.

The second hypothesis is that women tend to be less aggressive in the job market, and this inhibits women's potential earnings and job trajectory. There is a large body of experimental literature that has tested gender differences in attitudes on negotiation, risk taking, and performance (Gneezy et

Table 1—The Unexplained Gender Wage Gap in Latin America

Argentina	10.8% *
Bolivia	17.8%
Brazil	26.4% *
Chile	13.1% *
Colombia	7.3% *
Costa Rica	17.9% *
Dominican Republic	23.9% *
Ecuador	5.6%
Guatemala	17.7% *
Honduras	24.2% *
Mexico	15.3% *
Nicaragua	28.4% *
Panama	10.4% †
Peru	23.5% *
Paraguay	6.9%
El Salvador	11.3% *
Uruguay	23.4% *
Venezuela	12.3% *
Latin American Average	19.5%

Source: Adapted from Atal et al.'s (2009, 23) calculations using Household Surveys circa 2005.

Controls include age, education, presence of children in the household, presence of other income earner in the household, region, part-time employment, employment in the formal sector, occupation, economic sector, type of employment, and small firm percentage.

Statistical significance: * $p < 0.01$ † $p < 0.05$

al. 2003; Gneezy et al. 2009; Niederle and Vesterlund 2007; Niederle and Vesterlund 2008; Manning and Saidi 2010; Säve-Söderbergh 2009). Catherine C. Eckel and Philip J. Grossman (2008) found that women in general have higher levels of risk aversion and that men choose, on average, riskier gambles with higher expected payoffs. Risk aversion can explain women’s compensation choices in competitive environments (Gupta et al. 2005). In addition, Linda Babcock and Sara Laschever (2003) hypothesized that women are also less likely to initiate negotiations and to bargain. Thomas Dohmen et al. (2009) found that gender has a significant effect on one’s self-assessed willingness to take risk. Uri Gneezy et al. (2003) argue that a gender gap in competitive settings can be attributed to women’s relative failure to perform at a high level when competing against men. Authors also find that women perform

as well as men in competitive settings if groups are single sex. Muriel Niederle and Lise Vesterlund (2007) found that men overestimate their performance in competitive environments and that this gender gap in overconfidence explains some of the gender differences in compensation choice. Jenny Säve-Söderbergh (2009) observed that a pool of Swedish women, when asked, submitted lower wage bids, compared to men, and consequently received lower counteroffers. Niederle and Alexandra H. Yestrumskas (2008) explored the importance of self-assessment, risk taking, and performance among Stanford University students. The study was developed as a laboratory experiment with tasks that required solving “easy” and “difficult” paper mazes in a ten-minute period, linked to specific compensation schemes. They found that men chose the more difficult tasks 50 percent more often

Table 2—Top-Paying Occupations in Latin America, circa 2007

For all occupations in each country, Average monthly earnings = 100

Sorted by average monthly earnings, from highest to lowest

Occupation	Share of Women	Average Monthly Earnings)		Gender Earnings Gap
		Women	Men	
Directors and Chief Executives	28%	333	626	88%
Architects, Engineers, and Related Professionals	18%	342	553	62%
Legal Professionals	37%	351	431	23%
Health Professionals (Except Nursing)	43%	289	453	57%
Computing Professionals	17%	233	409	76%
Senior Government Professionals	29%	289	404	40%
Business Professionals	46%	272	427	57%
Production and Operations Department Managers	32%	310	369	19%
Other Department Managers	37%	302	378	25%
Physicists, Chemists, and Related Professionals	43%	229	351	53%
Average	33%	302	479	58%

Source: Adapted from Nopo 2012; Household surveys across different Latin American countries for different years: Bolivia, 2009; Chile, 2009; Ecuador, 2006; Honduras, 2007; El Salvador, 2009; Uruguay, 2007; and Paraguay 2006.

compared to women. More strikingly, in this experiment, high-performing women chose the difficult tasks less often than low-performing men. The authors concluded that the difference in choices could be explained by gender differences in risk aversion, confidence, and uncertainty about one's ability to perform in more challenging tasks.

Juan-Camilo Cárdenas et al. (2012) tested gender differences in competitiveness and risk taking through four tasks linked to gender stereotypes for children nine to twelve years old from Colombia and Sweden, separately. Results showed that boys and girls performed equally in three (i.e., mathematics, word search, running) out of four tasks in both countries. However, boys consistently took higher risks than girls in both countries, but the differences were larger in Colombia than in Sweden. The bottom line is that in the long term, these differences in risk-taking attitudes lead to divergent professional careers and to the reinforcement of the gender wage gap.

The third hypothesis is that, on average, women are still underrepresented in the most lucrative professions when compared to men. According to data from the United Nations Educational, Scientific and Cultural Organization (UNESCO), in Argentina, Brazil, Chile, Colombia, Ecuador, and Uruguay, college enrollment was larger for females (60 percent) than for males (40 percent) in 2008. In that same year, only 30 percent of women were enrolled in engineering, manufacturing, or construction-related programs, while 71 to 73 percent of the enrolled women were majoring in the fields of education, health care, and sociology (Ñopo 2012). Thus, it is possible that a low proportion of women enrolled in more lucrative majors (i.e., those with higher average mean earnings post graduation) generates a low proportion of women in high-paying positions (see Table 2). This pattern could be explained by the large up-front investment (e.g., measured in time and resources) required for careers in law, medicine, or engineering during women's most fertile years (Goldin and Katz 2002).

Women provide a crucial source of income and family support, therefore an increase in working women's standard of living could result in less stress for children, families, and governments. Research illustrates a strong negative correlation between female employment and poverty rates. Thus, further supporting the participation of women in the labor market would have an equalizing effect on income disparity (Hoynes et al. 2006). The United Nations Economic Commission for Latin America and the Caribbean (2010) reported that, in 2008, poverty in the LAC region would have been 10 percentage points higher in urban areas and 6 percentage points higher in rural areas had women not increased their labor participation. Thus, it is important to understand the conditions that improve women's bargaining position in the labor market and to foster policies that encourage women's participation on equal grounds with respect to men. An overall improvement in the gender wage gap could increase labor participation of women even further. As the former President of Chile Michelle Bachelet (2012) pointed out, women's economic and political participation strengthens democracy, equality, and the economy. Without the capacity to generate their own income, LAC women face considerable barriers in reaching the higher levels of autonomy needed to get involved in high-powered positions or in the political life of their countries, missing out on the advantages and advances of democracy in Latin America.

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NATURAL RESOURCES

From Curse to Blessing in Latin America

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Abstract:

A line of thought suggests that there exists a “natural resources curse,” which keeps commodity exporters away from economic and social development. Some arguments to justify this damnation are weak: diminishing trend in commodities prices or absence of “learning by doing” in the commodities sector. More interesting explanations are related to the institutional framework. This article proposes that, though the desirable initial condition is a good institutional framework, it is always possible to create national institutions to avoid procyclical fiscal policy, Dutch disease, and growth volatility. Chile and Canada offer remarkable examples. This “institution technology” is key to reinforcing democracy.

A challenge to democratization in Latin America is the management of one of its main endowments: its natural resources. Most of the countries in the region have a strong presence in extractive industries—oil and mining—and agricultural exports. It is not quite clear if this wealth in natural resources has been beneficial to economic development and democratization at all.

A Review of the Natural Resources Curse

A survey on the main links between economic performance and natural resources endowment is offered by Jeffrey A. Frankel (2010). He identifies six explanations for the natural resources curse, a term proposed by Richard Auty in 1993 to describe the absence of proper economic growth and development in countries with a broad base of natural resources. This is not a general law; there are heavy commodity exporters that have suc-

cessfully pursued economic growth including Canada, Australia, New Zealand, Chile, and Botswana. However, statistical regression of the rate of economic growth against natural resources endowments does not offer a positive correlation; the latter is usually measured as the proportion of commodities on exports or the size of their contribution to the gross domestic product (GDP).

Frankel (2010, 4) uses the following six arguments to explain this dubious performance:

1. Secular decline of the prices of commodities on world markets
2. Crowd-out of manufacturing
3. Volatility of commodities price
4. Ownership of the natural resources by the government or private elite
5. Proclivity to armed conflicts to win the control of natural resources
6. Swings in commodity prices that could engender excessive macroeconomic instability, via the real exchange rate and government spending, imposing unnecessary costs

to be more profitable? Are careers specialized in natural resources such as engineering scarce? If these hypotheses were valid, then extractive industries would be working in the same manner today as they were centuries ago. As Frankel (2010, 14) explains, "Some countries have experienced tremendous productivity growth in the oil, mineral, and agricultural sectors. American productivity gains have been aided, since the late 19th century, by public investment in such knowledge infrastructure institutions as the U.S. Geological Survey, the Columbia School of Mines, the Agricultural Extension program and Land-Grant Colleges."

The argument about volatility in commodity prices and its impact on socioeconomic performance is indeed attractive. A clear example is the oil industry. John Murray (2010, 5) points out that crude oil exhibited around 10 percent annual price volatility in 2000 to 2009 (14 percent in 2008), twice the levels for agricultural raw materials and food and one-and-a-half times the level for metals. Venezuela, an oil exporter, is a good illustration: 95.2 percent of exports are oil

The collapse of the Venezuelan bipartisan system between 1983 and 1997 and the rise of Hugo Chavez in 1998 occurred in a time of high volatility in growth and oil prices.

Frankel considers these explanations and concludes that some theories are weak. One example is the argument that commodity prices tend to decrease over time, which was championed by the Argentine economist Raúl Prebisch. The trend on prices, however, depends on the period under study, and long-term prices usually show reversion to the mean (Frankel 2010, 4-9). The absence of learning by doing in the commodities sector also has no clear support. It is counterintuitive: Do private oil and mining companies fail to invest in research and development or improve their techniques

or oil-related, according to the Economist Intelligence Unit (Economist n.d.), and oil represents 11.6 percent of GDP according to the Venezuelan Central Bank (Banco Central De Venezuela n.d.). The collapse of the Venezuelan bipartisan system between 1983 and 1997 and the rise of Hugo Chavez in 1998 occurred in a time of high volatility in growth and oil prices. Claudio Paiva (2010) offers a good comparison of Venezuelan growth performance against other oil producers and emerging markets (see Table 1). Oil price, as measured by the average price for the Organization of the Petroleum Exporting Countries

(OPEC) basket (Venezuela is part of OPEC), fell from levels above and around USD 30 in 1981 to 1985 to USD 13.53 in 1986 (a 50 percent drop in just one year), and then only surpassed USD 20 in 1990 and 1996. In 1998, when President Hugo Chavez won his first term in office, oil was at a record low of USD 12.28, the lowest price since 1980 (Universidad Central de Venezuela 1999).

An economic phenomenon related to oil exporters is the “Dutch disease,” which refers to the appreciation of the real exchange rate, moving resources away from other exporting industries and rising prices of non-tradable sectors (e.g., real estate and services). When wrong expectations about a long-term rise in oil prices settle, these symptoms exacerbate.

Institutions: The Key Element

Another critical element considered by Frankel is the role of institutions.

The importance of institutions for economic performance has one of its main expositors in the Nobel Laureate Douglass North (1993). A revival has taken place in 2012 with a book by Daron Acemoglu and James A. Robinson (2012). They refer to inclusive political institutions, that is, institutions that are “sufficiently centralized and pluralistic” (Acemoglu and Robinson 2012, 135). These authors study how the abundance of natural resources influences the political design and rise of institutions. The Spanish colonies in Latin America, for example, built extractive systems, exploiting the enormous natural resources endowment and indigenous labor. This led to the concentration of power on elites that thrived by keeping majorities powerless and oppressed (Acemoglu and Robinson 2012, Chapter 1 and 3). Rule of law, peaceful coexistence, and political representation were essentially absent under this arrangement.

Stanley L. Engerman and Kenneth L. Sokoloff (1994, 18) also compare the performance of American Spanish and British colonies and point out the differences in institutional frameworks related to land and

immigration policy and trade regulation. The institutional framework built around oil exploitation is a good example of how socioeconomic performance interacts with institutions. Rafael Di Tella et al. (2008) discuss how individual initiative may hinder development due to oil abundance. These authors consider three models of how political preferences may turn left-wing when people perceive that it is more a matter of luck than of work to become rich in such economies: the charity model (people feel richer and want to increase the amount of money they give to the poor); the efficiency model (output in the oil industry is primarily driven by luck rather than effort and is less sensitive to taxes than output in the manufacturing industry, hence, efficiency dictates that taxes in the oil industry should be larger); and finally the fairness model (oil dependency increases the perception that unfairness prevails because it generates income that is not tied to effort or talent) (Di Tella et al 2008, 3).

Under the effort elasticity of income concept, the oil sector demands less additional effort when compared to other industries to generate a percentage rise in marginal income. Economists would say “that the effort elasticity of income in the oil sector is smaller (or is perceived to be smaller) than in the non-oil sector” (Di Tella et. al 2008, 5). This sort of perception may add fiscal pressure in the commodities sector and lower general investment in other sectors with less return. The distributive problem sets in the political agenda. Wealth and welfare seems to be given by default in oil-rich societies—a clear misperception.

A Venezuelan author, Asdrúbal Baptista, offers valuable insight into a differentiating element in oil economies: the importance of the land factor, which is usually ignored in current economic discussions. Only labor and capital are considered. The rents obtained from land generate an institutional problem because land and its products—including oil and minerals—are a given resource, not generated by human labor or investments. When the state takes ownership

Table 1—The annual GDP growth for oil exporters is roughly more volatile than that of other emerging markets. Venezuelan growth is behind its peers, and its volatility is higher. It is also clear that the political instability since 1989 has economic links.

Year Lapse	Average GDP Annual Growth, percentage			Volatility of the Annual Growth Rate (standard deviation, in percentage points)		
	Venezuela	Oil Exporters	Emerging Markets	Venezuela	Oil Exporters	Emerging Markets
1951-59	8.4	N/A	N/A	3.2	N/A	N/A
1960-69	5.6	N/A	N/A	2.5	N/A	N/A
1970-79	5.2	6.3	5.6	2.6	2.9	1.2
1980-89	-0.1	2.4	3.8	5.3	0.8	0.8
1990-99	2.5	-0.3	3.9	4.2	3.7	1.3
2000-09	3.9	5.8	6.3	8.5	1.7	1.5

(Source: Based on Paiva 2010.)

of the subsoil and mines, as was the norm under Spanish colonial institutions and was maintained after independence, a “Rentistic Capitalism” takes place (Baptista 2010).

For the Venezuelan case, Baptista states (direct translation from the Spanish original):

This rent, indeed, is generated by international trade, and it is a transfer on behalf of the Venezuelan state obtained from the world market. Moreover, and now a quantitative element must be considered, its amount is remarkable when compared to the size of the national economy, thus conferring to the proprietary state a capacity of spending and financing that is also too big. Finally, the continual perception of this rentistic income by the state has extended many decades up to this point, and this is the reason why the social practice has necessarily turned this peculiar circumstance into an inherent and natural trace of the Venezuelan life. (Baptista 2008, 335)

Baptista estimates that, in the 1950 to 2005 period, the Venezuelan state obtained rent payments equal to 28 percent of all the potential income Venezuelan citizens might have generated on their own (2008, 335).

These lines of thought consider troubled institutions as a consequence of the abundance of natural resources. However, the

opposite causality may be built: in order to avoid the risks associated with a good endowment of natural resources, institutions can be created to handle them.

Building Institutions through Natural Resources

Natural resource abundance may indeed help to develop “institutional technologies” to deal with its associated troubles and challenges, such as price volatility, taxation, exchange rate, inflation, and distribution of income. Two cases offer immediate examples.

John Murray (2010) considers how Canada has managed the strong oil sector in the Alberta region. The oil boom in the 1970s was not precisely well-managed; the experience helped elucidate the dangers of an oil economy. The main lesson Canadian authorities learned was that “one of the most important things that policy makers can do is to avoid making the situation worse” (Murray, 7). The main issue is preventing the procyclicality of fiscal policies, that is, the rising of spending and indebtedness in boom times and their reduction under stress in the oil price. Henceforth, Canada has developed governmental saving funds to build

reserves in boom times, namely the Alberta's Stability Fund and the Alberta Heritage Savings Trust Fund. Another institutional development is a disciplined monetary policy, with a clear inflation target and a flexible exchange rate. Finally, Canada opted for structural reforms to liberalize markets in the non-oil sector. One example is removing interprovincial trade barriers.

