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A CENTURY OF SOCIAL WELFARE IN URUGUAY
Growth to the Limit of the Batllista Social State

Fernando Filgueira

Translated by Judy Lawton

Project
**“Social Policies for the Urban Poor in Southern Latin America:
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Fernando Filgueira is a researcher at PEITHO, Sociedad de Análisis Político, in Montevideo, Uruguay. He is currently enrolled in a doctoral program at Northwestern University in Chicago.

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Judy Lawton, translator, is a graduate student in the Department of Political Science at the University of Wisconsin, Madison.

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GLOSSARY OF ABBREVIATIONS

AFSP	Asociación de Funcionarios de la Salud Pública Association of Public Health Care Employees
BCG	vaccine to prevent tuberculosis
BEIB	<i>Battle, los Estancieros y el Imperio Británico</i>
BHU	Banco Hipotecario del Uruguay National Mortgage Bank
BPS	Banco de Previsión Social Social Security Bank
CAIF	Centros de Atención a la Infancia Infant Care Centers
CASMU	Centro de Asistencia del Sindicato Médico Center of Assistance of the Medical Union
DISSE	Dirección de Seguro de Salud del Estado Directorate of Health Insurance
EAP	economically active population
FISE	Fondo de Inversión Social de Emergencia Emergency Social Investment Fund
FUCVAM	Federación Uruguaya de Cooperativas de Vivienda de Ayuda Mutua Uruguayan Mutual Aid Federation of Housing Cooperatives
FUECI	Federación Uruguaya de Empleados de la Industria y el Comercio Uruguayan Federation of Employees of Industry and Commerce
FUS	Federación Uruguaya de la Salud Uruguayan Health Care Federation
GDP	gross domestic product
IDB	Inter-American Development Bank
MEVIR	Movimiento de Erradicación de la Vivienda Rural Insalubre Movement to Erradicate Low-Standard Rural Housing
MLN	Movimiento de Liberación Nacional-Tupamaros National Liberation Movement (Tupamaros)
MOVIDE	Movimiento pro Vivienda Digna Movement for Decent Housing
PIT-CNT	Plenario Intersindical de Trabajadores/Convención Nacional de Trabajadores Combined Interunion Workers' Plenary and National Workers' Commission
PNV	Plan Nacional de Vivienda National Housing Plan
PRIS	Programa de Inversión Social Social Investment Program
SUNCA	Sindicato Único de la Construcción y Afines Union for Workers in Construction and Allied Trades
UAPE	Unidad de Asesoramiento y Proyectos Especiales Advisory and Special Projects Unit
UNICEF	United Nations Children's Fund
VAT	value added tax

Introduction

In the 1950s Uruguay was known as a pioneer in the development of the welfare state. George Pendle subtitled his book about Uruguay (1985 [1952]) the *Social Laboratory*, although he eliminated the subtitle in the second edition as dark clouds began to blur the dominant perception of the country's prosperity. Simon Hanson, in his work titled *Utopia in Uruguay*, argued that the country's social laws were idealistic and impracticable (Hanson 1938, 130).

These authors referred to the implementation, in the second decade of this century, of a series of measures that created a social assistance state,¹ designed to be provident and to anticipate demands* (Rial 1984b). These policies were part of a broader process of nation-state building and social modernization.² The most important agents in promoting this modernizing agenda were a group of urban politicians who since the 1870s had attempted to control state power. A major obstacle in their path was the lack of economic resources and electoral constituencies to support such a project. Therefore they needed to create the foundation for an urban economy (Rial and Klaczko 1981) in this sparsely populated country, traditionally dominated by a non-labor-intensive cattle-producing economy (Prates 1976), which had, however, received a large number of immigrants (Aguar 1982).

Between 1904 and 1916, the triumphant sector of the Colorado Party, Batllism, emphasized social programs and what the philosopher Carlos Vaz Ferreira (1915) denominated *pobrisimo* (focus on poverty), constructing a state that was intended to be the "shield of the weak" (Perelli 1985). At the same time, the nationalist opposition, while sensitive to social issues,³ preferred to focus on the issue of expanding the electorate, which favored its interests. The formation of the National Party as a popular-conservative force (Barran 1986) put a brake on the anticipatory project. After 1916, Batllism would have to take into account the National Party's electoral weight.⁴ Social change took a slower pace, as conservative elites manipulated the rural masses who feared the modernizing changes.

¹ I use the phrase 'social assistance state' to distinguish it from the 'welfare state' because of its more limited conception and reach.

* Hereafter, the term 'anticipatory' is used in reference to this characteristic.—TRANS.

² A narrative of the events can be found in Acevedo (1936) and a pro-Batllista version in Barran and Nahum (1979–1986), who in seven volumes give a version of Batllism from the perspective of progressive historians, trained in the 1960s. The material collected in the work is excellent. Also favorable to Batlle and his project is the work of Vanger (1963 and 1980). Real de Azúa (1964) provides a critical study.

³ The law that limited the workday to eight hours has as precedents a Nationalist project of Carlos Roxlo in 1906 and the fact that several unions had already achieved it (Machado 1973, 34).

⁴ In 1916, with the introduction of a proposal for constitutional reform, Batllism was defeated in the first election conducted by secret ballot and with the participation of 43.8% of the electorate (Barran 1986, 204). While the reform dealt only with political institutions, the pronouncement was interpreted as a repudiation of the project of state assistance. A coalition of Nationalist and non-

Nevertheless, the foundation of the system was laid. In 1919, an accord between the two majority parties and their fractions⁵ allowed an expansion of state-owned enterprises and the approval of social laws. This activity continued until the crisis of 1929 brought an institutional breakdown and a partial redesign of the social state.

Although social policies were applied in accordance with particularistic, clientelistic modalities, a universalist rhetoric was employed in their formulation in laws or decrees. Over time, what had previously been considered a privilege became widely available, and clientelism assumed a 'horizontal' dimension in the sense that patrons on the middle and lower levels of the clientelist hierarchy were able to assert more influence upwards which, in turn, conferred more power on their clients. Little by little, social policies were made effective for all intended beneficiaries, in accordance with the letter of the law.

In the long run, the increase in coverage of social services and benefits occurred inequitably. Diverse interest groups successfully sought and gained priority attention. Thus, some sectors not only succeeded in being included in the design of the social assistance state but also were favored above others in its implementation. The policies led to a new type of social stratification, consolidating middle sectors, such as public functionaries, and protecting some subordinate groups,⁶ especially industrial workers.

In hindsight this attempt to impose an anticipatory style of development in Uruguay has been judged as an example of 'ideas out of place.' Implementing European-type social programs was unsuccessful due to the country's weak economic base—primary production, neither capital- nor labor-intensive, and an inefficient industry, protected by tariffs and subsidies, which could only serve a small internal market.

Today the state's social programs are in crisis because they lack financing. According to the commonly accepted explanation, the social state's decline originated in the economic stagnation that began to affect the country in the mid-1950s. This type of explanation (by

Batllista Colorado Party members was responsible for this outcome. President Feliciano Viera, upon learning of the election results, stated "Well, gentlemen, we won't advance any more in the area of economic and social legislation; we should conciliate capital with labor. We have moved too quickly; we must pause in the task. We should not sponsor new laws of this type and even paralyze those that are being considered in the legislature" (Manini 1970, 169).

⁵ On the fractionating of the parties, see Cocchi (1989a/b).

⁶ I use the term subordinate groups to refer to the lower social strata. Until 1930 this included immigrants and their descendants dedicated to urban tasks and the mass of the population in the interior of the country. Since the 1930s, it has included workers in factories created under a protectionist state, a large share of urban workers in commerce and personal services who were self-employed in small shops, bars, and workshops, rural workers, and those who work for the state, both urban and rural. After the 1940s, this category included factory workers and rural laborers with an informal tie to the labor market. These were social groups in the process of assimilating into a new habitat; many were immigrants or internally displaced. Not until the 1940s did the composition of the social structure take on a more or less defined profile. In this regard, see Rial (1980).

economic problems alone) treats the intervening variables in the political and social spheres as constants. It seems reasonable to point out at least three additional explanatory factors.

First, the social structure must be taken into account. The demographic structure, the matrix from which a series of demands originated, is one of the most relevant elements for understanding the limits of the state's social programs. Uruguay experienced an early change in demographic patterns so that today it has an aging population. This increased the demand for retirement* benefits, while the active labor force grew slowly.

Second, the political dimensions associated with the process of declining social programs, specifically the relationship among civil society, parties, and the state, should be considered. The modalities of legitimation, competition, and mediation of power and interests are significant factors for explaining how the state deteriorated, and they call into question the supposed inevitability of the process. The state never acquired autonomy from the political parties. No bureaucratic apparatus existed for implementing state policy under government direction. The state bureaucracy was always occupied by 'hidden professionals' of party politics (Panebianco 1982), party members who played an intermediary role with society. During the dictatorship (1973–1984) many party leaders were at the service of the military bureaucracy and the technocrats to whom political leadership was entrusted, but a state bureaucracy with a degree of autonomy did not develop.

Third, the excessive bureaucratization of the institutions providing services pushed the system of state social programs to its limits.

The historical perspective of this study⁷ attempts to show the interconnections of these diverse spheres, how they contributed to modeling a certain style of participation and political competition and marked patterns for the economic and social evolution of the country. From this point of view, to consider transformations in the model of state social programs supposes envisioning significant modifications in the way power in society is produced, transmitted, and distributed.

1. The Batllista Matrix: Genesis and Expansion, 1904–1930

At the beginning of the twentieth century, Uruguay was governed by two parties, the Colorados and the Blancos (or National Party), each in control of parts of the country. The rise of

* Unless otherwise stated, 'retirement' should be understood to include related pensions, such as disability and survivors' benefits. —TRANS.

⁷ There are several works on state social programs in Uruguay, but they cover limited periods of time (Davrieux 1987) and/or discuss specific social policies or programs without relating them to the overall Uruguayan social state (Mesa Lago 1985a; Royol 1970; Terra 1969).

José Batlle y Ordoñez⁸ (a Colorado) to the presidency in 1903 put an end to this situation. His official army crushed a rural armed uprising of the Blancos, led by Aparicio Saravia in 1904.⁹ The process of nation-building supported by the elite leadership since the late 1870s ended in 1904 with the formation of a state capable of effectively controlling its entire territory. In other words, it achieved the legitimate monopoly of physical coercion within the national borders.

After 1911, the state grew precipitously. The expansion of the bureaucratic functions of the state and the widening of its services and production¹⁰ occurred as the foundation was laid for the consolidation of a democratic political regime which adopted progressively universal patterns of political representation. The Constitution of 1919, establishing universal male suffrage, and the electoral laws of 1924 and 1925 were key steps in this process. Although the state began to develop in the last quarter of the nineteenth century, the design of social policy is associated with the administrations of Batlle y Ordoñez.¹¹

Cattle production was still the country's primary export activity, but urbanization was growing to a significant degree,¹² along with the incipient domestic industry, and the state's modernizing social policies concentrated on the metropolitan area.¹³ Batlle's timid attempts to change rural land ownership and to regulate agricultural labor and social relations clashed with the interests of the *latifundistas* (large landowners). Reforms that became law were at best only

⁸ Batlle was president from 1903–1907 and 1911–1916.

⁹ See Barran and Nahum (1972, Vol. 4). They characterize the movement as a sort of armed protest of the poor rural population in the face of economic modernization and its social consequences: the end of a rural lifestyle which was primitive but free. These revolts also occurred in the state of Rio Grande do Sul, where they demanded “free air and fat calves” as proclaimed in some party mottoes.

¹⁰ Total government spending doubled between 1900 and 1930, declined during the 1930s, and increased by more than 100% between 1945 and 1954. These increases were financed with the income from increased exports associated with the wars in Europe and Korea. Thereafter, although public spending continued to increase, resources from exports did not keep pace with this increase. Between 1911 and 1931, the state created enterprises to meet the demand for electric energy, telecommunications, and refined petroleum; it expanded the activity of the official banks, created state insurance companies, and became the exclusive administrator of all port activity.

¹¹ In 1878, the first law to establish a system of free public education was approved. Education was state run, free of religious affiliations, and designed for the mass instruction of the children of immigrants, who were especially numerous in the country's preeminent urban center, Montevideo. During the governments of Batlle y Ordoñez, primary education was extended to rural areas and secondary education was expanded. Similarly, although the existence of certain types of old-age pensions and work-related disability insurance predates Batllism, these were expanded and modernized during its almost thirty-year rule.

¹² In 1860, Montevideo had 25% of the inhabitants of the country, in 1908, 30%, in 1930, 39%, and in 1963, 49% (Rial and Klaczko 1981). Today the metropolitan area, expanded to the neighboring departments, contains 56% of the country's inhabitants.

¹³ Real de Azúa (1964) was a severe critic of Batllism; in his essay, he indicates that the state Batlle y Ordoñez attempted to create was of a municipal type, appropriate to a city-state. On the importance of the urban centers in the formation of the Uruguayan state, see Rial and Klaczko (1981).

partially implemented. A precapitalist mode of social organization persisted in rural areas well into the twentieth century.

This has led some authors to reject the use of 'welfare state' to describe Uruguay's system of state social programs. They base their argument on the fact that coverage was eminently urban and also on the type, variety, and reach of these programs. Malloy (1985) suggests that South American nations have developed 'limited social security states,' although he believes that Chile and Uruguay may be exceptions because of their greater development. Rial (1988) denominates the Uruguayan model a 'social assistance state,' especially when referring to the period from Batlle's administration until the 1940s.

The incipient social welfare state of the early twentieth century was structured around four pillars. The first was public assistance. It was created in 1910 to administer the existing beneficent institutions for public health. It included hospitals, developed originally on the basis of a system of charity, run by the church and funded by the upper class. Although one of its objectives was health maintenance, its primary role was the alleviation and control of sicknesses that required hospitalization, especially infectious/contagious diseases and mental illness, and the care of the needy. In the second decade of the century maternal-infant programs were developed. The state attempted to follow the French model of 'assistance publique,' steadily increasing services. In 1910, a hospital for children and an asylum were built and construction was begun on a hospital for tuberculosis patients. In 1915, a service for medical emergencies in the home, a milk program for children up to two years of age, asylums for older children, and a Maternity House (Casa de Maternidad) were initiated.¹⁴ Hospital services also began to improve in the capital cities of the interior and small asylums were created for abandoned mothers and their children in some rural towns. Although programs were initially based on a curative approach, by the end of the 1930s the emphasis began to change toward prevention.

The budget for public assistance for 1916–1917 reached almost 10% of total spending by the central government. This percentage varied little in subsequent years, reaching peaks of 12.2% in 1921–22 and 13.7% 1922–23 (Acevedo 1936). These were years of functional specialization in the area of health care. In 1922, a second public hospital was established in

¹⁴ It is important to note the shift from a system of religious charity to a state system of public assistance, which characterized all the welfare programs created at the time, replacing family-type mechanisms and the dependence of the lower strata on the upper through religious institutions. The enlightened liberal vein that guided many of the region's elites had special relevance in Uruguay where the church was historically weak and had been in constant conflict with state authorities since 1860. The Constitution of 1917 established the separation of church and state, but Batllism had already launched diverse anticlerical attacks. These included banning military presence and insignia from all church occasions and displays of religious symbols (1911), the elimination of references to God and the Gospels in public oaths (1911), and the removal of crucifixes from the establishments of state beneficence (1910).