Chile, a large copper exporter, is another good reference for dealing with natural resources abundance. José De Gregorio (2009) explains that Chile has followed a similar path of institutional learning. As a big nitrate exporter, this country had its golden era in exports from 1880 to 1930. What was the result of the nitrate boom? Public external debt rose from 28 percent of GDP in 1929 to 221 percent in 1932, and GDP fell 15 percent in 1930. A reversal in prices had no buffer to counterweight it.

Chile has now established a countercyclical fiscal policy. The fiscal balance is set according to the estimated long-term copper price, which is determined by an independent organism. Again, a "sovereign fund" saves money in the good times and only increases spending when copper prices have a clear long-term drop. This fiscal rule establishes a surplus in good times: 1 percent of GDP in 2001, and later a 0.5 percent and 0 percent balance after prices set a diminishing trend. And just like Canada, a floating exchange rate has been operating.

Frankel (2010, 31) highlights the Chilean experience and how the Bachelet government avoided the temptation of relaxing fiscal policy under the copper boom, given that Chilean independent experts established that the rise in prices did not have a lasting trend. The Fiscal Responsibility Bill of 2006 formalized this rule.

Frankel offers various creative mechanisms to deal with the dangers of natural resources abundance. In addition to hedging through futures markets, he proposes an innovative system named "Peg the Export Price," where the price of the exported com-

modity is kept constant in local currency (Frankel 2010, 29). Thus, if the dollar price of the commodity rises, the local currency is devalued to keep the local price constant. A simple mathematical relation illustrates this for the case of Venezuela, where oil exports are priced in US dollars and the local currency is the Venezuelan bolivar, VEB:

This avoids the appreciation of local currency and related troubles such as the Dutch disease. When the commodity international price drops, the local currency is appreciated. This kind of innovative rule is still just a theoretical proposal. Frankel also proposes issuing national debt indexed to the exported commodity: if prices fall, the interest rate paid by the debtor falls, and the opposite happens in boom times, avoiding fiscal imbalances. Who may buy these bonds? Industrial or electrical companies that rely heavily on oil imports—when the oil price rises, they receive higher interest payments.

An extreme case to consider is the Alaska Permanent Fund (Frankel 2010, 33). Assuming that individuals spend funds more wisely than governments, a state-owned fund issues dividends directly to citizens, distributing returns on investments. Considering the inequality and welfare asymmetries in Latin America, such a rule may be too radical. A professor I had, Javier Peraza, suggests a wise measure: provide funds to citizens conditioned on their investment in "meritorious goods" such as education or health.

In my homeland, Venezuela, this kind of discussion has been absent from the political agenda under the Chavez administration. This regime has benefited from high oil prices, and after a strike in the oil sector from 2002 to 2003, it decided to turn the state oil company into a partisan and welfare agency. In my opinion, only a reversal in oil world prices will trigger a change in the Venezuelan social attitude.

A historic overview on the Venezuelan

$$\uparrow \text{USD oil price} \div \downarrow \frac{\text{USD}}{\text{VEB}} \text{ exchange rate} \equiv \text{constant VEB oil price}$$

(The exchange rate is measured as dollars per local currency)

approach to the oil industry deserves another article. The sources would include Juan Pablo Pérez Alfonzo, whose proposals led to state control of the oil industry, the founding of OPEC, and a policy of keeping oil production below its feasible maximum (Mayobre 2010, 118-119). Quoting one of his biographers (per my translation):

Pérez Alfonzo considered that an inflow of income that could not be invested productively was a distortion in the social relations and meant a disgrace instead of a blessing, given that it saved the members of society from effort to produce their own welfare. (Mayobre 2010, 28)

This thought was somehow updated in the 1990s, and proposals to build a stabilization fund were considered. Nevertheless, the political turbulence in Venezuela since 1992 has deterred politicians from any serious attempt to manage natural resources appropriately.

The spillover of knowledge about natural resources management is key to developing proper institutions. One final example is the influence of an Iraqi geologist, Farouk al-Kasim, in the development of a Norwegian oil model, as referenced by Martin Sandbu (2009). Natural resources teach us that successful institutions are the result of hard work, trade of ideas, and fortunate randomness:

Norwegians of my generation, born when the oil started to flow, largely take our country success for granted. So do many observers abroad, who tend to attribute it to some exceptional feature of Norway's institutions and national character. This version of events leaves little room for luck, or for outsiders. (Sandbu 2009)

Conclusion

The evidence is clear regarding the dangers that oil abundance poses to economic and political success. However, democratic institutions may strengthen if citizens demand wise management of such endowment and if well-designed rules are established and respected. Encouraging stability through these arrangements is quite an attractive path to build better democracies in Latin America. Chile and Canada offer hopeful examples.

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MAPPING A BETTER FUTURE FOR FOREIGN MIGRANTS IN BUENOS AIRES CITY

A Spatial Poverty Profile of Foreign Migrants

Agustina Schijman and Guadalupe Dorna



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received the Outstanding Second Year Policy Analysis Award as well as second place in the 2012 Inter-American Conference on Social Security Research Award.

Abstract:

Poverty and foreign migration are two interlinked phenomena in Argentina. Therefore, the spatial location of migrants in the City of Buenos Aires has far-reaching implications for policy makers. Using the results of Argentina’s 2001 National Population Census, this article suggests that the standard of living of foreign migrants could be highly improved with social housing initiatives in the south and southeast areas of the city and advocates for the convenience of using geographical targeting in pro-poor infrastructure policies.

Introduction

Argentina is a country of migration. In 1914, for example, almost one-third of the population was foreign-born. However, the age of the non-native population has steadily decreased since the end of World War I. According to the 2001

National Population Census carried out by the National Statistics and Census Institute (Instituto Nacional de Estadísticas y Censos, INDEC), only 4 percent of the 36 million residents were foreign-born (Pacecca and Curtis 2008). Moreover, the international patterns of migration to Argentina have radically changed since the mid-1950s and 1960s, when cross-border migrants increasingly started to settle in Buenos Aires province and Buenos Aires City.

Exploiting the results of the 2001 Census, this article analyzes the spatial poverty and migration profiles in Buenos Aires City. The article is highly innovative since it applies spatial techniques to describe the welfare situation of foreign migrants and their housing conditions in the city.

Taking advantage of geocoded data disaggregated at a census block level,¹ this article provides an innovative way to formulate questions and a hypothesis to better inform development objectives and planning. It also informs policy makers on how to prioritize the allocation of resources in order to democratize the access to public services and thus improve the living standards of migrants in the capital of Argentina. In particular, it suggests that policy makers should assess the convenience of implementing geographical targeting in pro-poor infrastructure policies.

Poverty in Buenos Aires City

As is the case with most large cities in the developing world, Buenos Aires City has a cosmopolitan, stylish, and modern face that coexists with an underdeveloped and sloppy one. Based on an Unsatisfied Basic Necessities (UBN) index,² poverty in the capital city ranges from less than 1 percent of the households in the most developed census block groups to more than 90 percent (see Figure 1).

Poverty is highly concentrated in the south and southeast areas of the city, while the north and west localities show poverty rates at less than 3 percent (Anuario Estadístico 2004 Ciudad de Buenos Aires

Figure 1 — Poverty is highly clustered in the south and southeast areas of the city.

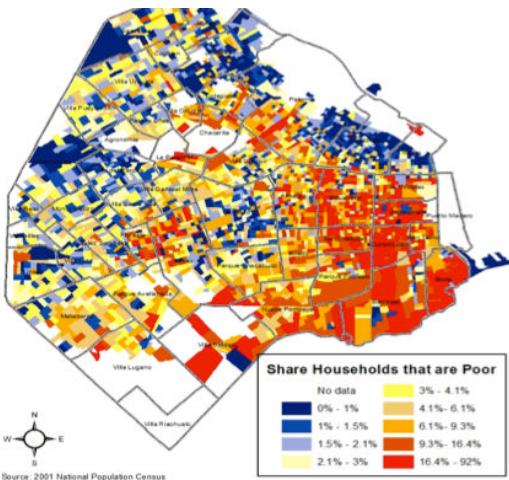


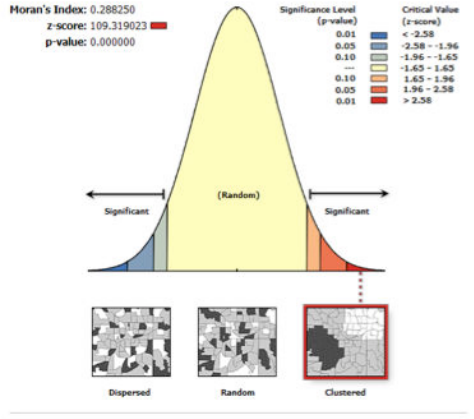
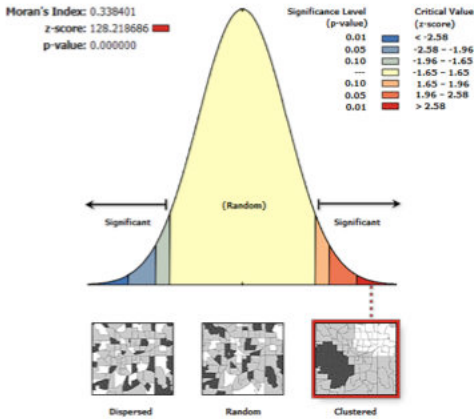
Figure 2 — Global Moran's I results.

Spatial Autocorrelation of Poverty

Spatial Autocorrelation for Migration

Spatial Autocorrelation Report

Spatial Autocorrelation Report



Given the z-score of 128.22, there is a less than 1% likelihood that this clustered pattern could be the result of random chance.

Given the z-score of 109.32, there is a less than 1% likelihood that this clustered pattern could be the result of random chance.

Global Moran's I Summary

Global Moran's I Summary

OLS Regression Output

Spatial Error Model Regression Output

Regression SUMMARY OF OUTPUT: ORDINARY LEAST SQUARES ESTIMATION
Data set : data_final_project
Dependent Variable : No_mac_arg Number of Observations: 3198
Mean dependent var : 0.105741 Number of Variables : 6
S.D. dependent var : 0.0520363 Degrees of Freedom : 3192

R-squared : 0.379286 F-statistic : 390.092
Adjusted R-squared : 0.378313 Prob(F-statistic) : 0
Sum squared residual: 5.37506 Log likelihood : 5677.46
Sigma-square : 0.00168392 Akaike info criterion : -11342.9
S.E. of regression : 0.0410356 Schwarz criterion : -11306.5
Sigma-square ML : 0.00168076
S.E of regression ML: 0.040997

Regression SUMMARY OF OUTPUT: SPATIAL ERROR MODEL - MAXIMUM LIKELIHOOD ESTIMATION
Data set : BABlockgroup_data_geoda
Spatial Weight : BABlockgroup_data_geoda_w400.gwt
Dependent Variable : No_mac_a_1 Number of Observations: 3198
Mean dependent var : 0.105741 Number of Variables : 6
S.D. dependent var : 0.052036 Degrees of Freedom : 3192
Lag coeff. (Lambda) : 0.742136

R-squared : 0.605162 R-squared (BUSE) : -
Sq. Correlation : -0.00106913 Log likelihood : 6266.974424
Sigma-square : 0.00106913 Akaike info criterion : -12521.9
S.E of regression : 0.0326976 Schwarz criterion : -12485.5

Variable	Coefficient	Std. Error	t-Statistic	Probability
CONSTANT	0.08112443	0.001055533	76.85637	0.0000000
NBI_H	0.787017	0.05483049	14.35364	0.0000000
NBI_Viv	0.1119842	0.01346994	8.313634	0.0000000
NBI_CS	-0.2361677	0.0729328	-3.238155	0.0012154
NBI_Esc	0.7621183	0.2098004	3.632587	0.0002850
NBI_subs	0.6608871	0.06705063	9.856538	0.0000000

Variable	Coefficient	Std. Error	z-value	Probability
CONSTANT	0.08513267	0.002331716	36.51074	0.0000000
NBI_H_1	0.6464035	0.0455028	14.20579	0.0000000
NBI_Viv_1	0.1047063	0.0122297	8.561637	0.0000000
NBI_CS_1	-0.09100686	0.05719963	-1.591039	0.1116007
NBI_Esc_1	0.4186958	0.1610484	2.599813	0.0093275
NBI_subs_1	0.4499086	0.05883279	7.647243	0.0000000
LAMBDA	0.7421362	0.01759864	42.17009	0.0000000

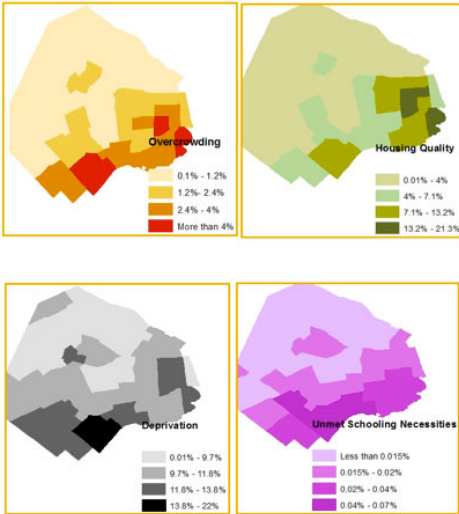
REGRESSION DIAGNOSTICS
MULTICOLLINEARITY CONDITION NUMBER 4.973422
TEST ON NORMALITY OF ERRORS
TEST
Jarque-Bera 2 40110.02 0.0000000

REGRESSION DIAGNOSTICS
DIAGNOSTICS FOR HETEROSKEDASTICITY
RANDOM COEFFICIENTS
TEST
Breusch-Pagan test 5 6303.801 0.0000000

DIAGNOSTICS FOR HETEROSKEDASTICITY
RANDOM COEFFICIENTS
TEST
Breusch-Pagan test 5 4074.133 0.0000000
Koenker-Bassett test 5 431.2203 0.0000000
SPECIFICATION ROBUST TEST
TEST
White 20 509.939 0.0000000

DIAGNOSTICS FOR SPATIAL DEPENDENCE
SPATIAL ERROR DEPENDENCE FOR WEIGHT MATRIX :
BABlockgroup_data_geoda_w400.gwt
TEST
Likelihood Ratio Test 1 1179.023 0.0000000

Figure 3 — South and southeast areas perform badly in the four deprivation dimensions included in the UBN index.



2004). Consistently, the Global Moran's I^3 measures of spatial autocorrelation indicate that poverty is highly clustered (see Figure 2). From a public policy perspective, this could be interpreted as good news: using geographical targeting to decide the allocation of social programs for the poor could prove cost-effective.

Poor households can strongly differentiate in terms of the type of deprivation that makes them poor based on the UBN index. For example, data from the 2001 Census shows that 61 percent of the poor dwells in houses that are not convenient but only 40.6 percent lives in overcrowded homes. To assess whether the different types of unmet necessities follow a spatial pattern in Buenos Aires City, we conducted spatial poverty analyses on the different components of the UBN index (see Figure 3) and identified two main characteristics.

First, the south and southeast areas perform badly in the four deprivation dimensions included in the index, namely overcrowding, low housing quality, income deprivation, and school dropout. Second, Villa Soldati is the worst performer in those four dimensions, fol-

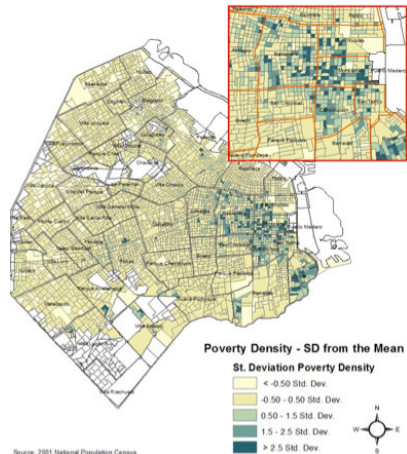
lowed by La Boca and Constitucion. For the rest of the localities, it seems that high income deprivation is not necessarily correlated with housing quality or overcrowding.

Another frequently used measure is poverty density, which we proxied by computing the ratio of the share of poor households and the share of the total area.⁴ The results suggest that the areas that have the largest poverty rate are those that also have the greatest poverty density (see Figure 4). Balvanera, Constitucion, Monserrat, San Nicolas, and La Boca neighborhoods, for example, have many areas above two standard deviations from the average poverty density. Interestingly, the localities that are outliers in terms of poverty rate within Villa Soldati do not appear as outliers when controlling for size of the block groups.