Montevideo to provide general services. Another facility provided exclusive care for the elderly and beggars.

The second pillar was public education, which was to be secular,¹⁵ obligatory, and free, according to laws passed during the military government of Lorenzo Latorre in the last quarter of the nineteenth century. Public education expanded rapidly in this period, in terms of spending and services. From some 5% of the central government's budget in 1904, it grew to 10% in 1912, 15% in 1922, and 20% in 1932 (Acevedo 1936). Public secondary education was also instituted and university education was reformed, creating new schools for professionals. In 1912, secondary schools were created in each of the 18 departmental capitals of the interior and incorporated into the Secondary Education Section of the University that operated in Montevideo (Universidad de la República). In 1916, occupational education was redesigned, removing its reformatory character. During the second presidency of Batlle, foreign professors were hired to create new university schools, such as agronomy and veterinary medicine; study missions were sent abroad; and agricultural and home economics courses were created for rural youth. In 1919, a secondary night school was created so that adults who had not finished secondary school could continue their formal education. In 1921, the University for Women (Universidad de Mujeres) was created, exclusively for women, to overcome the conservatism of parents who did not wish to send their daughters to mixed establishments. Higher education was virtually free. Nevertheless, access was limited by the social structure and by the lack of state financial aid for low-income students, a situation that continues today.

Overall, the second Batlle government (1911–1916) strongly promoted public education. Compulsory education was extended to the intermediate level, and primary and secondary schools were established in the interior. From 1916–1930 educational coverage continued to increase, from a mean attendance of 90,000 students in 1915 to 120,000 students (from a total of about 247,000 children between 5 and 14 years of age) in 1930. Literates in this age group totaled 187,000 according to the statistics in 1930, while illiterates surpassed 60,000.¹⁶

The government's conception of public education was indicative of the type of liberal and egalitarian culture that policymakers were attempting to create. Examples included the promotion of intermediate education for women, industrial training, and the expansion of secondary

¹⁵ Under the government of President Feliciano Viera (1915–1919) the budget bill, in the item on public education, reiterates that "primary education...will be secular, free and obligatory. Religious education is prohibited under penalty of suspension or dismissal in the case of recurrence." Cited by Acevedo (1936, 97).

¹⁶ The 1928 School Census in Acevedo (1936, 582).

education (Vanger 1980). Policymakers also sought to complete the process of assimilating immigrants through the homogenizing effects of this system.¹⁷

The third pillar was a series of laws and executive decrees on the operation of the labor market. The Batlle y Ordoñez administration targeted the individual rights of the worker. It was concerned principally with the eight-hour work day, the six-day work week in industry, the five-and-a-half day 'English' week in commerce, and the regulation of female and child labor. In 1915, a law limiting the work day to a maximum of eight hours was approved.¹⁸ In 1920, the law granting a weekly rest period was passed. In 1918, a curious norm dubbed the 'chair law' was approved, obliging every workplace to provide a place for employees to sit down when their tasks permitted it. To ensure compliance, the General Inspectorate of Labor (*Inspección General de Trabajo*) was created. It was staffed by many old anarchists, attracted by the possibility of putting their social justice convictions into practice. In 1914, legislation on work accidents was established and the foundation was laid for the discussion of insurance against the risk of work-related death or disability.

These labor laws are part of the Batllism 'myth.' The founder of this legislation was pejoratively categorized or praised, according to the case, as socialist, syndicalist, or even anarchist. This was not really justified in view of the small number of labor laws approved during his first administration (1903–1907) and under his successor Claudio Williman (1907–1911), although some of his promises did materialize between 1911 and 1919 when the series of aforementioned measures were approved.

A minimum wage provision was approved for rural workers in 1923. The possibility of implementing the law was low, however, because labor inspectors could not work as effectively in rural areas as in urban ones. Landed elites resisted effectively, showing the limits of Batllista reform. The minimum wage for public employees was passed in 1925. This directive was inscribed within the more general policy of promoting social welfare for a wide group of sectors employed in the state apparatus, which was to be the basis for expanding the country's middle class according to the model that Batlle y Ordoñez envisioned.¹⁹ These measures were complemented in 1927 by minimum wage laws for laborers in public works projects. However, minimum wage measures for industrial workers were not passed until 1943.

¹⁷ The reports by primary education inspectors at the beginning of the century indicate that 73% of children attending school were first-generation descendants of immigrants, or had been born abroad (Pérez 1909 and Rial 1984b, 28).

¹⁸ The newspaper workers' union, the oldest in the country, with night shifts composing and printing newspapers, had already achieved a seven-hour day in their labor negotiations. After 1912, bricklayers and construction 'finishers' had eight-hour work days.

¹⁹ The expression 'model country,' used by Vanger (1980) for the second volume of his work on Batlle y Ordoñez, is based on a letter sent from Paris by Batlle to one of his followers, *Pedro Manini Ríos*, later a minister, who eventually would abandon Batllism to head the opposition within the Colorado Party to the 'model country' political and social project.

The fourth pillar was retirement and pensions policy. Although a retirement fund for teachers had existed since 1896 and a fund for civil servants (Caja Civil) was created in 1904, public functionaries' coverage did not become universal until laws were passed in 1919. That year, the Retirement Fund for Industry, Commerce, and Services (Caja de Industria, Comercio y Servicios) was created, and old-age pensions were approved for those aged 70 and over who had no means of subsistence. At the same time, a military reform to significantly reduce the number of officials also instituted retirement pensions for military personnel. A 1919 law established state coverage for indigents for old age, disability, and death. This measure was incorporated into the Constitution in 1934.

In addition, remedial social policies were implemented. In 1918, it was decreed that police stations throughout the country would provide food to any inhabitant without work who lacked means of subsistence. Between 1919 and 1930, social security was expanded, usually granting benefits to specific occupational groups, including unemployment benefits and severance pay.

During the first Batlle administration a concern was also shown for housing issues, which until then had been dealt with in the private sector. Some philanthropists such as Alejo Rossell y Ríos constructed 'worker' housing. Emilio Reus had previously attempted to do the same through the market, though his buildings were more financially accessible to members of the emerging middle class (Rial 1984b, 56 and 93–95). In 1921 José Serrato, who would become president in 1924, proposed a law which was approved, granting long-term loans for housing construction. This law was oriented toward the small but growing middle class—public employees, whose salaries served as guarantees of loan repayment, and their families or immediate friends.

The construction of this social assistance state followed diverse models and doctrines. The labor laws, regarding individual and collective rights, were a typical product of industrial society. Public assistance, as previously described, was an area of state social activity that corresponded to the secular and republican concept of charity, following the model instituted by France at the end of the nineteenth century.²⁰ It was a product of the persistence of preindustrial and precapitalist social activities.²¹

Public instruction in Uruguay emerged and expanded in response to diverse needs and developing liberal values. Two particular needs existed: one was for a minimally educated labor force to work in services and the incipient urban industry; the other was for social integration. In a period of massive immigration it was necessary to teach the children of immigrants the language

²⁰ The level of centralization and national regulation of public assistance activities was more similar to the French than the English model. In the latter, programs originated in the parish, later expanding to the county. See Martin (1972) and Hay (1977).