Migration and Poverty in Buenos Aires City

Migrant households emulate the spatial pattern of households with UBNs: they are strongly clustered in the south and southeast areas of the city.⁵ In particular, the poor block groups within Balvanera, San Nicolas, Retiro, Monserrat, Constitucion, Almagro, Villa Lugano, Villa Soldati, Barracas, and La Boca concentrate high proportions of mi-

Figure 4 — Areas that have the largest poverty rate also have the greatest poverty density.

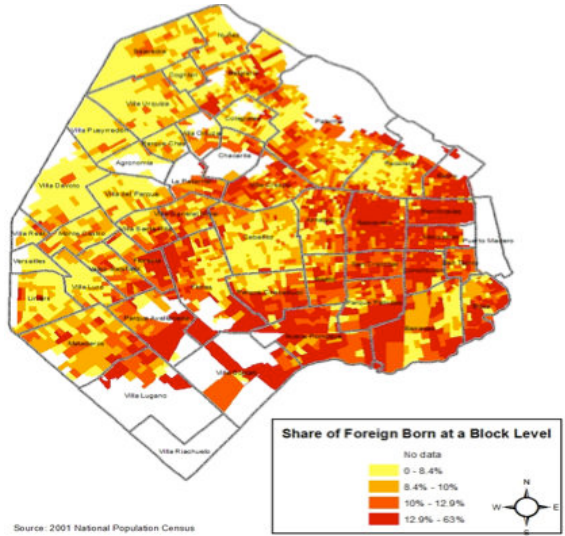


grants (see Figure 5).

In terms of density, when accounting for the size of the polygons, the areas with the greatest share of migrant households are Retiro, Balvanera, and Monserrat (see Figure 6). Despite the large share of migrants, Nueva Pompeya and Villa Soldati do not stand out after taking into account the size of their block groups. This suggests that policy makers committed to improving the living standards of foreign migrants in the city might be interested in focusing first on the poor eastern rather than on the poor southern neighborhoods.

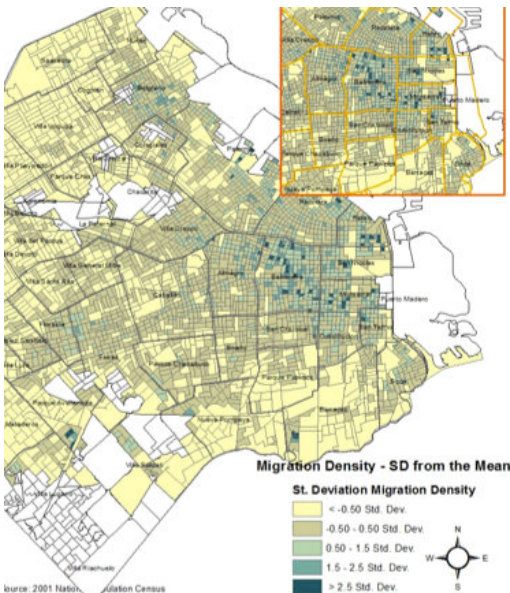
The spatial analysis conducted so far suggests that the hot areas in terms of poverty rate are also hot spots in terms of foreign-born dwellers. Further evidence is provided by the results of the univariate Local Indicators of Spatial Association (LISA) analysis, which shows that most of the block group clusters with high

Figure 5 — Migrant households are strongly clustered.



Source: 2001 National Population Census

Figure 6 — Retiro, Balvanera, and Monserrat have the largest density of foreign-born households.



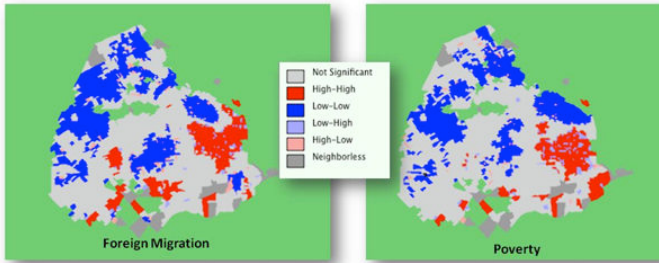
Source: 2001 National Population Census

migration coincide with those that have high poverty rates (see Figure 7). The same applies for the areas in the “low-low” shade, which indicate statistically significant clustering in terms of low-low rates of poverty and migration. The main exceptions for these similar patterns are given by La Boca and Floresta neighborhoods: La Boca displays high-high local clustering of poverty rates but lacks statistically significant clustering for migration, and Floresta presents high-high local clustering of foreign-borns but does not present statistically significant clustering of poverty.

Prediction Model

So far, we have shown that there is a positive spatial correlation between poverty and migration in the city. However, we are unable to conclude that poverty can solely predict hot spots in the density of migrant household’s clustering. In fact, a spatial dependence analysis is based on the premise that, even controlling for poverty levels, lo-

Figure 7 — Migration and poverty clustering patterns mostly coincide.



cation and distance are still relevant factors in the decision of where to settle as a foreign migrant, a premise particularly relevant in the analysis of migration since family bonds and cultural ties are key determinants on the settlement's location choice.

In order to analyze spatial dependence we first run an Ordinary Least Squares (OLS) model where the dependent variable is the proportion of foreign migrants per census block group, and the independent variables are five different components of the UBN index. In this first predictive model, all explanatory variables are statistically significant and positively associated with the dependent variable (see Figure 2), and the only predictor that appears with a counterintuitive sign (a negative sign) is access to sanitary services. Still, the predictive power of the model is low: only 30 percent of the variability in the percentage of migrant households per census block group can be explained by the variability in the poverty proxy indexes.

However, the analysis of the error structure shows that the homoscedasticity and independence assumptions (necessary conditions for unbiased estimators) are not met. Gray areas are statistically significant regions where the model over-represents the proportion of foreign migrants while the black ones are those in which the model underrepresents it (see Figure 8). In other words, there is an unaccounted spatial factor other than poverty that makes these areas particularly attractive (black areas) or unattractive (gray areas) to foreign migrants. We

therefore adjust the error term to allow for the observed spatial correlation pattern.

Under the adjusted model, the log-likelihood and predictive power improve (see Figure 2), and four out of the five UBN components continue to be statistically significant, though their relevance decreases. These results are indicative of the fact that even after accounting for spatial dependence, poverty is still an important predictor of the location of foreign migrants. The variable with the highest predictive power is overcrowding: an increase in a percentage point in the average number of houses that are overcrowded is associated with a 0.65 percentage point increase in the proportion of the migrant population. Moreover, the proportion of families that don't have access to sanitary services is no longer statistically significant.

That said, there is still spatial correlation that needs to be explained.⁶ Being specific on certain observable characteristics of the block groups of interest might help reduce this spatial dependence and increase the predictive power of the model. For example, including housing prices might be interesting since migrants attracted to Buenos Aires City most likely accommodate in cheaper dwellings, while, at the same time, cheaper houses might cluster together.

Evaluating Social Housing in Buenos Aires

The previous sections provided evidence on the predictive power of housing quality on migration and on the relevance of housing

Figure 8 — OLS residuals are spatially correlated.

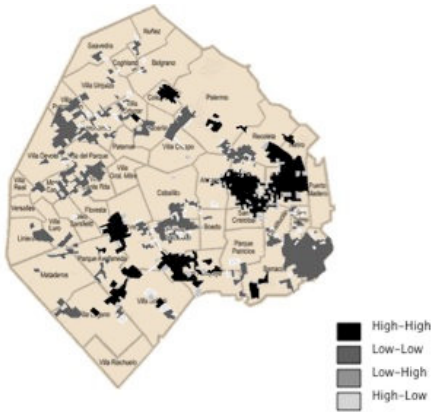
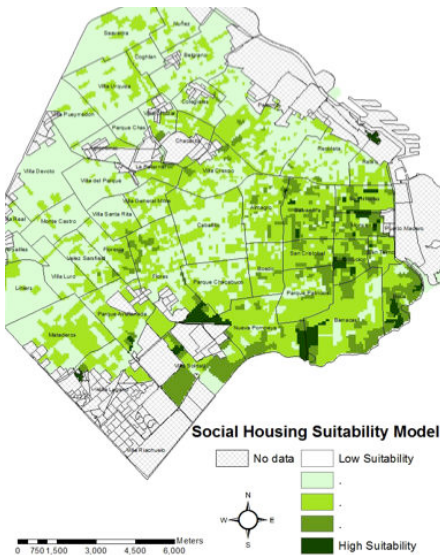


Figure 9 — La Boca, Barracas, Villa Soldati, and Flores appear to be highly suitable for social housing interventions.



indicators in the UBN index. We also commented that according to the 2001 Census, six in ten people with UBN live in houses that are not convenient. A model to evaluate the spatial suitability of a new social housing program in Buenos Aires City, thus, can as-

sist the government in its decision of where to allocate existing funds to re-urbanize parts of the city.

Our suitability model for a social housing intervention heavily weights the share of migrants (45 percent) and the share of households with low housing quality according to the UBN index (30 percent) and gives less weight to poverty rate (10 percent), overcrowding (10 percent), and lack of gas connection (5 percent).

Given the availability of data, the results suggest that the authorities should prioritize spending in social infrastructure in the areas within La Boca, Barracas, Villa Soldati, and Flores. As expected, the localities in the northern and western parts of the city should not be the target for a subsidized housing program. This said, two important caveats need to be considered. First, given the lack of data for some of the southern census block groups, these results should be considered as preliminary. Second, since the model does not consider cost-benefit analysis or the potential consequences of the development of “ghettos” in the city, a plausible alternative might be the reallocation of dwellers of low-quality housing to other areas of the city with better infrastructure quality.

Conclusion

This article used data from the 2001 National Population Census to analyze, from a spatial perspective, the relationship between foreign migration and poverty. High clustering of both immigration and poverty are relevant findings for policy makers aiming at targeting vulnerable populations.

The findings from a predictive model that incorporates different measures of unsatisfied basic needs to explain local shares of migrant population show that poverty cannot by itself explain the local clustering of migrants. Other observable and unobservable characteristics are affecting the likelihood of foreign migration clustering in regions such as Balvanera, San Nicolas, or Floresta. We hypothesize that including ethnicity of migrants, housing prices, and years

of occupancy would highly improve the predictive performance of the model.

The spatial error specification of the model (which accounts for some of the identified spatial dependence in the data) provided information on the key poverty indicators that are associated with foreign migration. On the one hand, access to basic public services related to sanitary services is not statistically significant. On the other hand, housing seems to be a relevant area of improvement.

With this prescriptive information, we conducted a suitability model to identify the areas where housing policy should be targeted. Accounting for the share of migrants, the share of unmet necessary needs, the proportion of households with deficient housing materials, and lack of basic services like gas, we were able to define very specific suitable areas within Balvanera, La Boca, Barracas, Villa Soldati, and Flores (see Figure 9).

This article represents a first step in incorporating spatial analysis in policy-oriented discussions. The data used was limited to that of the 2001 National Population Census, and it lacked information for important areas of the city. However, the preliminary findings suggest that convenience of studying the usage of geographical targeting in public policies as well as the need to push for the disclosure of geo-referenced data and for the use of spatial analysis tools in policy making assessments.

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For Further Reading

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Endnotes

1. The analysis was based on data for the 3,198 block groups for which information was available, which represents more than 90 percent of the total number of block groups in Buenos Aires City. An important caveat of our analysis is that, unfortunately, there is very limited data for the southern neighborhoods of Villa Lugano, Villa Soldati, and Villa Riachuelo, which are among the poorest areas of the city.
2. The National Census measures poverty with the Unsatisfied Basic Necessities (UBN) method. The UBN is an index that includes indicators such as access to clean water, quality of housing, crowding, school attendance of kids, and subsistence capacity, among others. According to the 2001 Census, 7.1 percent of Buenos Aires' households (roughly 72,700 households, equivalent to 212,500 people) live with UBN. Within poor households, the main problems are low housing quality and overcrowding.
3. Global Moran's I is a measure of spatial autocorrelation that calculates a z score and p-value to indicate whether you can reject the null hypothesis that feature values are randomly distributed across the study area.
4. Since we do not have data for approximately 300 block groups, "total area" does not refer to all of Buenos Aires City but to the 3,198 block groups for which we do have information.
5. The spatial autocorrelation measures (Global Moran's I) indicate that migrant families are clustered in the city and this correlation is significant at a 1 percent level (i.e., there is less than 1 percent likelihood that the agglomeration pattern observed is the result of chance).
6. See the likelihood ratio test for spatial dependence at the bottom of the regression output in Figure 2.

REINVENTING THE TOILET

A Tool for Survival

Marcos Fioravanti, P.E.



MARCOS FIORAVANTI is a consultant and researcher in sustainable development and eco-efficiency, mainly focused on sustainable sanitation, integrated water management, and environmental education. He works to improve ecological toilets and has participated in more than fifty different projects in Ecuador related to sanitation, water, and waste management. Graduated as an engineer from the EARTH University in Costa Rica, he has completed several postgraduate programs including at the INCAE Business School, the University of California at Berkeley's Beahrs Environmental Leadership Program, and the Stockholm Environment Institute. He lives in Ecuador where he is the general manager at Ambiente Creativo

and a board member and technical advisor at Fundación In Terris. He is a founding member of Red Daule, a multi-stakeholder network dedicated to the integral management of the Daule's river watershed. He also collaborates with the eco-efficiency educational program at Balandra Cruz del Sur high school.

The world's rapid population growth and corresponding intensity in lifestyle confront us with major challenges. We will have to evolve considerably if we want to successfully enter the next generation. Water and sanitation represent two of the most difficult challenges. The prediction is that by 2030, the demand for water will be 40 percent higher than its availability (2030 Water Resources Group 2009). Considering that today there are still about one billion people without access to safe water (Un-Water n.d.), we will have to take giant steps in efficiency in order to prevent social chaos, which may arise from the increasing personal demands on water and the shortages of water to use in activities such as agriculture and industry.

Our sanitation systems must evolve as well, not only because they involve the use of water, but also because they are typically very expensive and often result in a waste of nutrients. Today, only six out of ten people worldwide have access to basic sanitation (Un-Water n.d.). More than two and a half billion people have no access to safe sanitation, and out of this number, more than 1.1 billion simply defecate in the open (UNICEF 2012; Un-Water n.d.). To make matters worse, when sewage is produced and collected, wastewater treatment may not exist; less than 20 percent of the wastewater in Latin America goes through

an effective treatment system (DGCS 2012).

This situation creates the perfect conditions for spreading gastrointestinal diseases. These diseases constitute one of the five leading causes of illness and death worldwide, according to UNICEF and the World Health Organization (UNICEF 2012; Un-Water n.d). Statistics show that every twenty seconds a child dies as a result of poor sanitation (Un-Water n.d.).

These statistics explain why the Bill & Melinda Gates Foundation launched a campaign that focuses on reinventing the toilet and sanitation systems. The primary objective is to combat the health problems of developing countries by promoting the development of vaccines and remote diagnostic systems, among other medical advances. Yet the organization also acknowledges that we will not solve our health problems if sanitation deficiencies of our planet are not addressed first. In fact, many experts say that none of the eight Millennium Development Goals set forth by the United Nations will be met if we do not first solve our sanitation problems.

Reinventing our Sanitation Systems in Latin America

The conventional hydraulic toilet we all know is a comfortable and clean invention that solved major problems at the time it was institutionalized. However, it is not able to solve many of our current sanitation problems, especially in developing countries where resources are lacking. Each time a toilet is flushed, about 10 liters of water are contaminated and then wasted (Tilley et al. 2008). Additionally, the conventional toilet requires expensive sewage collection and treatment systems, often consuming great amounts of energy pumping air, water, and solids. In an urban home with hydraulic toilets, up to 40 percent of the household water is consumed by flushing toilets. This creates a cycle in which we typically pollute and waste huge volumes of water.

Thus, the toilet of the future must follow a new paradigm. It should be fully decentralized, not requiring a sewer system or an elec-

trical grid, and should allow for the use of the by-products generated from the waste, be it as energy, fertilizers, and/or clean water. The new toilet must be comfortable, safe, decent, and above all, economic to be within reach of the poorest.

In November 2012, about six hundred specialists from around the world met in Durban, South Africa. Authorities and scientists involved in issues of water, sanitation, and health attended the Second International Faecal Sludge Management Conference convened by the Water Research Commission. The conference included more than one hundred scientific presentations about the reuse of sewage sludge, transformation of urine into solid fertilizers, pathogen elimination and safe use of fecal matter, and of course, worldwide proposals to reinvent the toilet.

Researchers from Ecuador and Mexico were present at this event with two alternatives that, while very innovative, more importantly were tailored to local situations and needs. In Ecuador, the nongovernmental organizations Creative Sustainable Practices and Fundación In Terris developed the Taladro de la Tierra, which translates to Earth auger, a low-cost, pedal-based composting toilet. In this system, a series of mechanisms accelerate the decomposition process of fecal matter and subsequent sanitation. The success of the system rests on its low cost and good acceptability. The user has an experience similar to that of a traditional water flush toilet; after use, the user simply presses a foot pedal, which activates an auger to move the solids and employ a sawdust (or other available drying agent, such as rice hulls) distribution system to cover the solids. At the other end of the 1.5-meter processing chamber, a partially composted, dehydrated, and low-odor material is obtained. This end product is no longer attractive to flies or other insects, and although it can look like organic soil or “compost,” it may need to be stored for a period of time to ensure pathogen die off before eventually being used as fertilizer. The developers’ goal is to mass-produce sustainable, low-cost toilets not only in Ecuador but elsewhere around the

world (Henry and Fioravanti 2012). While the problem of sanitation is most acute in Africa and Asia, Latin America and the Caribbean also have significant deficiencies in sanitation. Twenty percent of the total population of the region does not have access to safe sanitation, which translates to approximately 117 million people (World Health Organization and UNICEF 2010).

In Mexico, the organization AI3D (Partnership for Innovation in Infrastructure and Pipeline Integrity) is working to develop a mobile plant that collects sewage sludge and household waste to convert them into fuels such as gasoline, diesel, or even electricity. The project researchers claim that for every ton of waste, one could obtain 23 liters of diesel; thus a plant with the capacity to process 40 tons of waste could generate up to 1,150 liters of diesel per day (De Silva Muñoz et al. 2012). The project is not only interesting from a technical perspective but would be an excellent business opportunity—the motivation for an investment of US \$750,000, with an expected payback period of 1.7 to 6 years (De Silva Muñoz et al. 2012).

Solving the problem of sound management of human waste opens a variety of opportunities of equal magnitude. Developing the infrastructure to produce and commercialize Taladro de la Tierra or a mobile plant to produce energy from fecal sludge entails large production logistics, services, and marketing. At the same time, it could potentially generate significant employment and support small business opportunities. Beyond solving one of our greatest challenges in sanitation and health while also helping to obtain valuable resources from what we now consider a problem, it can create a significant potential for green jobs, improving the economy at the bottom of the socioeconomic pyramid. Therefore, the benefits are multifaceted.

Is it possible to imagine a life without a toilet? While many people take access to toilets for granted, for others it is a dream that could make their lives healthier and more dignified. If we take a common definition of democracy, such as the one listed on Wikipedia that reads, “the development of liberal social insti-

tutions that lead to the strengthening of civil society, the protection of basic human rights, and the reduction of socioeconomic inequalities,” then universal access to safe sanitation is not only essential for all but also empowering. The truth is that this—reinventing the toilet as a tool for survival—may be one of the major challenges for development in our transition from the era of “plenty” to the era of “scarce” that is becoming more prevalent in this century.

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CASE STUDY

Democracy and Education in Chile

There is a broad consensus that building human capital and improving the quality of education in a country are important elements of growth as well as vehicles to reduce inequalities and create stable democracies. Undoubtedly, Latin America has made significant progress in educational coverage as it has almost reached universal enrollment in primary school and access to secondary school has risen substantially. Notwithstanding the progress in access and school attainment, there are still five million children that need to be incorporated at the primary level.

Additionally, the absence of quality in Latin American schooling is a profound concern since it has held back, to some extent, the countries' social and economic development.

On the other hand, although enrollment in tertiary education has more than doubled in the past decades and keeps on expanding, it still has the lowest coverage, with only 30 percent of youngsters between the ages of eighteen and twenty-five inside the education system. Moreover, graduation rates are low, higher education institutions face a number of quality problems, inequities remain, and the programs offered seemed to be completely at odds with the needs of the labor market.

This section of the journal addresses some of the main challenges that Chile's education system faces, however these problems are not exclusive to this country and can be seen in the rest of the region. In this section, José Miguel Ossa Guzmán introduces an innovative educational program, Crea+. Noam Titelman Nassau describes the relationship between democracy and higher education in Chile during the last forty years, and Loreto Cox reviews the evolution of regulation and student aid policies in Chilean higher education since 1980.

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HIGHER EDUCATION AND DEMOCRACY IN CHILE

The Return of the Egalitarian Principal

Noam Titelman Nassau



NOAM TITELMAN Nassau was born in Jerusalem, Israel, in 1987. At the age of nine he moved to Chile with his family. He has a bachelor's degree in the social sciences and humanities. He is currently a student at the Catholic University of Chile, where he studies both commercial engineering, specializing in economics, and literature and linguistics. In 2005, he received the Ripley prize for academic excellence. He has worked as a professor's assistant in microeconomics and macroeconomics as well as in literary theory and Chilean contemporary novels. In 2010, he worked as editor of the ISI registered magazine *Taller de Letras* and as

a professor's assistant in MIT's Abdul Latif Jameel Poverty Action Lab. In 2011 and 2012, Titelman had a prominent role leading the student movement as president of the Catholic University of Chile's Student Union. In 2012, he was awarded, in representation of the Chilean student movement, the Letelier-Moffitt Human Rights Award by the Institute for Policy Studies in Washington, DC.

Abstract:

This article analyzes the relationship between democracy and higher education in Chile during the last forty years. For this purpose, democracy is studied as that form of government that holds equality as its main and substantial principle while accepting differences only as accidental and secondary elements and only when they are necessary for the common good. Education can work in both ways to consolidate democracy: contributing to equality by overcoming socioeconomic differences in family origins and contributing to productive inequality by fostering specialization in specific parts of the production process. Public policies can aim at three levels of implementation of the egalitarian demo-

cratic principle: equality of opportunities, minimum standards, and integration. To analyze the Chilean experience, we will use José Joaquín Brunner's distinction of four periods in higher education public policies. The first one is marked by the university reform movement of 1967. This period concluded abruptly with the 1973 putsch, which put in place a military dictatorship, bringing forth a set of changes that crystallized in 1981 with the implementation of a new "higher education market." The return of democracy in 1990 opened a new period, where public policy was aimed at improving the higher education model without altering its basic principles. Finally, in my opinion, the 2011 students' and citizens' movement brought about the end of that period in a process aimed at increasing levels of equality, that is, democracy, in the Chilean higher education system. The 2011 movement is a citizen-driven force toward recuperating the democratic principle in higher education by expanding the role of the state in education beyond simply facilitating a market-driven production and distribution system.

Analytical Framework

This article analyzes the relationship between democracy and higher education in Chile during the last forty years. This is done schematically and without seeking an exhaustive study of the issue. Instead, with our case, we aim to contribute to the debate on similar challenges in other countries.

For the purposes of this article, a working definition of democracy is adopted. This definition goes further than the idea of democracy being a specific, formal way of organizing a society (e.g., through free elections) aimed at ensuring that power and sovereignty lies within the people to consider democracy as that form of government that holds equality as its main and substantial principle while accepting differences only as accidental and secondary elements and only when they are necessary for the common good (mainly in the productive process). Education can work in both ways to consoli-

date democracy: contributing to equality by overcoming socioeconomic differences in family origins and contributing to productive inequality by fostering specialization in specific parts of the production process.

With this in mind, I carry out the analysis of the relationship between democracy and higher education in Chile by reviewing the form and degree by which the higher education system embodies the principle of equality.

Finally, I understand that, beyond equality under the law, public policies aim at three levels of implementation of the egalitarian democratic principle: equality of opportunities, minimum standards, and integration. The first one assigns the state the role of ensuring that the playing field is level so as to guarantee that, through competition and free market, each individual benefits in relation to the level of his or her contribution to the productive process. The second aims to ensure to each member of society a minimum level of goods and services, considered to be part of one's basic rights, regardless of his or her productive contribution. Finally, integration supposes that true equality is only obtained when different individuals come in contact with each other in order to experience consciousness of their basic equality beyond their accidental differences.

To analyze the Chilean experience, I use José Joaquín Brunner's (2009, 20) distinction of three periods in higher education public policies. The first one is marked by the university reform movement of 1967. This period concluded abruptly with the 1973 putsch that put in place a military dictatorship, bringing forth a set of changes that crystallized in 1981 with the implementation of a new "higher education market." The return of democracy in 1990 opened a new period, where public policy was aimed at improving the higher education model without altering its basic principles. Finally, in my opinion, the 2011 students' and citizens' movement brought about the end of that period in a process aimed at increasing levels of equality, that is, democracy, in the Chilean higher education system.

The University Reform Movement

The period of the university reform movement was a time of convulsion and transformation in the higher education order in Chile. The principal changes obtained were: an accelerated increase in enrollment, tripling the number of students between 1965 and 1973 (Brunner 2009, 187); a professionalization of the academic staff; and a restructuring of universities' self-governing system with a higher level of decision involvement from all stakeholders (with a predominance of academic staff and including students as well as non-academic staff). This was predominantly a student movement, which had as its main goal to "renew and modernize the university" in order to align it with the objective of developing the country (Huneus 1988, 9). To a large extent, this was the culmination of a long process. The colonial university was conceived as a community of disciples and masters pursuing knowledge for no other reason than finding "the truth." This was changed to the Latin American model of university. In the latter model, universities were conceived as main engines for progress and development of societies and were increasingly required to put their effort into that public mission. The model was in fact applying the principles of the democratic regimes that were coming into place in the subcontinent to the educational area.

The university reform movement sought to strengthen the democratic principle by attempting to purge the university from objectives not aligned with that principle, such as the pursuit of knowledge without a clear contribution to social welfare. The production of knowledge useful for the common good, and more socially oriented curricula, was

stressed and preferred. Equality was pursued through larger and more diverse universities, thus increasing the possibility of reaching higher education and advancing in equality of opportunities and integration between different social classes. Still, deep inequalities persisted, mainly between those who entered university and the large masses that did not.

No changes were made on the basic financial structure of the universities, based upon state funds, but their management was altered toward more participative self-government. Later on, many would criticize this management system (with little or no accountability toward the general public) for not ensuring a correlation between what the governing community of a given university aspired to and the general welfare of society. In later days, this process was perceived by some analysts as having been far removed from its objectives and in many ways failing to deliver upon its ideals (Brunner 2009, 187-188; Huneus 1988, 11-12). However, the university reform movement has been the most important effort in "democratizing" higher education in Chilean history and has meant significant advances in the public role to ensure equality of access to the universities, making this time a permanent source of comparison with the periods that would follow (Huneus 1988, 115).

The Birth of the Higher Education Market

On 11 September 1973, this process was abruptly interrupted. A military coup put an end to Salvador Allende's presidency and replaced it with a dictatorship led by General Augusto Pinochet. Higher education in Chile would then suffer deep structural

Higher education was perceived then as a profitable individual investment in human capital and, therefore, the state would mainly intervene only to maintain neutrality between institutions and ensure competition

changes that would last for many decades. It is important to start the analysis of this period by acknowledging that the main reason given at the time for military intervention of universities was to stop what was described as centers of disobedience and leftist thought. As a public declaration issued by the minister of education at the time, published in *El Mercurio* on 3 October 1973, said, “Many university headquarters and schools have become pockets of Marxist indoctrination and propaganda, a few have even come to the extent of protecting illegal armament and violence, many times promoted by unwanted foreigners who deprive Chilean youth of a place in the classrooms” (Brunner 2009, 189). Evidently, to apply any sort of democratic principle was the least of their priorities. Therefore, the first period of Pinochet’s regime can be circumscribed to the interventions at universities, “cleaning” them from the undesired ideology and diminishing the state funding to these institutions, all under the ideology of “national security” (Brunner 2009, 213). It was, above all, putting an end to the universities’ self-government to ensure loyalty with the regime.

With the 1980s’ reforms, a more complex and restructuring change took place in higher education such as: the development of a university community, open debate on the university’s function and purpose, and openness toward the arts and humanities (Brunner 2009, 247). These were far away from the key elements of the university reform movement. The ideal that sustained this reform was also that of modernization based on the principle of freedom. However, since the country was not under a democratic regime, freedom was interpreted only as the faculty to choose between different alternatives offered by the market in a system in which, ideally, every productive unit is in private hands coordinated through competition (Brunner 2009, 215). For the first time, the 1980s’ reforms brought a change in the way universities were financed, not only self-governed. The idea was that if universities used the tuition that students paid to finance their operation, then universities would compete with each other for students

through lower prices and higher quality. The reform also allowed new private universities to be created, as long as they complied with a few minimum requirements. It was the true emergence of a free market as the main engine of higher education.

Higher education was perceived then as a profitable individual investment in human capital, and therefore the state would mainly intervene only to maintain neutrality between institutions and ensure competition.

The Expansion of the Higher Education Market

In 1990, the military regime came to an end and democracy was restored. The new coalition of parties that won the election was committed to carry out some changes to the system in place but to conserve its essence. Basically, the main institutional changes introduced consisted of hardening the requirements that must be fulfilled in order to open new universities and to consolidate the institutions of the state in charge of the sector.

Another important change of the following years was the massive injection of resources to education in general and, in particular, to higher education mainly through state-guaranteed credits to the students. This resulted in an explosion in enrollment (Brunner 2009, 334). However, this growth was radically different from the one observed following the university reform movement. This time, most of the growth came from large volumes of students in new private universities created after the 1980s’ reform (Brunner 2009, 328).

A key characteristic of this growth in higher education enrollment was the high segregation levels, with universities specializing in different social and economic groups and financing strongly depending on student-paid fees. These fees depended heavily on credits. By 2011, Chile had become the country with the highest burden on families according to the Organisation for Economic Co-operation and Development (OECD): 85 percent of financing of higher education came from private sources (79 percent directly from

families) while the average at OECD was 30 percent (OECD 2011, 232).

The Students' and Citizens' Movement of 2011

This situation finally exploded with the 2011 massive student movement. Although there may be some similarities with the 1967 university reform movement, which were pointed out by some of the movement's leaders (Titelman 2012), there were very noticeable differences in the context. What truly seemed to be replicating itself was the demand to implement the principle of democracy to higher education, although expressed in very different ways according to the new context.

The movement demanded larger financing of higher education directly by the state to the institutions as well as more regulation. This would alleviate the indebted families, allow universities to be less dependent on tuition fees and regulation of the system, and ensure that the universities (especially the ones created after the 1980s' reforms) meet basic standards of quality.

The strong market-driven system whose implementation began during Pinochet's dictatorship was being resented by a vast majority of the population. Polls showed support for the movement's demands at more than 89 percent of the population (CERC 2011). The message was that the role of the state could not be reduced to providing subsidies to the demand. The aim was not to return to the pre-Pinochet system but to establish a new higher education system that would account for the context of living in democracy. Therefore the state had an obligation to ensure that the institutions truly fulfill a public role by not surrendering universities completely to market pressure (as was done with the 1980s' reform) nor financing them without any accountability (as was the case during the 1967 movement). It is still too early to tell what the exact repercussion of the 2011 movement will be, but certainly a new discussion has arrived and some changes have already been implemented (removing the banks from the

financing system, the reduction of credit rates, modest increases in direct subsidies to the institutions, changes in regulation, etc.). The imperfections of the current Chilean democracy, mainly the fact that minorities have strong veto powers in the Congress, does not make it easy to restore democracy to higher education in spite of massive citizen support.

Conclusion

Chile seems to be at the beginning of a return to democracy in its higher education system, which was crippled by the dictatorship. The 2011 movement is a citizen-driven force toward recuperating the democratic principle in higher education by expanding the role of the state in education beyond simply facilitating a market-driven production and distribution system. Instead, the state should ensure, through higher direct financing and stronger regulation, that the public faith invested in higher education receives an adequate response in the form of a substantial contribution of higher education to prosperity and true democracy in Chile.

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THE CHILEAN ROUTE FROM ELITE TO MASS HIGHER EDUCATION

A Democratic Challenge

Loreto Cox



BORN IN Santiago, Chile, Loreto Cox studied commercial engineering as well as economics and sociology at Pontificia Universidad Católica de Chile. In 2010, she entered Centro de Estudios Públicos, one of the main Chilean think tanks, to work as a researcher in social policies. Since 2012, she has been working in Chile's Ministry of Education, headed by Harald Beyer, as an advisor of higher education.

Abstract:

This article reviews the evolution of regulation and student aid policies in Chilean higher education since 1980. The general direction suggests that there was a long-term state policy oriented toward expansion of the higher education system, which despite not being designed in a democratic context was deliberately maintained after the return to democracy. The results in terms of higher education enrollment are clear: Chile now has enrollment rates similar to those of various developed countries.