²¹ In this regard, see Hay (1977). For a theoretical discussion on the origins of the welfare state, see Flora (1980, 1987).

and culture, and to make them feel like a part of the nation. The values in play replicated those that the Argentine Domingo Sarmiento and the Uruguayan José Pedro Varela saw operating in the United States. The idea was to eliminate barbarism and achieve civilization,²² following the argument developed by Sarmiento.

Elite attempts at social modernization took the form of both welfare policies and market intervention. The sustained growth of state investment, public employment, and state social programs effectively redistributed income, generating a new urban social structure which led to the creation of a strong middle class. Thus, the state and its social role were not crafted according to the 'liberal' paradigm or what Titmuss (1958) describes as the marginal or residual model of welfare. The state was not supposed to step in when the market failed; it was supposed to be there all along both as a regulator and as a market agent. This characteristic of regulating and at the same time being a direct participant in the market placed upon the state and the political system a major responsibility in the distribution not only of wealth but also of the power resources granted to various groups. Furthermore, the state's dual role shaped a system of social and economic policy that had low flexibility with regard to economic cycles and crises.

In European societies, the modernization of public assistance, the expansion of secular and free education, and the development of a retirement system and other modes of protection of labor (and sometimes of the entire citizenship regardless of market status) were characteristic of the rise and expansion of industrial society. In Uruguay, by contrast, these activities cannot be considered as responses to the challenges of industrial society but should be seen as contributions to shaping such a society. Rather than reacting to demands for social justice, the state attempted to mold the groups that could formulate such demands. Herein lies a trait peculiar to the Batllista state's social program. Its desire for social progress, influenced by democratic radicalism and a dose of socialist doctrine, was structured by a political logic that sought to craft a modern urban and industrial society by empowering and expanding the emerging middle classes and the small urban proletariat. The tolerance shown by Batllism for immigrants of anarcho-sindicalist origins dedicated to agitation (many of them from Argentina, where they had been expelled as undesirables) was inspired by the same goal as that of the labor legislation: to create consciousness and resolution in the subordinated sectors within a republican and democratic framework (Perelli 1985).

Such policy strategies can be better understood in relation to the broad Batllista political program. The construction of its political capital required an empowering strategy scarcely hinted at in the social structure of the period. The Batllista project was a deliberate attempt to construct a

²² Sarmiento's book (1866) was part of his propaganda for imposing a modern state. As president, he promoted educational reform, inspired by the model introduced at the time in the US New England area. Varela promoted a similar reform in Uruguay after 1875 (Varela 1874, 1876).

small model country based on a state, dominated by urban middle classes, that would protect the poor (Perelli 1985). It was not society, then, that pressured the political system and the state to deliver social programs. Nor did the state see the need to regulate an emerging society with new subjects and actors. Rather, the political elites, through the state, sought to create an alternative to the traditional society.

The dominant sectors in control of export production—the income base necessary for funding the state's modernizing program—imposed limits on the construction of the model society. To succeed, the Batllista elite needed to soften the most radical aspects of the program. A constitutional reform initiative shifted discussion away from centering solely around the problem of social reforms. In 1916, when the Batllista fraction was defeated in the election of the National Constitutional Convention, the need to moderate the Batllista program increased. In the late 1920s the program gained renewed momentum,²³ which was halted by the effects of the world recession of the 1930s.

We can better understand the actions of Batllism and the modernizing political elites—and the reactions of the land-owning and export sectors—if we observe more carefully the type of society with which the Batllistas contended and the model they wished to achieve. At the beginning of the twentieth century, Uruguay was basically a case of mercantile capitalism sustained by a fairly primitive cattle-raising system. In 1919, out of 1,290,000 total inhabitants, of whom close to half a million were economically active, the General Inspectorate of Labor registered the number of workers and employees in commercial and industrial establishments as only slightly more than 37,000. Eight years later, a census conducted by the same state office provided a more detailed picture of the country's industrial and commercial capacity.

In 1927, the population of the country reached 1,450,000. Workers and employees in the formal industrial and commercial sector totaled nearly 100,000. We cannot know if this increase resulted from real growth in the sector or from a higher rate of reporting economic activity; I would suggest the latter. The majority of these workers labored in small establishments. Workers organized themselves predominantly by occupation rather than according to where they worked. Only four establishments of a total of 12,749 had more than 2,500 workers. Small companies with one to five employees were most common, representing 3,347 commercial and 3,243 industrial establishments.²⁴

²³ The minimum wage for public functionaries was introduced in 1927, a system of quotas to fill public offices (which the opposition called the 'Chitterlings Pact,' *Pacto del Chinchulín*) was established in 1931, and a monopolistic public enterprise for refining petroleum and processing alcohol was created.

²⁴ It is important to note the difference between this type of labor market and that which appeared concurrently in Europe. Flora (1987, xx) points out that a greater homogeneity in the working class implies greater influence of large industries and greater centralization of the workers' movement. On the other hand, a strong heterogeneity in the working class indicates a productive

During the first quarter of the twentieth century mass democracy did not exist in Uruguay. The rise of José Batlle y Ordoñez to the presidency in 1903 and 1911 was due largely to palace intrigue—similar to the political form Gino Germani typified as restricted democracy of notables. The parliament was made up of the old aristocracy, while during the first part of Batlle's second presidency, when the bulk of the interventionist social assistance state appeared, it was dominated by his friends.²⁵

The participation of citizens began to have relevance in the 1920s and 1930s. In 1905, only 50,000 citizens, in a population of more than a million inhabitants, participated in the legislative elections. By 1917, 126,000 citizens (of a total of 1,200,000 inhabitants) voted. In 1919 a new Constitution replaced the Constitution of 1830; it extended voting rights to illiterates, laborers, and domestic servants. It also established the secret ballot and proportional representation. Women's suffrage, although authorized by law in 1932 in accordance with the 1919 Constitution, was not instituted until 1938. In the November 1928 election for the National Administration Council, 296,000 of the 382,000 registered voters cast ballots; the total population was then 1,600,000, with a potential electoral body of 400,000 persons.

Academics seeking alternative historical interpretations of the period emphasize the role of labor activists. They credit the incipient union movement with imposing the system of state social programs. Small nuclei of union activists belonging to the anarchist, and later socialist, tradition supported the proposed model for the country, although they maintained their revolutionary rhetoric.²⁶ To some degree, the labor movement relinquished the chance of insurrectional power (which it lacked anyway) in exchange for material, institutional, and symbolic power offered to it by a radical, democratic government which maintained the principle of a market economy.

The absence of a strong civil society and of economic development to create pressure for the state to transform its social dimensions contributed to the development of a particular type of welfare state, one that was statist—'stateness' in the sense suggested by Flora (1987)—anticipatory, and paternalistic. This style strongly influenced the Uruguayan political culture which also became statist. An additional feature of Batllism was that it never attempted to establish a

structure dominated by occupation-based organizations and an anarcho-syndicalist tradition. The first model gives rise to a system of uniform security and benefits; the latter leads to the unequal development of assistance programs.

²⁵ Batlle was elected by members of the Colorado party, since the National Party, having abstained from the election of 1910, had no parliamentary representation. One socialist congressman and another from a clerical party constituted the only 'opposition.' The division of the Colorado party into Batllistas and anti-Batllistas after 1913 introduced an opposition with real power.

²⁶ In 1911, a Congress of the Workers' Federation (Congreso de la Federación Obrera), declaring itself for 'anarchic communism,' called for the abolition of child labor, better working conditions, and other demands of a corporative nature.

system of vertical control over the union organizations that it helped create, expand, and/or institutionalize. In contrast to the populist experiences of other countries such as Argentina or Brazil in the '40s and '50s, the Uruguayan state eventually became the product of society and its organizations; these were not subordinated to state directives nor to political parties.