Introduction

The foundation of the current Chilean higher education system goes back to the beginning of the 1980s. In 1981, General Augusto Pinochet's military regime established the norms regarding universities and allowed the creation of universities by private entities. Prior to this, universities could only be created by law. One year later, it enacted decrees for professional institutes and technical formation centers, which give technical degrees. The regulation of higher education institutions was slightly modified with the Ley Orgánica Constitucional de Enseñanza (LOCE) law, which was published on the last day of the regime in 1990. Since then, the LOCE has not been touched with regard to higher education, even though in 2009 a new general law for education was enacted.

Regarding the national expenditure on higher education, it is open to debate whether

the student aid system kept pace with the liberalization of higher education and an increasing demand. It probably reacted with a significant lag. But when it comes to analyzing trends, it might be said that the state has been increasingly concerned with access to higher education in recent decades and particularly since 2006.

In 1986, the Fondo Solidario de Crédito Universitario (FSCU), an income-contingent loan system for students from lower-income families, was created. The FSCU was only open to students of universities belonging to the Consejo de Rectores de Universidades de Chile (CRUCH), which consists of universities created before 1981. In 1997, Corporación de Fomento de la Producción (CORFO) loans for higher education were created, mainly for students who could not receive the FSCU due to not studying in CRUCH universities, but who had the guarantee of a parent or tutor. In 2006, the Crédito con Aval del Estado (CAE) loan system was implemented for all students who fulfilled basic academic requirements and had a financial need. In 2011, CAE covered 90 percent of the population.

The conditions of all of these loans systems were different, which produced arbitrary discrimination. And except for the FSCU, they were very expensive for graduates. However, as of 2013, more than 1 million people have been beneficiaries of these loans. This is no small number for a country with a population of 17 million. At the same time, the government financed scholarships. According to the Chilean Ministry of Education, scholarships for higher education transitioned from being almost nonexistent in 1990 to service more than 219,000 individuals in 2012 and currently cover the three lower-income quintiles with good academic achievement. In total, the public expenditure on scholarships and loans as a percentage of gross domestic product grew by 11 percent on average per year between 1990 and 2013. Since 2006, this figure has reached 19 percent.

The univocal evolution of the regulation of higher education, as well as the general direction in terms of student aid, suggests

that there was a long-term state policy oriented toward expanding the higher education system. It is interesting to note that even though the liberalization of the system that occurred in the 1980s was not designed in a context of democratic discussion, the policy process was maintained after the return to democracy. This was not a coincidence but the result of deliberated political decision making. In fact, in 1990 then-President Patricio Aylwin created a commission for rethinking the higher education system. In spite of having natural nuances, the final report did not in general propose a radical break. According to this report, market forces should be balanced with institutions and supervision, but the policy purpose of increasing the extent of higher education was not brought into question.

The results in terms of enrollment have been clear: the number of higher education students grew from around 170,000 in 1983 to 250,000 in 1990 to more than 1,100,000 in 2012, according to data from Mineduc. The gross enrollment rate is higher than 51.8 percent of the population aged between eighteen and twenty-four (Ministerio de Desarrollo Social 2011). Furthermore, Chilean enrollment rates are similar or even higher than those of various developed countries (OECD 2012, 330).

Possible Drawbacks of the Rapid Growth of Higher Education and Proposed Corrective Policies

Of course, anything that grows at such a fast rate entails some risk, particularly in an area with countless distinctive features like education.

In higher education there are significant problems of information. What people know and expect from a course and an institution may be very different from what the course and institution really are. Often, not even the higher education institutions know what the careers they offer really are, and even if they do, sometimes it is not in their interest to try to offer more information to their students. Besides, even while it is certain that on average graduates have good outcomes in the

labor market, there is a large variance in individual results. Higher education is expensive in terms of money, time, and effort; it is a risky investment because even if it appears to be economically worthwhile in a general sense, the results for particular individuals might not prove to be. In other words, there is an element of chance.

Problems of information are especially serious for people who come from disadvantaged families, for they have less proximity to higher education, making this a crucial issue from the standpoint of equity.

Students do not know the opportunities that their preferred courses may give them in the labor market. According to a survey done for a research project in Chile (Proyecto 3E), when it comes to estimating how much a typical graduate with similar characteristics to the interviewee earns, less than one out of six gets the right answer with a 10 percent margin.¹ Of course, this may be influenced by youngsters being overconfident regarding their own competencies. Indeed, a couple of months before students take the standardized test Prueba de Selección Universitaria (PSU — the main Chilean instrument for higher education admission), if you ask them what score they expect to achieve, the answer is an average of 35 points higher than what they actually get (nearly one-third of a standard deviation). However, the problem is that expectations are, in general, mistaken. What makes this more critical is that people with worse academic achievement according to the PSU tend to be much more overoptimistic: 47 percent of people under the median, compared to 30 percent of those over the median, overestimate their earnings by more than 50 percent (“he who knows nothing fears nothing”). And, as suggested before, there is also a strong socioeconomic bias here.

All of these features gain relevance as a system becomes larger in scale. A mass higher education system naturally tends to be more varied; when there is heterogeneity, information becomes more and more important. Besides, a growing higher education system tends to expand more among people from more disadvantaged backgrounds or people with lower

academic performance, who are, as has already been said, more prone to being misinformed.

In my opinion, there are some issues related to the latter that were not considered enough during the Chilean road to a mass higher education system. I will focus on two of them.

First, a large higher education system increases the potential for lower-quality institutions. It is not possible to massively expand the system while at the same time maintaining the quality of institutions that previously only educated a small proportion of people with the highest academic performance. Unfortunately, this is not always perceived by all potential students, especially by the most disadvantaged ones. Besides, when regulation is rather lax, institutions may pursue their own goals to the detriment of students. In 2006, a quality assurance system for higher education was created, which was based on an accreditation system. But it had some serious design problems. The institution in charge of accreditation is made up of fifteen members appointed by the main groups of interest, such as the diverse associations of higher education institutions. This generates clear conflicts of interest. In addition, accreditation may be given to institutions for periods ranging from one to seven years, which allows accreditation to be given for short periods instead of being rejected when necessary. In this way, an institution could be permanently accredited for only one year, which is certainly strange. Recent events of 2012 have illustrated the potential problems. For example, it was revealed that Universidad del Mar, a nearly twenty-thousand student accredited institution, among other things, failed to fulfill what it offered to students, especially in health careers, and infringed its own statutes. There have also been corruption cases regarding accreditation. These examples clearly show that the current system is not ensuring students a minimum level of quality, nor the fulfillment of what institutions are offering.

Second, the design of the CAE loan system, which is currently the main student funding program, did not adequately contemplate the natural risks of an investment in higher

education. The CAE is a mortgage-style loan, and when it was created, its fiscal cost was estimated at zero, assuming that all the money would be paid back. According to the World Bank (2011), CAE has been a heavy burden on graduates: at the moment of graduation, the average debt amounts to 174 percent of one year's income, and the monthly payments are around 15 to 18 percent of income. In this way, a graduate that does not achieve a satisfactory place in the labor market would be in great debt (as well as frustrated). And from the point of view of the state, default rates of more than 50 percent have made CAE a completely unsustainable policy.²

Inspired by this general diagnosis, President Sebastian Piñera's government has proposed a deep transformation of the higher education system. One aspect of this is a new integrated student aid system that gives equal conditions to all students and protects them from being overly in debt, as payments are estimated as a limited proportion of income (5 to 10 percent). This system includes an innovative way of calculating the "reference tuition," which is the maximum amount that the state grants or loans to students. New reference tuitions would be fixed as a proportion of expected future earnings and adjusted by length of career, dropout rates, and socioeconomic variables. The purpose is to make the system sustainable for the state and for students and to give signals on the employment prospects of different university courses, reducing asymmetries of information. Another aspect is a new accreditation system with stronger institutions and more stringent requirements that will ensure that all institutions fulfill minimum quality standards. In addition, the government proposed the creation of a higher education superintendence to supervise the fulfillment of higher education regulation.

All of these proposed policies reveal a clear attempt to mitigate some drawbacks generated from the rapid expansion of the higher education system. However, it is indispensable to note that all of these transformations are also inspired by the strong conviction that, though it is necessary to be

aware of risks, a mass-scale higher education system is the path for Chile.

Is Mass Higher Education Worth It?

Without denying that a rapid expansion of higher education entails risk, and that it is expensive and may not always fulfill the expectations of all, I believe expanding higher education is part of the challenge of democracy. Whatever their reasons, people value higher education. Nowadays, 86 percent of the parents of sixteen-year-old children in Chile expect them to go on to higher education, three-quarters of which are thinking of university (Ministerio de Educación Chile 2010). Should society restrict the possibilities of access to higher education, or just to university, with the noble aim of maintaining superior quality? I believe that when minimum standards are assured and students are, to some degree, protected from being overly in debt, the answer is no.

Restricting access in a society in which educational opportunities are unevenly distributed up to the age of eighteen necessarily implies deepening socioeconomic inequality. In fact, when we compare the PSU results of youngsters, we find that the proportion that scored more than 550 (historically, the minimum score for getting a scholarship) is 57 percent in the upper-income quintile and only 16 percent in the lower one.³ It is clear who would be harmed with a constriction of the higher education system.

Besides, and very importantly, higher education is still on average very profitable. People with higher education earn more than those who just finished high school, with average monthly incomes of more than US \$2,000 versus US \$740, respectively (Ministerio de Desarrollo Social 2011). Claudio Sapelli (2009) finds large rates of return to higher education, and according to Justine Hastings et al. (2012), there is some causality. In this way, higher education has the potential of reducing income inequality, which may have already been happening in younger cohorts (Beyer 2011; Sapelli 2011).

In sum, the road to a mass higher education system has had large effects from an

economic and from a social mobility standpoint. Both of these interact, of course, with the quality of our politics. Wealthier societies tend to have a stronger demand for the fulfillment of needs that are less material; and they usually do this, at least partially, through the political system (as Marxists have been saying for a long time, the material conditions of life have a strong influence over thinking). And the openness and ease of access to social positions are likely related to the openness and ease of access to political positions.

Higher education is also crucial for culture, which contributes to democracy as well. The different ways in which a society may conceive what justice, freedom, or just “being human” are certainly affect what it will expect from its political system.

And undeniably, higher education is fundamental for politics in its own right, especially in a democratic society. Deliberation is essential for a democracy, and for it to happen, it is necessary to discuss matters on the basis of arguments, trying to free oneself of personal interests, passions, and relations of power. I doubt there is anything that better suits this purpose than education.

Finally, the idea that we are all equal is the basis of a democracy. I believe extreme economic inequality undermines the very idea that we are all equal, even when everybody has the same rights. Chile has a highly unequal income distribution, as is shown by its 0.52 Gini index (Ministerio de Desarrollo Social 2011). Expanding the probability of entering higher education helps make this idea of equality a reality, not only from a material standpoint (it certainly reduces the earning gaps) but also from a symbolic point of view, for it distributes more evenly one of the main sources of self-fulfillment and social status.

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Endnotes

1. The figures provided here are the author's calculations based on the initial results of a survey taken for a Proyecto 3E research project that will be published in the future (for more, see <http://www.justinehastings.com/research/projects/item/22-proyecto-3e-chile>).
2. In addition, private banks generate CAE's funds. Due to the special characteristics of this loan (no physical asset to act as a mortgage; high risk; long term), the cost of the funds has resulted in being expensive for the state. In addition, banks do not have incentives to collect the repayments because the state acts as guarantor for 90 percent of the loan.
3. SIMCE national test results for children from grades two, four, eight, and eleven also show large achievement gaps by socioeconomic status.

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CREA+ VOLUNTEERS AND EDUCATORS STRENGTHENING LATIN AMERICAN DEMOCRACY

José Miguel Ossa Guzmán



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Beyond the different shapes that democracy can take, at its crux is the recognition that all human beings are equal in dignity, therefore the goals and interests of some are not above those of others simply as a consequence of a holder's alleged or claimed higher worth. Faced with the existence of opposing and contradictory goals, democracy is the vehicle humans use to organize and to govern themselves, which is consistent with the pursuit of respect of equal dignity for all, allowing for the enhancement of human faculties and human freedom. It is not the intention of this article to make a detailed analysis of the different forms democracy can take, but we can name a few of the characteristics that are desired by society for this institution. Among others, this form of government must ensure that all citizens have certain inalienable rights and freedoms, that all are equal before the law, that power is not concentrated in one or a few, that all citizens have equal access to the legislative process, that there are checks and balances to the actions of those elected to organize and govern, that the system provides a balance of power of those elected, and that ideally it includes all citizens.

These days, there are many who are raising red flags about the challenges facing our democracy in Latin America. Without going far, Iñigo Verdúzco (2009), an alumnus of the John F. Kennedy School of Government at Harvard University, reports that the main challenges of the countries in the region are: low levels of participation, particularly of minorities; poor representation of citizens; marginalized groups; the need to improve the provision of justice and services; overcoming human rights abuses; and ensuring freedom of the media. Not all of these evils exist in all the Latin American countries, thus the author sug-

gests that each case must be reviewed separately. However, the common pattern is the existence of various marginalized groups and underrepresented minorities who must be empowered, such as the indigenous population, youth, women, political minorities, and the poor. The aberrant economic inequality in our countries is one example—cause and effect—of the radical differences in the empowerment of various groups.

Disapproving and chronically neglecting these groups is not consistent with the ideals and objectives of democracy. Thus, these actions erode the validity and strength of this system, opening the door to alternative routes such as caudillos and dictators. Governments and citizens must act promptly to eliminate the causes of this growing danger.

Education and Democracy: A Key Relationship

Several authors have studied the relationship between education and the promotion of democracy, positioning it as one of the most efficient tools for social progress and the strengthening of democracy. Thus, over a century ago John Dewey and Albion Woodbury Small stated, “I believe that education is the fundamental method of social progress and reform. I believe that all reforms that rest simply upon the enactment of law . . . are transitory and futile. I believe that education is a regulation of the process of coming to share in the social consciousness; and the adjustment of individual activity on the basis of social consciousness is the only sure method of social reconstruction” (1897, 16). Additionally, Seymour Martin Lipset in one of the first empirical studies on the subject states, “If we cannot say that a ‘high’ level of education is a sufficient condition for democracy, the available evidence does suggest that it comes close to being a necessary condition in the modern world.” And furthermore, “Thus if we turn to Latin America, where widespread illiteracy still exists in many countries, we find that of all the nations in which more than half of the populations is illiterate, only one, Brazil, can be included in

the ‘more democratic’ group” (1959, 80).

More recently, Robert J. Barro (1999) shows that the propensity toward democracy rises, among many factors, with primary education. However, this shows a relationship of correlation but not of causality. Therefore, Edward Glaeser et al. (2007) ask, “Why Does Democracy Need Education?” and offer an explanation for the high correlation between education and democracy. Their causality answer is that education creates social skills in two different ways: “First, more educated people are better at cajoling, encouraging, motivating, or otherwise persuading others they interact with to join them. Second, more educated people are better able to reap the benefits of social interaction themselves, perhaps because they understand better why they are participating.”

Considering all the aforementioned arguments, we can conclude that education is the ultimate way to restore the agency of those who are being marginalized, without the need of a big social reengineering, and is also a necessary requirement to maintain the validity of democracy as a form of inclusive organization. In the search of their happiness and meaning, instead of welfare and dependency, humans need to acquire tools—skills and knowledge—in order to become active agents of the development of their faculties and destiny.

Education in Latin America today is far from being the strut that requires our democracy, and the consequences are beginning to surface. According to results of the latest PISA test, the performance of Latin American countries was only marginally better than that obtained in 2006, with Chile, Peru, and Colombia as the countries that showed greater progress (OECD 2009). However, according to the analysis done by the Inter-American Development Bank (2009), “50 percent of students in Brazil, Argentina, Panama, and Peru do not reach level two (out of six) in reading. In contrast, 90 percent of students in Finland, South Korea, Hong Kong, and Shanghai are at this level. Students who do not reach level two have difficulties performing the most

rudimentary reading tasks and lack the essential skills needed to participate effectively and productively in society. Similar findings were observed for math and science.” These results are even more alarming if adjusted for spending in education in these countries or for the level of income per capita, that is, countries with expenditure and income similar to ours have better results.