Because the consolidation of the state's social programs coincided with the firm establishment of the state's authority, of the parties, and of the political system, there was an early appropriation of the state by the party apparatus. This created pressure for clientelistic and particularistic modes of conducting politics. Although the norms regulating the state's social programs were general in content, their application became part of the clientelistic games played by parties, their factions, and their leaders. Thus, to achieve retirement benefits in a timely fashion or to obtain certain subsidies (for example, permission to purchase milk at a reduced price and free medical attention in public hospitals), one needed to enter the clientelistic network.

The most relevant political elements that shaped a complex system of political competition, corporative pluralism, and clientelism were the expansion and consolidation of the liberal democratic system, the rise of autonomous trade unions independent of state power, and the appropriation of the state by the party system.²⁷ Although public education was not the object of clientelist control, other state social programs, namely social security and housing, and the state's role as employer were.

The formation over thirty years of this pattern of political and social power was supported by the resources of rural producers, many of them *latifundistas* whose principle source of income derived from extensive and primitive forms of resource exploitation, and by the exporting sectors, a key group in a country whose productive axis was the port city Montevideo. The state administered these activities with a high degree of influence and strong economic regulations. It intervened directly, creating state enterprises, promoting small-scale domestic industry, and taking decisive action to mold the social structure through redistributing income. An increasingly professionalized political class managed the process, backed by the resources of state power which permitted the promotion of the middle class. This sector took full advantage of the political and social citizenship offered by the state. A small proletarian sector, which inherited nuclei of immigrants with anarchist and socialist traditions, also achieved social recognition and legitimacy through political participation.

²⁷ By this I mean the appropriation of the state's financial and political resources. These resources were used by the parties in exchange for political loyalty or support from civil society.

2. Curbing Liberal Expansion: Corporative and Social Assistance Impulses, 1931–1942

The 1930s presented a new scenario. World markets no longer favored the export of primary River Plate products, and crisis in Uruguay ensued. An internal division within Batllism led to the breakdown of the existing regime.²⁸ After a coup in 1933 led by Gabriel Terra, which aligned some of the Batllista members of the Colorado Party with Colorados who opposed the growth of the social assistance state and with the majority of the National party, a new phase of the social state opened in Uruguay.²⁹ In the area of social assistance this led to the expansion of many services, which became more universal. The system which still exists today has its roots in the reforms implemented in this period, combined with the liberal and radical Batllista legacy.

The Constitution approved in 1934 drew on European influences, mainly fascism and falangism, regarding state social programs, and on the previous Batllista experience. It was a mixture of liberalism, corporatism, and statism. The Constitution included new norms, such as the rights to organize and to strike, which were enunciated but left unregulated.³⁰ It also included generic references to the state's obligation to provide universal primary education and citizens' rights to employment and dignified housing, and it established each citizen's responsibility for his/her health care. The Constitution considered the family as the basic unit of society and declared that it should be protected by the state.

Public education maintained the same patterns as in the past. Although immigration had declined markedly (Pereira and Trajtemberg 1957; Rial 1983), conventional wisdom continued to consider a liberal education for the development of citizens as the principal objective in a country of immigrants. In 1936, an attempt was made to change the secondary school curriculum to provide training to meet future labor market demands. The proposed teaching plans were different in urban and rural zones and between genders. They emphasized occupational training

²⁸ In 1931, the Administration Council, the branch of the executive that dealt with economic and social problems, began to take marked austerity measures. In 1932 these led to a significant change in policy toward the union movement, which became severely repressed. The policies adopted in this period were followed by the government that took power with the coup of 1933. On this issue, see Acevedo Alvarez (1936).

²⁹ Various anti-Batllista Colorado factions formed after 1913, the Terrist Batllistas, and Herrera's nationalists favored the coup. Opposing the coup were the 'pure' Batllistas (led by the sons and nephews of Batlle y Ordoñez), the independent nationalists, and small parties, such as the socialists, the clerical Civic Union, and the communists (Rial 1984a).

³⁰ In 1981, during the last phase of the authoritarian regime that started in 1973, an attempt at regulating these rights and reorganizing the labor movement under the control of the state failed. The decree issued by the regime in order to craft the new labor movement was repealed by the new democratic administration in 1985. Between 1934 and 1981 and since 1985, the rights to unionize and strike have been recognized in the Constitution, but no law regulates them.

rather than preparation for university education. The proposal did not survive the liberal reaction which, in 1941, reintroduced with few variations the curriculum of 1911. This maintained the distinction between secondary schools for the middle class and industrial schools for the lower strata.

Following European patterns of the period, diverse health-care-related institutions became grouped in the Ministry of Public Health. The new framework tried to meet the health needs of low-income sectors and to implement a general policy of prevention. (The latter was not implemented until the 1940s). Also during the 1930s, the middle sectors began to exercise power in this area. Since the second half of the nineteenth century, immigrants of better economic position had formed mutual aid societies, primarily to address health problems. Now the medical profession created their own association, the Medical Union, and laid the foundation for private, nonprofit medical institutions to provide health services to the middle sectors, adding their services to preexisting mutual organizations.³¹

The government that took power with the 1933 coup created a ministry to address children's problems. Deepening social problems brought on by unemployment prompted several physicians in the political sphere to call for such an institution.³² After President Terra had been in office a year, an autonomous organization, the Council on Children (Consejo del Niño), was created to attend to unprotected infants and delinquent youth. This institution still exists under the name of the National Institute for Minors (Instituto Nacional del Menor).

After several years of social policies to deal with new problems created by the economic crisis, new institutions appeared, developed within the statist anticipatory framework. Other institutions emerged in response to initiatives of civil society and social movements requesting state protection. In 1932 community kitchens were established to alleviate the situation of the unemployed. Later, responding to problems in Montevideo and some of the interior urban centers, the state created community kitchens that served lunch and/or dinner at subsidized prices. A paternalistic attitude toward developing the country's 'human capital' in terms of a

³¹ The Center of Assistance of the Medical Union (Centro de Asistencia del Sindicato Médico or CASMU) began to operate in the 1940s; by the beginning of the 1960s it became the largest nonprofit medical institution. Other organizations originating from immigrant mutual aid societies, the Spanish Association of Mutual Aid (La Asociación Española de Socorros Mutuos) and the House of Galicia (Casa de Galicia), followed in importance. After completing their task of assimilating immigrants, all became institutions of collective medical assistance for the middle class.

³² In this period a significant number of physicians promoted the expansion of the social state, among them the Vice President, Alfredo Navarro, and the Ministers of Health, Eduardo Blanco Acevedo, and of Infancy, Roberto Berro. They favored paternalist authoritarian activities, perhaps as a reflection of their normal practices in the profession. They concerned themselves with citizens in the same way they did with their patients. This statist vocation has been maintained to the present, although the political preferences of the medical association have shifted from right-wing authoritarianism to the Left.

healthy, well-nourished workforce³³ was influential in founding the Ministry of Public Health, in children's services, in promoting the idea of sanitary housing, and in creating the Scientific Institute of Nutrition (Instituto Científico de la Alimentación). The latter continues today as the National Institute of Nutrition (Instituto Nacional de Alimentación).

As part of its housing policy, the state, through the municipality of Montevideo, created working-class neighborhoods. Between 1937 and 1940, the National Housing Institute (Instituto Nacional de Vivienda) constructed popular housing, primarily in Montevideo. After the 1930s housing policy shifted according to economic cycles. In periods of economic growth the state limited its activity to offering housing credit, encouraging private sector construction. During times of crisis it financed projects to construct inexpensive housing for the popular sectors.³⁴

In contrast to the first period of Batllism, in which state policy defended workers on issues of capital-labor relations, the regime of 1934 attempted initially to favor authoritarian corporatist policies. One of the first acts of the Terra administration was to put aside a project to determine a minimum wage for all workers in diverse economic activities. The 1934 Constitution proposed the creation of an Economic and Social Council (Consejo Económico y Social) to be composed of business, labor, and government representatives. There were also failed attempts to create unions under official sponsorship.³⁵

Attempts to form an opposition front through union mobilization were aborted in 1934 with a failed mobilization of newspaper workers. The continuing repression that began in 1931, coupled with a marked change in the structure of commerce and industry, brought to a halt the small labor movement that had blossomed under Batllism. From the 1930s on, factories started working under high tariff protection to secure and expand the internal market. With the expansion of the internal market, large and medium-sized factories began to replace the old craft-based small firms. Workers began to organize by enterprise instead of by craft, but this new labor movement was still weak. The political elite was not interested in promoting workers' interests. In an era of scarce resources they tried to protect the middle sectors, abandoning those who were lower on the social scale. In 1939, a parliamentary commission studied the living conditions of the popular sectors in Montevideo and concluded that it was necessary to implement social policies to deal

³³ Uruguayan medical opinion at the time was strongly affected by contemporary European views about the necessary 'vitality' of the population—including the racist belief that whites were 'genetically superior.'

³⁴ In the 1940s, the state sought to provide credit through the 'Serrato law,' through the Mortgage Bank (Banco Hipotecario del Uruguay or BHU), or through state organisms that lent money to their own functionaries.

³⁵ An exception was the Uruguayan Federation of Employees of Industry and Commerce (Federación Uruguaya de Empleados de la Industria y el Comercio or FUECI) which originated under the auspices of Minister César Charlone during the Terrista regime.

with the situation. The communists and socialists fought to improve salaries; the social Christians wanted to implement a family wage.³⁶

The state took stronger action regarding retirement policy. The retirement system was in financial crisis, stemming from the imbalance of economically active and retired members. Clientelism had permitted a large increase in the number of retired persons, while the retirement funds received little income. The system, instituted in 1919, paid benefits to retired persons who had never contributed any money to it, and the number of active members was low because employers and salaried workers both evaded making contributions.³⁷

Initially, the government responded to the crisis by using bonds to pay beneficiaries and by limiting access to coverage by the system. These measures, announced before the coup, were implemented in the first year of the Terra regime; however, a broad reform soon replaced them, creating the system that existed until the end of the 1970s.

A 1934 law introduced substantive changes in the retirement system. The Uruguayan Institute for Retirement and Pensions (Instituto de Jubilaciones y Pensiones del Uruguay) had already been created in 1933 to unify the funds for state functionaries of the central government, for workers in industry, commerce, and public services, for teachers and professors, and the old-age pensions fund. The 1934 law mandated universal requirements for receiving retirement benefits: 30 years of service and 50 years of age. Furthermore, the method for calculating benefits, previously based on the average salary of the last five years, was extended to the last fifteen years. The law prohibited payment of retirement benefits to individuals who were still gainfully employed.

Beginning in 1934, anticyclical economic policies sought to widen the coverage of the retirement system and to facilitate retirement for certain sectors of the labor force, thereby easing pressure on the labor market. Thus, the rules allowed early retirement in cases of loss of employment and favored retirement for women. These measures persisted and expanded even after the crisis had ended and the prosperity associated with the Second World War arrived. The

³⁶ The major opposition to Terra (the 'pure' Batllistas and the independent nationalists) did not participate in the elections of 1934 and 1938. As a consequence, the parliamentary opposition consisted solely of three members, a communist, a socialist, and a 'civic' (social Christian), who promoted this investigative commission. The commission's conclusions were cited by the parliament elected in 1942 when it approved the Law of the Council on Wages (Ley de Consejo de Salarios) and the Law of Family Allowances (Ley de Asignaciones Familiares).

³⁷ A good source of documentation on this point and on the reforms introduced in the system of retirement benefits is *Trabajo y Previsión Social*, Instituto de Jubilaciones y Pensiones del Uruguay, Numbers 4, 5, and 11. In this same collection, various articles were published between 1934 and 1936, discussing the advantages and disadvantages of the systems of capitalization and distribution. The same institute published *Seguros Sociales*, presenting documentation and general information on the issue and syntheses and commentaries on jurisprudence and laws in the area of social insurance for retirement. Information can also be found in the *Boletín Oficial de la Caja de Jubilaciones y Pensiones Civiles* which appeared in 1931 and 1932.

system, envisioned in the 1930s to serve as an anticyclical policy in the face of unemployment, became inconvenient during a period of almost full employment.

The creation of a social assistance state during the first Batlle government allowed the formation of a social base for the project of a model country. Political citizenship granted at the time was not tied to the implementation of social policies. Their effective fulfillment was largely achieved through clientelistic mechanisms. In the 1930s, social assistance policies widened in their coverage for certain groups and declined in quality. The pretension of universality, tied to a vertical corporatist model, could eventually have led to the conformation of a 'regulated social citizenry' (Dos Santos 1979). Yet, as we shall see, with the return to democratic politics in 1942 the vertical corporatist nature of these measures was destroyed. What remained was the notion of entitlements, unrelated to duties.

Terrism, initially a reaction against Batllista radicalism—as Terra's supporters demonstrated well³⁸—actually maintained much from the past. Formed from the Batllista mold, it did not reformulate but rather modified Batllism for times of crisis. Many of the institutions that were to carry out social policy for the next forty years were formed during the Terra regime.

3. Return to the Matrix? Universalism and Particularism, 1942–1955

In the so-called good coup of 1942, Alfredo Baldomir replaced Terra and revived the original Batllista design for social policies. Political citizenship had widened significantly and political liberalism predominated among this citizenry and in the political class. Income from increased exports, created by the Second World War, and forced savings caused by the unavailability of certain imports, opened an era that has been called *Uruguay feliz*.^{*} A long period of political democracy and party competition, combined until 1955 with an excellent situation in the international market, allowed the Uruguayan state's social programs to reach maturity.

³⁸ The Rural Federation (Federación Rural) which represented the interests of rural producers, industrial sectors opposed to the labor legislation, and representatives of European interests (particularly British) constituted the base of initial support for Terrism. The interests of these diverse sectors were incompatible and the alliance fell apart the day after the coup. The industrial groups wanted to eliminate the possibility of a mandated minimum wage and the activity of the labor inspectors; they also wanted state subsidies to continue. Rural producers wanted to eliminate the 'suction pump' of the capital—the term coined by their spokesperson, Martínez Lamas, to describe the Batlle urban political project (1930). The monopoly enterprises that provided public services, such as the railroads and British tramways, desired a friendly government. Given the lack of an alternative program, Terrism was Batllism made more moderate for times of crisis. Its ally, Herrerist nationalism, merely wanted to share control of the state apparatus. A version that emphasizes the reactionary component of Terrism can be found in Frega et al. (1987). A nuanced description of some aspects of Terrism can be found in Caetano and Jacob (1989), which also shares the interpretation of the reactionary nature of Terrism.

* The literal translation is 'happy Uruguay'; the notion of prosperity is also implied.—TRANS.

Prosperity allowed the new democratic regime to implement state protection and empowerment of the weak again. In 1943, two laws specifically benefited workers. One established a family allowance included within the monetary benefits of social security. This allowance achieved universal coverage during the 1950s.³⁹ The other created a tripartite system, involving representatives of workers, employers, and the state, to negotiate salaries within the private sector. The wage councils began to function in 1944 and 1945, after workers held elections to select their representatives. These elections launched the modern union movement in Uruguay, which acted in a unified way under the protection of the state. Employer representatives were elected by the various business associations. The wage councils had two basic assignments. First they had to produce job descriptions and create a hierarchy of job categories by plant or industry for which salaries needed to be decided. Then they were to establish salary levels for each category. The system permitted important deviations: stronger labor organizations, or those perceived as more important by government representatives, received better treatment than other sectors.