Associated with the extreme inequality in our countries, highlighting the clear and strong correlation between the learning of our students and their socioeconomic status unfortunately has become a constant in reports on the quality of education in Latin America. The worst is that, with few exceptions, this correlation seems not to wane with time and is perpetuated from generation to generation. The recommendations have focused for years on providing quality education, especially to those most disadvantaged, so that citizens can achieve greater development of their faculties and strengthen the democratic social fabric that binds and protects us.

One of the most popular reports in the last period is that of Mona Mourshed et al. (2010), better known as the McKinsey Report, which aims to answer the question of how the world’s most improved school systems keep getting better. This report classifies educational systems according to the stage they are at in their system reform journey. It is quite clear that all Latin American countries are in the “poor to fair” stage. The report’s recommendations for this group of countries are to focus on achieving basic literacy and numeracy. For this purpose, the authors recommend supporting low-performing schools on the educational front by offering scripted lessons and coaching on curriculum. Well, that is the focus of Crea+.

The Crea+ Model: A Bottom-Up Approach to Enhancing Public Education and Creating Social Capital

Crea+ is a nonprofit organization founded in Chile in 2003 by three high school friends

with no other resources but the dream to help the less fortunate to “develop to the extent of their willpower rather than their reality.” Their link to Harvard is not minor as two of the board members have walked the halls of the Kennedy School of Government. Their studies in this institution have allowed them to generate improvements in the model and to successfully implement an expansion of Crea+ to Brazil and Peru, initiated in 2009.

The model is simple and is based on two independent and complementary programs that seek to work in an inclusive manner with the existing resources and to promote improvements from the classroom. The first program, known as the Volunteer Program, consists of sponsoring underprivileged schools and supporting students through class reinforcement in mathematics. It also offers a nutritious breakfast and complementary activities with various multidisciplinary workshops, which are the hooks for the students to attend the program that takes place on Saturday mornings. The subjects of the workshops include soccer, English, cook-



ing, karate, music, arts, and much more. Additionally, workshops are offered for parents with the intent to engage them in the educational process of their children, one of the key variables to their success. The program is currently carried out by approximately five-hundred volunteers and professionals in the three countries where the program operates,

serving more than 2,300 beneficiaries.

The second program, known as the Math Program, consists of providing direct support to the teachers of the sponsored schools, because according to the evidence, they are the most effective vehicle for improving the education of our students. Therefore, a group of Crea+ experts plans and develops the entire math curriculum. Thus, these experts provide teachers with fully prepared lessons in addition to the necessary material for both the teacher and the student. These efforts serve two transversal needs of education in Latin America: the lack of preparation of many of the teachers, especially in the public sector, and the lack of time to properly prepare the lessons.

Beyond providing teachers with all the necessary materials, our consultants study the lessons with the teachers to ensure that the individuals are well-versed in the content they are about to teach. Then, the consultant attends the class with the students to observe the performance of the teacher. Finally, the consultant meets with the teacher to discuss his or her observations as well as provide feedback to develop a customized plan of continuous improvement. The key to this model is our concept of the consultant as an adaptive coach, a personal trainer, a friendly critic, and an accomplice, but never a supervisor.

Besides the material and advice given to the teacher, Crea+ periodically assesses student learning and analyzes the results with the teachers. Remedial actions are proposed to improve the performance of the students.

Finally, we provide regular training to teachers and orientation to the school leadership team so that they acquire the educational advising skills that characterize the best leaders in that area. The Math Program is only operating in Chile for now, serving about four-thousand students at a cost of approximately US \$140 per year per student, which is less than 7 percent of the average expenditure per pupil in Chile (a little more than US \$2,000 per year per student).

Thanks to the Math Program, Crea+ is able to offer its services at the lowest possible cost and still enjoy an income that allows the organization not to depend exclusively on donations from businesses and individuals, thus combining sustainability with social impact.

Results: Impacting Learning and Strengthening the Social Fabric

Even though Crea+ has not yet developed a comprehensive econometric study measuring the results of its actions, meeting all the requirements that an experimental or quasi-experimental design would entail, it is still possible to draw conclusions its on impact. In the national standardized annual testing conducted in all schools of Chile in 2011 (SIMCE), the schools in which the Math Program was implemented improved on average 26 percentiles in math measurement compared to 2010, while the average improvement of the schools in the district was 9 percentiles. Both teachers and school management attributed this improvement to the impact of the Math Program, especially when the improvement in the area of language in the same schools was only 1.6 percentiles.

In Figure 1, we can see greater detail of the progress of students served by Crea+. It shows that in just one year, between 2010 and 2011, the percentage of students achieving the advanced level doubled and students achieving intermediate level increased by 12 percent.

To these indicators, we can add that 95 percent of teachers mentioned in the program were satis-



fied with it and 100 percent of them want to continue with it and would recommend it to other colleagues.

In terms of the Volunteer Program, the academic results are more difficult to estimate and maintain since attendance is voluntary for students. However, one of the last measured results shows that students who were prepared by Crea+ for the National University Selection Test (PSU) found themselves 51 percentiles higher than their peers who were not prepared in the program.

In his book *Bowling Alone*, Robert D. Putnam (2000) distinguishes between two types of social capital: bonding capital, the one we generate when we interact with people similar to us in terms of race, religion, socioeconomic status, and so on, and bridging capital, the one we generate when we relate to people different from us. Both types of capital are correlated, but according to Putnam, in order to create peaceful societies, bridging capital must be especially strengthened.

An indicator of bridging capital gener-

only able to develop their dreams, but also to help children like them to accomplish their own. This is Alberto Chávez's case, who tells us, "While I was in school I didn't have much hopes of achieving my dreams, but thanks to Crea+'s support I got into college. Now I am at the other side of the classroom, teaching youngsters as me."

All these results have been backed by multiple recognitions that Crea+ has received. In 2007, the organization received from the hands of then-Chilean President Michelle Bachelet the Bicentennial Seal as "a remarkable contribution to the construction of Chile towards 2010." In 2012, the Minister of Social Development Joaquín Lavín awarded Crea+ the "Together for a Chile without Poverty" Award, highlighting the contribution of Crea+ to public education.

Future Challenges: Crea+'s Expansion in Latin America

By 2020, Crea+ has proposed goals in a

In 2020 at the international level we hope to be working in 7 countries in the region, adding a new member to the network every two years.

ated by Crea+ is the number of students and volunteers that the program is able to summon, a number that has grown at an average annual rate of 44 percent since its founding in 2003. Many of our volunteers come from privileged sectors of society, and in this experience, in addition to helping our students, they discover their own life conditions, histories, dreams, and the obstacles they face in realizing them. Also common are stories of Crea+ students who achieved university education and then decided to join the team of volunteers and support students with similar socioeconomic conditions to their own. This generates a virtuous circle, in which students who most likely would not have reached higher education are able to reconstitute their agency and are not

diversity of areas. Regarding the Math Program, we hope to be supporting seventy-five educational institutions in Chile, reaching a total of approximately 51,000 students. Over the short term, in 2014, Crea+ will begin the adaptation and implementation of this program in at least one of the other two countries where it operates, Peru or Brazil.

Regarding the Volunteer Program, the goal for 2020 is to be in thirty establishments in Chile and become consolidated in Peru and Brazil. In addition, in 2013, we will start our Corporate Volunteer Project, in which we partner with companies so that their employees become Crea+ volunteers.

In addition to the aforementioned, in 2020 at the international level, we hope to be working in seven countries in the region,

adding a new member to the network every two years. Finally, by 2020, we intend to have developed, along with an external agency, at least one experimental study about the Educational Impact of Crea+.

In Crea+, we hope to be unnecessary one day and cease to exist. However, as long as there are children and young people in Latin America who cannot develop themselves to the extent of their willpower, rather than their reality, we will continue to work and expand in order to “excel and be happy.”

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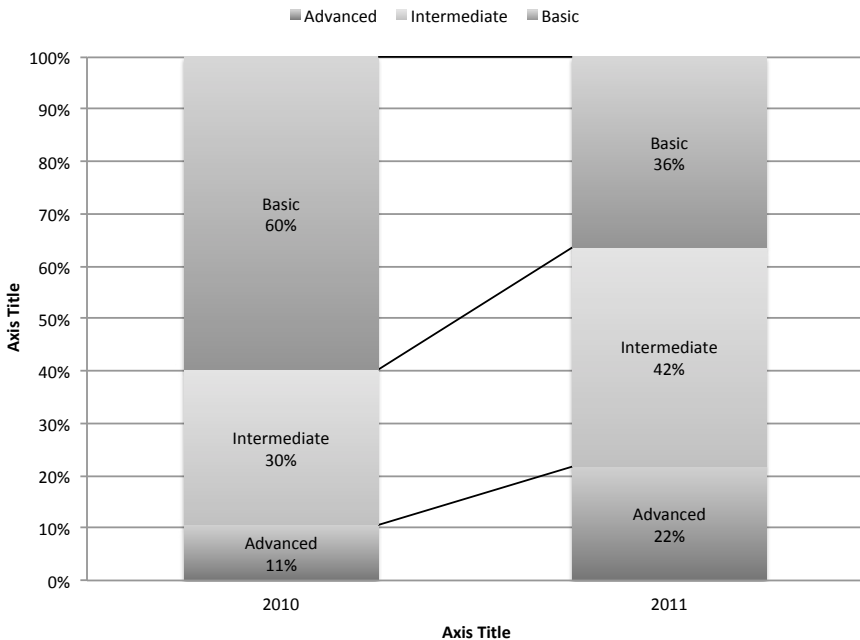
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Figure 1 — Achievement level.



CASE STUDY

Thriving for Competitiveness in Brazil

Just a couple of years ago, Brazil was booming. It had earned its place as one of the darling countries in Latin America and as a key player in the world economic stage. However, the country is now struggling to reclaim its economic position, especially as the near future seems particularly grim.

Brazil, as one of the most urbanized countries in Latin America, is also encountering the typical problems of violence, traffic jams, electricity shortages, and contamination that large cities usually suffer from. Moreover, it also faces the daunting challenge of being capable of generating labor opportunities for its youth population and, at the same time, capitalizing on the advantages of such a workforce in order to support a fast-growing elderly population.

The articles by Gerardo Rodriguez and Patricia Ellen Da Silva present a thought-provoking perspective on how Brazil is coping with the problems posed by the dynamics of both the world economy and the demographics of the Latin American region. There are many lessons to be learned and various problems to be solved, but most importantly, there is no more time to lose.

Priscilla Gutierrez
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THE ACCIDENT OF THE BRICS

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When Goldman Sachs' Jim O'Neill published his seminal piece "Building Better Global Economic BRICs" in 2001, he surely never imagined the economic and political impact he would detonate just by coining the term "BRICs," which stands for "Brazil, Russia, India, and China."

No one remembers now that the main argument of his essay, which was a suggestion on how to improve global economic and financial governance, turned out to be off target. To make room at the table for emerging market economies, he proposed slimming the G7 (the group of main developed economies) into a G5 through the consolidation of the Eurozone representation (Germany, France, and Italy) into one chair and adding Brazil, Russia, India, and China for a more representative G9. Since then, world leaders have opted instead for the G20 to be the most relevant global leaders' forum for economic and financial matters. The advantage of using the G20 was the fact that it already existed (at the level of finance ministers) and had a wide representation of large and dynamic emerging economies.

One has to give credit to O'Neill for putting the emerging market asset class on the map for many who, back then, hadn't noticed its growing power and geopolitical importance. He was mainly trying to make a point about China but needed a broader packaging of countries in order to make for a better sell. But it appears that the country selection of the original BRICs group was rather an accident of size, demographics, and more importantly, words.

It is still an open question of whether the current grouping of BRICs has been helpful in the attempts to fireproof the global economy ahead of the next crisis or if it has caused more damage by polarizing the international debate with misleading concepts like currency wars and monetary tsunamis. Using the BRICs' notion, which originated on economic grounds,

to create a political forum may prove to be an effort that does not last.

The appeal of the concept of BRICs contrasts with the deep political and economic differences among its member countries, which has been well-documented in the press.

Being part of the BRICs group helps its members advance their economic and financial interests while demanding more recognition by Western powers. China is a country with multiple belongings, and it is in its own interest to participate in some forums as a global power and in others as an emerging economy. As China continues to liberalize its capital account and push for more international relevance of its currency, it helps it to work with Brazil and Russia, which are also demanding more representation, most notably at the International Monetary Fund (IMF).

On political grounds, China has some differences with India arising from territorial disputes and ethnical conflicts, but the two would rather team up on the BRICs' anti-G7 rhetoric and stay close as emerging powers. India has an important strategic alliance with the United States that has allowed it to have nuclear weapons in order to

positive marketing and distracts the international attention from the serious ethnic, social, and religious conflicts that are natural to a big and complex democracy. There is some internal debate among bureaucratic elites on whether it should seek more international recognition on its economic development front or remain as a developing nation, with important limitations. This last status allows it to keep access to external financial aid. India is probably the country that would lose the most by not belonging to BRICs.

Russia has been willing to participate and be a part of many different forums in order to try to regain some of the relevance it used to have in the Soviet era, knowing that it is a difficult task. It also has some territorial disputes with China at the same time as it competes for international attention. Russia views the group as part of its economic agenda as its security and geopolitical concerns are addressed also with its permanent seat in the Security Council.

Brazil has been very proactive at using BRICs to close the gap between its international ambitions and possibilities. It has committed important political capital at the consolidation of the group, trying to use it to institutionalize anti-Washington consen-

The appeal of the concept of BRICS contrasts with the deep political and economic differences among its member countries...

counterweigh China's growing relevance in the region. India and Brazil also often complain of the lack of support from China to join the Security Council, while China's geopolitical interests are already well-covered with a permanent seat.

For India, belonging to BRICs is a useful way to play a more important part in global economic and financial decision making. It is trying to get some of the leadership back that it used to have in the old days, by leading disarmament and no-proliferation discussions internationally. It helps it with the

sus positions, with, I believe, limited effectiveness. Brazil has started to feel the pain of being close to China, as its greater access to Asia's export markets have forced it to open its own markets to a flood of cheap Chinese products. Protectionist measures will only make things worse for its economy and tense the bilateral relationship.

Being the only true power of the group, China doesn't lose anything by belonging to BRICs as it helps the country to maintain antagonistic positions at a very low cost, knowing that Brazil will play the tough part.

It was an accident that these countries were suddenly empowered with a stronger and more relevant role in the international arena just by the fact that the BRICs concept was attractive. They were very agile in seizing the political opportunity, more so by taking advantage of former Brazilian President Luiz Inácio Lula da Silva's halo to raise the political level of the group and turn it into a leaders' forum. Incorporating South Africa in 2010 was a swift move that strengthened the group's composition with an African member without sacrificing any of the magic marketing power of the BRICs concept.

However, after four summits, the group's agenda has yet to deliver relevant substance to improve global governance. It has preferred to stay in the safe terrain of generalities and political correctness with agenda items such as food security, sustainable development, the fight against terrorism, free trade, commodities, and energy, among others (BRICS 2009; 2010; 2011).

The diversity of interests among the members has also turned against them. The group has not been able to operate as a solid bloc in relevant decisions, including basic issues such as supporting the same candidate for the World Trade Organization, IMF, and World Bank. During the 2012 G20 discussion to provide the IMF with additional resources through bilateral loans, Brazil and India would try to operate through BRICs in order to derail or condition the process, while China (to show leadership in Asia) and Russia (not to be left behind in Europe) were willing to commit early on. In the end, all four countries decided to participate in Los Cabos in June 2012.

Moreover, the announcement during the Fourth BRIC Summit in New Delhi in March 2012 of a "new Development Bank for mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries" was received with skepticism in the already crowded landscape of official financial institutions (BRICS 2012). Being unable to deliver on its announcement will contribute to the perception that the group

lacks substance.

Slower economic growth prospects in Brazil, China, and India have already spawned a new search for the next group of darling countries that will lead the way. A whole new set of acronyms is already starting to emerge. The crisis has left BRICs with lower potential GDP growth rates, which implies that the members did not take advantage of the momentum generated behind them to move forward with structural reforms in order to enhance productivity (Bank of America/Merrill Lynch 2012). The continued use of fiscal and monetary policy will have only short-term effects and may leave some of these countries vulnerable to still existing global tail risks.

Being part of BRICs is suddenly no longer as fashionable as it used to be. Economic and political differences among BRICs countries will become more evident. Ultimately, there is no acronym or political marketing that can substitute sound and consistent economic policy making for emerging countries to achieve higher levels of development.

It is in everyone's interest to have all members of BRICs be strong, healthy economies and engaged constructively in global agendas through existing institutions. Perhaps they would be more effective, for themselves and for the world, if they took on global leadership roles, with all the responsibilities this entails.