In these ways, redistributive social policies and labor-capital relations moved Uruguay closer to the institutionalization of a welfare state. These measures were inspired by the same groups who promoted similar formulas in Europe after the war. Christian Democrats (the Unión Cívica in Uruguay) promoted complementary family income, and the reformist Left (Uruguayan socialism) proposed systems of capital-labor relations that would grant public status to the unions.

With the income from exports, the state was able to expand services and also maintain measures intended for times of crisis (such as granting early retirement) that had been used to combat unemployment in the 1930s. Export income also financed the further expansion of a professional and semiprofessional political class, which functioned according to party interests and with a logic of internal fragmentation.⁴⁰

In the neo-Batllista period⁴¹ (1942–1958) domestic industry was highly protected. Although the process began in the 1930s, the restrictions imposed by the war stimulated growth in the import-substitution industry. State subsidies, which made the internal market more dynamic, and general respect for workers' collective rights and their expanding individual rights within a liberal democratic framework aided the creation of a highly integrated society with low

³⁹ Between 1950 and 1960, the coverage of the family allowance was expanded. In addition to workers in private industry and commerce for whom the law was approved in 1943, public employees and members of the armed forces were covered. In 1954, this allowance was granted to rural workers. Finally, in 1961, the benefit was extended to unemployed and pensioned persons. See Mesa-Lago (1985a, 335).

⁴⁰ The electoral legislation pressured towards a highly competitive inter- and intraparty system, as is still the case.

⁴¹ The principal figure of the period was Luis Batlle, nephew of José Batlle y Ordoñez, who shared the ideas that informed the creation of an intervening and protector state for the middle and lower classes.

levels of perceived inequality and increased power of subordinate sectors organized into unions.⁴² The welfare model was supported by the state's participation in the market as a distributor of scarce resources.

The system of social services for retired persons in this period was fragmented and stratified. Although retirement coverage was universal, benefits varied according to beneficiary categories. State and private sector workers received different treatment, and several benefit categories existed within each sector. Corporative pressure, mainly from clientelistic systems, was responsible for this heterogeneity. The retirement system became riddled with loopholes for abandoning the labor force and seeking retirement benefits.⁴³

The reach of public education was universal, although there were different types of public schools according to the neighborhood and the social characteristics of the parents of the students. Secondary education continued to grow, but in general students did not aspire to pursue education beyond the secondary level, which they completed at about age 16.

Health care services continued to operate at two levels. The mutual system and nonprofit institutions, such as the Medical Union which had the status of a public service but was privately administered, covered the middle sectors. The mutual aid societies originated in immigrant associations which applied the principle of mutual aid to deal with the risk of illness. With time, the mutual aid societies developed into a major health care system, open to anyone who wanted to affiliate, in which members paid a monthly quota to receive health care and hospitalization services. Popular sectors were covered by the system of hospitals and clinics of the Ministry of Public Health and by the university hospital which opened in the late 1940s.⁴⁴ These institutions

⁴² By the 1950s, various manifestations of popular culture expressed this enthusiasm, especially electoral campaign slogans such as "Como el Uruguay no hay" (There's no place like Uruguay). However, the perception of the Uruguay of those years has been sweetened in retrospect by the experience of the dictatorship of the 1970s. See in this regard Perelli and Rial (1986).

⁴³ In the 1950s, retirement benefits were permitted for those who had been self-employed without ever having contributed to a retirement fund. Clientelist pressures created a number of retirement categories which increased the provision of benefits and rapidly consumed resources. One of the best known cases was that of 'seamstresses' who claimed to have worked in their homes. The same type of pressure led to increased possibilities for rapid retirement for the female labor force. A 1930 statute that permitted teachers who had worked ten years to retire if they were mothers of small children was extended to all female workers. It was also legislated that daughters of retired persons would share a pension with the widow in the case of death. This was a life-long pension that continued even after the daughters reached adulthood. Even today the retirement system maintains a significant number of pensioned women in this category who gained these rights between the end of the 1940s and the 1960s.

⁴⁴ Since the beginning of this century a military hospital also operated, serving both officers and enlisted soldiers.

implemented the state's prevention programs, conducting massive vaccination campaigns, especially of infants.⁴⁵

As indicated previously, the state undertook almost no housing construction of its own but greatly expanded credits for construction. The salaried public sectors, especially those who worked in institutions that managed important sums of money, such as banks, industrial firms, and retirement institutions, received loans with generous payment periods and interest rates.⁴⁶ Many of the loans financed vacation homes, constructed in coastal regions. The aforementioned Serrato law was applied for the last time in the early 1950s.⁴⁷ As a result, middle-class housing increased,⁴⁸ expanding the neighborhoods of Montevideo and creating a metropolitan zone of beach houses.⁴⁹

State protection for the subordinate sectors came in the form of market regulation. Successive laws froze rents. In the short term, with a low inflation rate, this was not a serious problem for landlords, but it jeopardized the renovation of the lower-class housing supply. Low population growth hid this fact, which only began to emerge as a problem in the late 1960s.

In analyzing the process of consolidating the welfare state, it is necessary to first point out the inertia of the original Batllista program after the formation of a statist political culture, in which it was believed that the state should protect its citizens and their rights. This design, consecrated in law by the 1934 Constitution, molded the relations between the state and civil society. The formation of pressure groups that represented subordinate sectors was conditioned by these state-society relations.

⁴⁵ Smallpox vaccinations were initiated at the beginning of the century; in the 1930s and 1940s vaccinations for diphtheria and whooping cough were added and tuberculosis testing began. In the 1950s the BCG vaccine (to prevent tuberculosis), the antitetanus vaccine, and the Salk vaccine against poliomyelitis became mandatory.

⁴⁶ In 1949, a law was approved granting special facilities to employees of the BHU; in 1951, another law sheltered the functionaries of the legislative branch, also under a special regime which was expanded in 1954; in 1953, a law was passed to meet the requirements of the banking retirement fund (Caja Bancaria), which administered funds for housing loans in accordance with the BHU; also in 1954, a law was approved for members of the armed forces. See, in this regard, Terra (1969, 14 and 15). Other loan arrangements were established through resolutions of public enterprises without legislative approval.

⁴⁷ Supported by this law and other measures, the BHU participated actively in housing construction. In 1957, loans from this bank represented 27% of total investment in construction.

⁴⁸ The approval of the law of horizontal property in 1953 opened the possibility for private construction of apartment complexes. This law regulated aspects of collective and private ownership of apartments. Mass construction began in this period. It also became possible for investors to solicit state credits for building apartment complexes which were then sold at prices not regulated by the state.

⁴⁹ The neighborhoods of Malvín and Punta Gorda in Montevideo and some coastal areas such as Parque del Plata and Las Toscas were part of this process.

It is also noteworthy that the development of a highly competitive democratic system in terms of inter- and intraparty competition⁵⁰ favored the expansion of a welfare state implemented primarily through clientelist measures via party apparatuses. Although some benefits, such as family allowances, were universal, success in obtaining many others depended on the recommendation of a member of the political class, usually a legislator or a member of one of the various organs of the executive branch. Presenting a business card from such a person usually ensured that one would be helped by the official administering the benefit. (The officials were part of the party machine in the state apparatus). This was how people obtained retirements, identification cards for public health care, reduced milk prices, and housing loans. Little by little clientelism became an obligation for every member of the political class; action was demanded of everyone, independent of any firm party adhesion. 'Horizontal clientelism' began to reach the limits of the system; benefits were effectively becoming universal.