The breakup of BRICs as a political group may be an accident waiting to happen.

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WILL THE REGION GROW OLD BEFORE IT GROWS RICH?

Productive and Sustainable Urban Growth: A Major Pillar to Latin American Prosperity

Patricia Ellen Da Silva



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She has also devoted herself to research and development in urban planning and digital innovation. Her professional and personal aspiration during her sabbatical year at the Harvard Kennedy School is to deepen her knowledge and widen her activities in the area of urban planning and digital innovation as well as to contribute toward the creation of a platform to foster innovation and citizen engagement in public policies in Brazil. She also cofounded and today is a board member of Pró-Mundo, a nongovernmental organization focused on teaching English to underprivileged children and teenagers in Brazilian slums that currently provides services to nearly 500 students in São Paulo and Rio de Janeiro and connects more than 200 volunteers. She holds an MBA from INSEAD and a bachelor's degree in business administration from Universidade de São Paulo.

In 2012, close to 320 million people were living in the 289 largest cities in Latin America, according to data from McKinsey & Company. In 2010, these 289 cities generated around \$3.7 trillion of gross domestic product (GDP), which is equivalent to the GDP of India and the United Kingdom combined. The top ten cities had a population of 103 million with average GDP per capita of \$19,000 and a total GDP of \$1.5 trillion, 31 percent of the region's total GDP.

In 2025, 391 million people will live in the 289 largest cities in Latin America, more than

to citizens (Cadena et al. 2011). Despite the lack of consensus on the level of importance of the different sources of agglomeration economies (Glaeser 2009), one can argue that the migration from the countryside to urban centers has been a key lever of Latin America's recent economic growth. Looking ahead, this characteristic importance of large urban cities in the region's economy increases the relevance of boosting their future economic potential, making it key to sustainable growth and democracy in the region (Cadena et al. 2011).

Nevertheless, Latin America has already

Latin American cities' population is relatively much younger than that of many developed countries and regions including Japan and Western Europe as well as developing economies such as China.

the total population of the United States today. In terms of work, 55 million people will enter the potential labor force, which is more than the total labor force in France today. In addition, 90 percent of Latin America's growth to 2025 will come from these major cities, which will generate a GDP of \$7.8 trillion, more than twice Germany's GDP today.

Some may say that this data is not surprising, yet its implications can be overwhelming for many public policy experts and politicians who really care about the future of our region.

Latin America is the most urbanized region in the developing world, with nearly 80 percent of its population living in cities versus 82 percent in North America, 73 percent in Europe, 47 percent in Asia (excluding China and India), and 40 percent in Africa.

Similar to what happened in the United States, economies of scale have boosted the productivity of expanding Latin American cities and reduced the transport costs as well as the costs of supply of basic services

captured a significant portion of the benefits arising from expanding urban populations. In fact, today most of Latin America's largest cities are dealing with many symptoms of diseconomies of scale including traffic jams, housing and energy shortages, pollution and violence.

Another question that remains unanswered and that was a key topic of discussion in the Third Latin American Democracy Forum in 2012 is to what extent urban agglomerations and large cities have contributed to fostering democracy in the region. On one hand, one could argue that most of the mega cities have evolved significantly in terms of expanded access of public services like education and health care. On the other hand, Latin American cities remain as major poles of inequality and crime.

Moreover, the population of Latin American cities is relatively much younger than that of many developed countries and regions including Japan and Western Europe as well as developing economies such as

China. According to McKinsey Global Institute estimates, Latin America's working-age population is expected to increase in the next few decades until the 2040s, when it is estimated to peak at around 470 million potential workers. From this point onward, the economically active population should start reducing year by year.

These elements combined could represent a great opportunity for Latin America to leverage its urban agglomerations' resources and ecosystems to generate more jobs, increase productivity, and solidify democratic principles by tackling issues like inequality, drug trafficking, and crime in the region. On the flip side, there is a risk that Latin American states will not be able to generate enough opportunities for the growing young workforce, and therefore, many social and economic challenges will arise.

Even though it is true that some of the implications of the rapid urbanization of the Latin American region as well as its potential impacts on economic growth and social stability can be arguable, one undeniable truth is that, by the second half of this century, the region's demographic profile will be dramatically different. A decreasing proportion of the economically active population will have to generate productivity and wealth big enough to provide for its fast-growing elderly population.

Therefore, for the region's largest cities to sustain their growth and prosperity, they need to innovate in public management in order to improve their economic performance and productivity as well as to improve quality of life, sustainable use of resources, and good governance and public finance management.

This systemic transformation of city planning and management can be accomplished only through a collective effort involving representatives of the public, private, and social sector. Together, policy makers, business leaders, and social-sector entrepreneurs can boost development in their cities and create more productive jobs. By not doing so, the region runs the risk of "growing old before it grows rich" (Cadena et al. 2011).

Well-functioning, highly productive, and sustainable cities are critical for Latin America's growth. Some cases like that of the city of Rio de Janeiro can serve as source of inspiration to mayors and public policy makers throughout the region.

Eduardo Paes, the mayor of Rio de Janeiro since 2009, who was re-elected for another four-year mandate in 2012, has engaged in this transformation journey from day one. He created task forces that engaged public servants, prominent leaders from the private and social sector, activists, members of academia, and opinion makers in the creation of a long-term development plan for the city of Rio de Janeiro that included projects and initiatives that will last for more than ten years—long after his mandate is over. A major effort to guarantee this development plan implementation has been conducted involving new legislation, public commitment, and citizen engagement. He also created public-private partnerships to implement the ambitious infrastructure projects that should make it feasible for the city to host the World Cup games in 2014 and the Olympic Games in 2016. Moreover, he engaged in partnerships with the state and the federal government to pacify the favelas and to control dengue epidemics as well as floods.

As this example illustrates, this article is a plea to representatives of the public, private, and social sector to work together to turn Latin America urban cities into successful examples of prosperity, democracy consolidation, and economic growth.

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CASE STUDY

Fostering Initiative and Accountability in Mexico

Policy reforms promoted by the government can contribute in large extent to the democratization process through increased effectiveness in responding to the people's needs and by promoting transparency and accountability. The articles in this section based on two Mexican policy reforms constitute good examples of the relationship between policy reforms and democracy and provide important lessons for other countries in the region and in other parts of the world that are currently considering or undertaking similar reforms.

The article by Fausto Gerardo Gurrea Martínez and Jan Roberto Boker Regens stresses the importance of regulatory reform in enhancing productivity, employment, and competitiveness to promote sustainable economic growth in Latin America. The commentary by Gonzalo Hernández Licona describes how Mexico conducted a reform to build an effective system of monitoring and evaluation for its social development policy and its link to democracy.

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BUILDING A MONITORING AND EVALUATION SYSTEM FOR SOCIAL DEVELOPMENT IN MEXICO

An Instrument for Democracy

Gonzalo Hernández Licona



SINCE NOVEMBER 2005, Gonzalo Hernández Licona has been the Executive Secretary of the Mexican National Council for the Evaluation of Social Development Policy (CONEVAL). His role is to direct and coordinate the council's activities, whose objective is to evaluate social development policy and programs as well as to carry out the official measurement of poverty in the country. He holds a PhD in economics from the University of Oxford, a master's degree in economics from the University

*of Essex, and a bachelor's degree in economics from the Instituto Tecnológico Autónomo de México (ITAM). He was Director of Evaluation and Monitoring at the Ministry of Social Development from August 2002 to November 2005. He was a full-time professor in the Department of Economics at ITAM from 1991 to 1992 and from 1996 to 2002 and served as Director of the Department of Economics at the same institution between 1998 and 1999. From 1996 to 2000, he was academic representative to the North American Agreement on Labor Cooperation Commission. Since 1998, he has been a member of the editorial board of the *Economía Mexicana* magazine, published by the Center for Economic Research and Education. Likewise, since 1997, he has been a member of the National Researchers System.*

It is not a coincidence that dialogue on the evaluation and measurement of poverty arose in Mexico during a time when the balance of power between Congress and the executive branch came into being; that is, when democracy arrived in the country. For the first time in 1997, Mexico had a president from a party different than the one ruling

in Congress, and in 2000, for the first time in seventy years, the executive branch was controlled by a different party. Democracy and independent evaluations came hand in hand.

This article describes how Mexico has built a rigorous system of evaluation, measurement, and monitoring for its social development policy, which not only responds to democratic changes in the country but has itself become a fundamental part of the country's democratic process.

Since its creation in 2006, the National Council for the Evaluation of Social Development Policy (CONEVAL) has implemented a culture focused on the results of social development policy, taking measurement, monitoring, and evaluation as essential tools that deliver better results and improve transparency. CONEVAL has developed an evaluation system for social development policy, which contributes to democracy in Mexico every day.

Institutional Background

In Mexico in 2000, after a lengthy period with the same party ruling in both the Congress and the presidency, a different ruling party took power in the executive branch and a majority of the opposition party served in Congress. This is when democracy began to consolidate in Mexico. And it is no coincidence that in the same year, for the first time in the history of the country, the federal expenditure budget decree was established, mandating the creation of social program evaluations.

Thus, between 2000 and 2005, a culture of evaluation, measurement, and accountability was promoted. This scheme, nevertheless, presented some challenges: emphasis was placed on measuring what government agencies had done rather than on the results of their activities and the impacts they generated. As a result, annual evaluations were designed and developed, but their effects were limited as a result of low usage of the information and lack of coordination amongst the related actors.

Therefore, a new and more complete legal framework for monitoring and evaluation was conceived, which focused on results: the General Law on Social Development (LGDS, 2004), promoted by an opposition-led Congress, formally established CONEVAL, the Law for Budget and Fiscal Responsibility (2006), and the Performance Evaluation System. It is also worth mentioning that the political will of several important actors in the Federal Public Administration and the Congress were essential in promoting the establishment of independent evaluations.

Building a System of Evaluation and Measurement for Social Development Policy

To give a better sense of direction to the evaluation process, a conceptual framework was proposed to help plan social policy. First, it began with identifying the type and size of the main social problems in the country. Subsequently, it called for an analysis of the root causes of these problems. These two elements would serve as the basis for strategy/program/action design. Finally, through adequate monitoring and evaluation, it would be possible to determine the relevance, effectiveness, and efficiency of such strategies. This information would reach the main actors in the policy-making process and improve the performance of all social development policies while contributing to accountability.

Under this scheme, as stated in the LGDS, CONEVAL must provide information at two points: in the beginning of policy analysis with a poverty measure that includes multiple factors, and at the end of the process with monitoring and evaluation of social development policy.

Measuring Poverty in the Evaluation System for Social Policy

The LGDS gives CONEVAL the power to measure poverty at the national, state, and municipal levels. Estimates must be made every two years at the national and state levels and every five years at the municipal level.

Moreover, the estimates include indicators like income, education, access to health, social security, food, quality, and spaces of the dwelling, access to basic services in the dwelling, and the degree of social cohesion. With this data, CONEVAL helps determine the size and evolution of Mexico's social problems.

For the first time in Mexico's history, and thanks to CONEVAL, we then have independent national, state, and municipal poverty estimates. To ensure their accuracy, these estimates are made using surveys and census data from the National Institute of Statistics and Geography. This information is public, just like CONEVAL's formula and methodology. Thus, anyone can replicate the estimates.

To get short-term and recent information, CONEVAL published the Poverty Labor Index, which aims to analyze the quarterly trends through purchasing power of income earned from working.

Evaluation System for Social Development Policy

In 2006, CONEVAL designed a strategy to generate and use relevant and credible information on social development in Mexico. As seen in Figure 1, the strategy focuses on results, unlike the previous scheme in which the most relevant indicators were only related to the breakdown of public resource expenditure.

The system includes four areas of focus: (1) better elements of planning and monitoring at the level of programs and institutions; (2) a better evaluation scheme; (3) a process that endorses the enhancement of programs and strategies based on the information generated by the evaluation system; and (4) an easy to understand tool to spread information to policy makers quickly (see Figure 1).

Planning and Monitoring

In terms of planning and monitoring, CONEVAL has diverse powers: approving indicators to evaluate social programs, serving as the link to federal agencies to establish and consolidate a monitoring and evalu-

ation system for social development, and providing advice and technical assistance to states that request it, among others.

Today, all programs and budget-related actions have a logical framework matrix, in which they specify their objectives and the indicators for measurement. One example of the improvement in information availability is that since 2008, the Ministry of Finance has selected a set of key indicators from each program, which it, in coordination with Congress, tracks continuously.

Likewise, steps have been taken to integrate interagency efforts among the three branches of government. For example, logical framework matrices in cascade (a mechanism based on the design of sub-matrices adapted to the different levels of government, but linking them all) were designed to better integrate the different programs across the states.

Planning and measurement at the state level has also been improved. CONEVAL has trained twenty-seven states in planning, program design, performance and management indicators, program evaluation, and poverty analysis, among others.

Evaluation of the Performance of Social Policy (the Evaluation System)

The LGDS also gives CONEVAL the power to regulate and coordinate the evaluations for social programs run by federal agencies. CONEVAL has issued guidelines to regulate these functions, for example, the General Evaluation Guidelines, the Annual Evaluation Program, terms of reference for the various types of evaluations, and guidelines in the implementation of recommendations from evaluations.

The main types of evaluations are:

- **Design evaluation** — evaluates, through desk research, the program's design to provide feedback and improve management.
- **Consistency and results evaluation** — comprehensively analyzes whether the programs are results-driven in areas such as design, planning, coverage, targeting, operation, beneficiaries perception, and results measurement.

- **Processes evaluation** — analyzes, through fieldwork, whether a program is operating effectively and efficiently and is contributing to its objective.
- **Impact evaluation** — measures the real contributions of the program to the beneficiaries.
- **Comprehensive performance evaluation** — analyzes various issues that integrate social programs that address a common problem.

Mechanism to Follow Up the Recommendations of the Evaluation System

In 2008, the Mechanism for the Follow-Up of Aspects Susceptible to Improvement was designed. It details the way in which federal agencies and departments responsible for social programs and for evaluation can make the right commitments that modify, redirect, add, or in extreme cases, suspend programs.

The mechanism identifies the most important findings from the various social program evaluations. The areas for improvement are classified according to the institutions involved in the programs analyzed. Finally, documents that define the strategies for improvement and the responsible actors

are prepared and published. CONEVAL follows up the progress on the commitments and provides an overall assessment in the annual program evaluations.

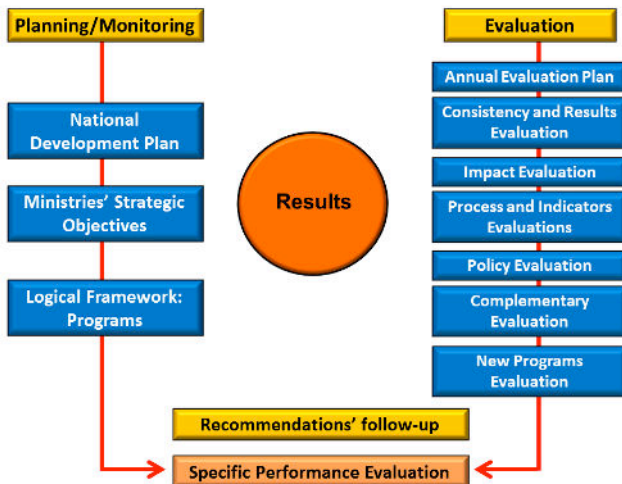
Specific Performance Evaluation (EED)

This evaluation is a summarized assessment about the annual performance of social programs, which is presented, through a unified format, to the most important policy makers in the federal government and Congress. EED shows the progress of planned objectives and goals of social programs, based on a summary of the information contained in the Performance Evaluation System. The evaluation includes the following subjects: results, management, coverage population, and the follow-up to recommendations.

The uniform and systematic exercise of EED has identified common elements between programs to improve and to integrate information from other programs to design alternative instruments for decision making.

Use of Information from Social Development Policy Evaluation System

Figure 1 — Evaluation system for social development policy.



(Source: CONEVAL 2008.)

Today, we have many robust mechanisms to measure and evaluate social policy. They are indeed very valuable, but certainly not enough. It is also important that these measurements and evaluations contribute to the continuous improvement of social development policy and promote greater accountability. Since 2008, CONEVAL has provided information to improve the results derived from the budgetary process.

With the use of the various evaluations, Mexico has made significant progress in achieving results and attaining specific public policy goals. In 2010, for example, as a result of the total changes implemented in 113 programs, 62.8 percent showed improvements in final results. Likewise, 19.5 percent of social programs showed improvements in the provision of goods and services, and 16.8 percent made improvements in the level of activities or processes (author's estimates with information from the follow-up recommendation system of CONEVAL).

As a result of the Mechanism for the Follow-Up of Aspects Susceptible to Improvement, out of a total of 228 improvements to different programs, 15 percent led to actions that substantially and positively reoriented the programs, 71 percent of the changes were focused to correct activities or processes, and 12 percent modified the benefits provided by the programs (CONEVAL 2012).

Challenges and Conclusions

Today, any citizen can easily access and see the level and evolution of poverty in Mexico and analyze the most important results of social policies and programs by him or herself. This means we are strengthening democracy and transparency every day.

Fifteen years ago, this was impossible: we had no electoral democracy, nor changes in the ruling party, nor a system of checks and

balances between Congress and the executive branch. Today, we are many steps closer to real democratic consolidation, which is the result of progress in the measurement, evaluation, and monitoring of our social policy. In addition, and not any less important, this information is beginning to make decisions relevant to public policy.

However, there are still challenges ahead on the road to fully transitioning to a culture of evaluation and performance measurement. It requires greater linkages between the evaluation and the budgeting process. This problem has not been solved by any country, so the challenge is great.

Finally, independent evaluation in states and municipalities is still very new. Although balance of power has been implemented at the federal level between the executive branch and Congress, it has not yet had a similar experience at the local level. Democracy has moved a little slower in local governments. But requiring formal reports on local social policies would lead to evaluation and more transparency.

As a society that aims to be more democratic and transparent, measurement and evaluation are necessary but not sufficient. Mexico has made not only great strides in social development but also in the measurement and evaluation of its results. To continue such progress in the former, we must certainly strengthen the latter.

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With the use of the various evaluations, Mexico has made significant progress in achieving results and attaining specific public policy goals.

CREATING A FRIENDLIER ENVIRONMENT FOR ENTREPRENEURS

The Story of Tuempresa.gob.mx, Mexico's One-Stop-Shop for Business Registration

By Fausto Gerardo Gurrea Martínez and Jan Roberto Boker Regens



FAUSTO GERARDO GURREA MARTÍNEZ holds an undergraduate degree in applied mathematics from the Instituto Tecnológico Autónomo de México, a master's in science degree with a specialization in operations research from the London School of Economics and Political Science, and a master's in public administration and international development from the John F. Kennedy School

of Government at Harvard University, received in 2008. He previously worked as a business analyst with McKinsey & Company's Mexico City office and as a researcher and analyst for the Mexican Institute of Competitiveness. Since November 2008, he has worked at Mexico's Ministry of Economy and is currently the head of the unit for the Design and Implementation of Policies for Productivity where his main areas of work involve building high-quality regulations and using technology to reduce unnecessary burdens for citizens and businesses to comply with government formalities.

JAN ROBERTO BOKER REGENS graduated from the Escuela Libre de Derecho law school in 2002. In 2008, he earned an LL.M. degree from the London School of Economics. He has worked as an associate lawyer in international law firms, including White & Case. He is lecturer on "Introduction to Legal Studies" at the Escuela Libre de Derecho and is the general director of National Business Regulation of Mexico's Ministry of Economy. His posi-



tion is under the vice minister of economy, employs a structure of more than ninety civil servants, and involves complete responsibility over the Public Registry of Commerce, including the Movable Assets Collateral Registry (the official Web page designed to facilitate the incorporation of businesses, including the new online corporate name clearance service), supervision of 370 commercial law public notaries and five certification service provider as well as the operation of the Ministry of Economy's public key infrastructure.

Abstract:

As described in this article, it is important for countries to set up a regulatory reform program that includes better regulations and the use of e-government solutions to build a friendlier environment for entrepreneurship. As an example, the authors present the case of Tuempresa.gob.mx, Mexico's one-stop shop for business registration. This example shows how targeting efforts in response to citizen and business demands to simplify the compliance of key government formalities also improves international indicators like the Doing Business Index. It is important for Latin American societies to raise the priority of regulatory reform programs as a key component of a holistic strategy to promote economic growth, productivity, employment, and country competitiveness.

The Importance of Having Better Regulations

“Building a better world economy requires finding ways to design, apply and enforce better rules.”

José Angel Gurría, Secretary General, Organisation for Economic Co-operation and Development (OECD)

During the past five years, regulatory policy has gained a higher level of relevance as a way

to foster innovation, growth, and country competitiveness. Some countries have set up strategies to reduce the costs of doing business by simplifying regulations and putting in place e-government solutions that provide certainty and timely responses for citizens and businesses, lowering the expenses associated with complying with legal obligations and formalities (OECD 2010, 2).

The Importance of Citizen and Business Participation in the Policy-Making Process

“Citizen councils participating in improving regulations are the best way to ensure that government engages in a continuous exercise that is transparent and open to society.”

— José Antonio Torre, former vice-minister for Competitiveness and Business Regulations (SFP 2011)

As international focus has turned toward the benefits of regulatory policy, it has become clear that one of the elements for ensuring success is the ability to attend to the direct needs of businesses and citizens and make it easier for them to comply with government formalities. Engaging in this task requires an efficient system that includes end-user participation in the design, implementation, and operation of policies and programs as well as a system that enables citizens to access knowledge and information about government requirements and procedures.

Democracies and Regulatory Environments

Are democracy environments more likely to have in place adequate systems (e.g., institutions, rules, procedures) to incorporate citizen and business input and feedback to design new, or improve existing, government regulations and services? Empirical evidence reveals that there is a strong relationship between the state of a democracy and the ease of doing business. Figure 1 presents a simple analysis comparing two measures: the Democracy Index published by the Economist

Intelligence Unit (2011) and the country rankings of the Doing Business Report published by the World Bank (2012). As we see in Figure 1, countries with higher performance in the Democracy Index are likely to receive higher scores in the Doing Business Index.

A hypothesis to explain this strong relationship may be that democracies have more effective institutional settings to respond to citizen and business demands compared to authoritarian regimes (Economist Intelligence Unit 2011). They may incorporate the feedback provided by citizens and businesses in more efficient ways, thus creating a friendlier framework for doing business.

Regulatory Reform: Priority of Mexico's Federal Government

“The federal government will undertake a deep regulatory reform.”

— Felipe Calderón, former president of Mexico (2009)

During 2008, Mexico's federal government, advised by Organisation for Economic Co-operation and Development (OECD) specialists, realized the importance of conducting an aggressive regulatory reform program as part of the effort to deal with what was then an upcoming crisis, which originated in the United States and Europe. This program was designed to help cope with the crisis at a moment in time when public resources were scarce and the need to stimulate economic activity was critical.

On 2 September 2009, then-President Felipe Calderón set regulatory reform as one of ten priorities for his government (Calderón 2009). Tuempresa.gob.mx was part of an integral strategy to ease doing business. Important actions undertaken to improve regulations and reduce burdens for economic activities are synthesized in the Table 1.

The First Version: Launching Tuempresa.gob.mx

“The portal sets a precedent on the sim-

plification of the interactions between citizens and the federal government.”

— Felipe Duarte, former vice-minister of Competitiveness and Business Regulations (SE 2009)

On 3 August 2009, the operations of the first version of Tuempresa.gob.mx began. The launch of Tuempresa.gob.mx changed the paradigm by consolidating in one Web site up to twelve different formalities, which included the following main procedures required for incorporating a company or partnership:

- Choice of name of the company
- Provision of legal and administrative information of the company
- Payment of the corresponding federal fees
- Choice of a notary public (either civil law or commercial law notary public) to formalize the articles of incorporation of the company or partnership

The only procedure that remained outside the scope of the Web site and required a face-to-face meeting was the visit to the notary public to sign and formalize the deed of the company. This helped to significantly reduce the time and cost spent on starting a business and to create a more direct procedure under the control of the citizen. According to an evaluation performed by the OECD using the standard cost model, the simplification and streamlining of procedures offered by this one-stop shop reduced the costs of starting up a business by at least 65 percent (OECD 2009b, 7). This effort was recognized by OECD countries (OECD 2009a).

Opportunities for Improvement

During its first two years of operation from 2009 to 2011, Tuempresa.gob.mx was used by close to 5 percent of business registrants. There were several factors that led to this number of users, with the following three being the most significant:

1. Many users preferred traditional means that involved face-to-face interaction instead of Web-based tools. In some cases, face-to-face interactions offered better ser-

vice than the Web site, including in an advisory capacity and lower response time.

2. The design wasn't correctly directed to the needs of all the relevant stakeholders: citizens and law firms, notary publics, and public servants.

3. There were technology adoption challenges. The use of electronic alternatives of government services in Mexico is low unless mandatory.

In any case, the first version was a strong step forward in terms of creating savings and making a simpler process for users preferring Web-based solutions over traditional means.

A New Version: Tuempresa.gob.mx 2.0

“In this new version, the federal government has eliminated in full the fees of the formalities to register a corporate name.”

— Bruno Ferrari, former Minister of Economy (SE 2012)

On 15 December 2011, then-President Calderón published a reform bill passed by the Mexican Congress to further facilitate business start-ups (Calderón 2011). The reform was led by Deputy Norma Sánchez and supported by the former president of the Commission of Economic Affairs, Congressman Ildefonso Guajardo.

It included three main features:

1. The Ministry of Economy was to be responsible for the formalities regarding com-

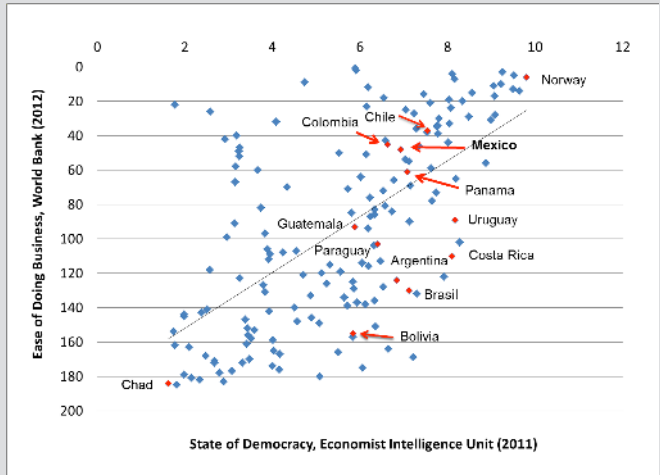
pany and partnership names (previously in the Ministry of Foreign Affairs).

2. There was to be the elimination of federal fees for formalities regarding names and denominations for companies. Previously, requesting authorization for a company name had a fee equivalent to US \$80.

3. There was to be the elimination of minimum capital requirements for starting up a business. Previously companies were to put US \$3,900, or 50,000 Mexican pesos (MXN) and partnerships US \$236, or 3,000 pesos.

The design of the new version included the feedback received from direct users (through e-mails, calls, and letters). This was particularly relevant to avoid potential flaws and to incorporate current practices and culture among notaries public and government officials. Additionally, during 2010 and 2011, the Ministry of Economy requested the evaluation of different aspects of the system by OECD and World Bank specialists. Most of the suggestions delivered by these specialists were also included in the design of Tuempresa.gob.mx 2.0 by a multidisci-

Figure 1 — State of democracy versus ease of doing business.



(Sources: Economist Intelligence Unit 2011; World Bank 2012.)

plinary team. This open and collaborative dynamic was critical for success.

Main Differences Between Tuempresa.gob.mx 1.0 and 2.0

Table 2 compares the main features of the two versions of Tuempresa.gob.mx.

In September 2012, Tuempresa.gob.mx 2.0 started operations surpassing the level of usage estimated in the base scenario. Its on-line availability implied that the requests for names rose from a range of eight hundred to one thousand per day (SRE 2012) to a range of two thousand to three thousand, five hundred per day. These numbers are evidence of a simpler and more accessible service, especially considering that the elimination of fees occurred in January 2012.

Conclusion

Regulatory policies have received a greater degree of attention, especially as fiscal and monetary policies have proven to be ineffective in promoting economic growth under certain conditions. These regulatory policies are attractive since the benefits are seen in the short term but maintained in the long term. They become permanent investments. To conclude, we would like to share four key recommendations:

1. Regulatory reform should remain a high-level political priority for countries dealing with economic challenges and become an integral part of the strategy to promote economic growth, productivity, and country competitiveness.

2. Managers must ensure that the work is coordinated among all the relevant stakeholders, especially end users and particularly in the design phase.

3. Reform programs should work closely with international organizations in order to receive technical support, particularly in the design phase of the program, and to conduct a permanent evaluation process to set a continuous improvement cycle.

3. Reform programs should create an environment of multidisciplinary professionals,

keeping the focus on the vision and the objectives.

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Table 1. Regulatory Reform in Mexico

Year(s)	Action Implemented	Main Benefits
2009	Launch of Tuempresa.gob.mx, one-stop-shop for business registration (version 1.0)	<ul style="list-style-type: none"> • 65 percent reduction in cost of registering a business (OECD 2009b, 7) • Reduction of time required for starting a business from twenty-seven to only six days (World Bank n.d.)
2010	Targeted approach consisting of seventeen federal economic and fiscal simplification measures	<ul style="list-style-type: none"> • Reduction of administrative burdens for citizens and businesses of 2.7 billion USD (35,000 million MXN) (Rosas 2010)
2010–2012	Elimination of redundant norms and procedures within the federal administration	<ul style="list-style-type: none"> • 16,537 norms eliminated (SFP 2013) • 2,843 procedures eliminated (SFP 2013)
2011–2012	Comprehensive federal government approach including all the federal agencies, regulatory improvement program 2011–2012	<ul style="list-style-type: none"> • Savings equivalent to 10.9 billion USD (141,270 million MXN) or 1.2 percent of Mexico’s gross domestic product (Cofemer 2012, 8)
2008–2012	Launch of Ventanillaunica.gob.mx, single window for trade and customs procedures and simplification and reduction of tariffs	<ul style="list-style-type: none"> • Single window: 92 percent reduction in time spent on procedures for exports and imports (SAT 2012, 9); potential to improve Mexico’s position (up to twenty-six places) in the Doing Business Trading Across Borders Indicator (SE 2012) • Tariffs: the average tariff was reduced from 9.6 percent in 2008 to 4.3 percent in 2012 (SE 2012)
2009–2012	A multilevel agenda to promote simplification at the local level: capacity building, simplification programs and best practices toolkits, evaluation of Doing Business subnational indicators	<ul style="list-style-type: none"> • Potential savings of 2.114 million USD (26 billion MXN) (Excelsior 2011)
2012	New release of Tuempresa.gob.mx (version 2.0)	<ul style="list-style-type: none"> • Elimination of minimum capital (Calderón 2011) • Elimination of federal government fees (Calderón 2011) • Full adoption with the use of electronic signature • Reduction of cost (percent of income per capita) from 14.2 to 10.1 (World Bank n.d.)

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Table 2 — Main Features of Tuempresa.gob.mx

Version 1.0	Version 2.0
Key formalities and services	
The service of obtaining a name is automatized but subject to the interaction of public officers in different ministries.	New service to obtain the authorization for using the name of a business or partnership (name clearance) with three main advantages: use of electronic signature; legally valid document provided online; centralized back office team.
Payment of fees to obtain the “corporate name”.	Elimination of payment of fees to obtain “corporate name”.
Procedures related with “corporate name” for two types of companies (70 percent of total registered in a given year).	Procedures related with “corporate name” for ALL companies and partnerships (100 percent of total registered in a given year).
More than one-hundred public officers were in charge of the authorization of names in thirty-five offices.	All the authorization is Web-based and centralized in a compact team of public officers (gains in standardization and efficiency). New search engines for: names currently in use; consultation of legal documents issued by the system; notaries public directory.
Information and customer service	
Basic information on the procedures available on the website.	New arrangement and improvement of user information (Q&A, guidelines, legal resources, electronic signature). New section including basic legal orientation (commercial law, tax law, and labor law). Contact information of all the notaries registered with the Ministry of Economy. (Currently the list includes 3,700 public notaries for civil and commercial law and 350 for only commercial law.)
01800 line and email.	1-800 line, e-mail, and more than fifty Ministry of Economy local offices (delegaciones) with trained staff that provide face-to-face advisory services.
Strategy	
Conceived as part of the strategy to simplify the interaction between citizens and government (program for business entrepreneurs).	Three-Pronged strategy: a. Focus on facilitating the interaction of ALL users: enterprises, notaries public, and authorities. b. Service-oriented architecture: open solutions, flexible, and reusable. c. Design oriented to simplify each stage in the business life cycle.