One of the complementary paths for the redistribution of income was through expanding the state apparatus (Table 1). The state labor force increased constantly until approximately 1966 when the rhythm of growth slowed considerably. The number of retirement and pension system beneficiaries also increased and has continued to rise.

TABLE 1

Evolution of State Employees and Retired Persons (thousands)

Year	Public Functionaries	Retired and Pensioned Persons
1930	50	50
1936	80	70
1955	180	200
1961	220	280
1969	260 ^a	430
1977	275	610
1991	260	715

^a 213,000, excluding military and municipal functionaries, according to the census of that year
 Author's elaboration from various sources

The existence of a broad political class favored the expansion of clientelist networks established by different groups and individuals, who variously attempted to maintain citizen support and increase their privileges. Administrative corruption, political appointments, and early

⁵⁰ The electoral legislation prevailing since 1910 permitted strong fragmentation of the parties and encouraged a system of party confederations. This increased the negotiation capacity of middle- and lower-level leaders and the representation potential of voters who followed these leaders.

retirement for groups and individuals contributed to the constant increase of the state's presence in redistributing income through employment or retirement benefits. Laws of privilege also arose: a 1955 law granted legislators the right to import duty-free automobiles;⁵¹ another granted subsidized housing loans to politicians and middle- or upper-rank state functionaries; another annulled the responsibility of public functionaries for damage to an individual because of arbitrary or illegal action.⁵²

In contrast to the vertical corporatist traditions that developed in Argentina and Brazil, the political dynamics during the *Uruguay feliz* period was that while social actors (principally unions) operated in an autonomous way, pressuring public officials and economic actors, political parties developed another modality of action. They integrated the population into the system through political favors—clientelistic mechanisms and networks were considered part of the legitimate political game.⁵³

The increase in benefits was supported by a middle-class and egalitarian political culture that legitimized the demand for 'privileges for all'—if the reader will permit the oxymoron. The attempt was made to secure benefits for subordinate sectors, especially industrial workers and low-level commerce and service workers, while still favoring the middle sectors and without seriously affecting industrial, financial, and rural producers' interests. Prosperity from exports through the late 1940s and early 1950s enabled this to happen. However, by 1952 limits were becoming evident. Employees in the tramway system, health functionaries, and employees of other public enterprises staged major strikes because they saw their wages rise at a lower rate than those of private sector workers. The government responded with a tactic it would use again in the 1960s and early 1970s: it instituted so-called security measures that allowed repression of the unions.⁵⁴

This system of state social programs generated expectations that exceeded the economic bases undergirding it. One indication of these expectations was the growth in enrollment in liberal intermediate education—the first step towards university education—from 12,000 to 60,000 students between 1942 and 1957. The demonstration effect of the high

⁵¹ The 'law of cheap cars'—also called *colachatas* (short tails) because of the models current at the time—was one element motivating the electoral campaign against Batllism in 1959. For the first time in the twentieth century the Colorado Party lost its electoral supremacy.

⁵² The 1952 Constitution eliminated functionaries' individual responsibility, passing the burden to the state.

⁵³ The absence of a stable specialized bureaucracy, autonomous from the political system, allowed the partisan appropriation of the state as a good to be exchanged with the electoral base. For a discussion and detailed evidence on this point, the text and interviews conducted by Rama (1971) are indispensable. Another eloquent document is the published collection of the correspondence between a congressman and his clients and electoral base (Fa Robaina 1972).

⁵⁴ Security measures are a modified form of the state of siege which permits detaining persons without trial while the situation persists. They are imposed by the executive and need legislative approval to be maintained.

quality of life achieved by the middle and upper-middle classes contributed to the expansion of demands in less prosperous social sectors, with little thought about whether the system could maintain such growth.

4. Expansion without Resources, 1955–1973

Economists have pointed to 1955 as the year when Uruguay's favorable external market situation, based on good prices for exports derived from cattle raising, came to an end. Using 1946 as the base year of a 100-point index, the international prices of export products reached 215 by 1951 but then began to fall at the same time that the index of import prices increased. In 1955 the index of import prices showed a net negative gap compared to the index of export prices. In that same year, the state responded to the drop in export income by reducing taxes on external commerce. From an index of tax pressure of 100 in 1955, the figure declined to 60 in 1959 (Instituto de Economía 1971). During those years the state financed its social programs with resources saved from the period of prosperity, but by 1962 these were practically exhausted.

The implicit social accord underpinning the expansion of the social assistance state in the 1940s was supported by an abundance of resources. From 1935 to 1942 gross domestic product (GDP) oscillated between 11 million and 11.5 million pesos (based on 1978 peso values). Thereafter, it grew steadily, reaching 15 million in 1945, 19 million in 1950, and 23 million in 1956. From then until 1967, it oscillated around the latter figure.

In 1959, the government changed course. Through an exchange rate reform agreed on by the export sector, it implemented a severe exchange rate devaluation to increase earnings from foreign commerce. This method of increasing the state's reserves without affecting the interests of rural producers and the export sector was largely responsible for the inflationary process that developed in subsequent years.

The fact that the country had lost its economic base and the state its source of income for financing the country's welfare model did not lead to drastic modification in the welfare programs nor in the funding mechanisms. A highly integrated society, with a competitive political system based on citizen's demands and on clientelist networks sustained by goods provided by the state, persisted with the expansion of the social welfare system. The numbers of state employees and of retired persons with state pensions increased markedly, although benefits in real terms were not maintained at the same level.⁵⁵

⁵⁵ Between 1955 and 1961, 27,000 of the 55,000 new occupations were in the public sector (49% of the total, not taking into account those entering municipal administrations); the economically passive sector increased by nearly 80,000 new retirements and pensions (Instituto de Economía 1971).

The inflation unleashed in the 1960s affected the income of the subordinate sectors. In response, organized groups pressured for greater participation in the distribution of resources. State and private sector unions fought for better wages and employment; student unions pressured for greater transfer of resources to education. This reaction came from those sectors that were highly integrated in the systems of power and status in Uruguayan society. They were the middle class and urban proletariat who had experienced the expansion of their privileges during the period of *Uruguay feliz*.⁵⁶

Sectors with little or no organized representation were hurt most in the process of distributing the costs of the crisis,⁵⁷ though salaried and retired workers with greater power and a higher degree of integration also saw their income and quality of life deteriorate. In general, sectors with greater material and political resources suffered less deterioration in their situation than those with less power in the social structure and political system, but the *perception* of deterioration was greater among those who had resources to mount vigorous protests.

The economic crisis and the distribution of its costs damaged the mediating capacity of the political system and increased social conflict. The social policy instruments of the state proved incapable of contributing to equilibrium. In fact, the measures used to confront the existing problems further contributed to the loss of rationality and feasibility in a social service system at the brink of a fiscal crisis.

The 1967 Constitution created a new institution, the Social Security Bank (Banco de Previsión Social or BPS), as the administrative organ for pensions and retirement benefits.⁵⁸ The bank was intended to unify the system of independent retirement funds, but it was unable to achieve universality. State workers joined the BPS, except for military personnel and the employees of state banks who continued to have autonomous institutions. In the private sphere,

⁵⁶ The Economics Institute presented the following diagnostic on the activities of the unions during this process of economic and social deterioration and crisis: "All these redistributive mechanisms should have and effectively did provoke the resistance of labor unions... Union resistance, in this sense, can be interpreted as a true process of adaptation to and integration with the inflationary process. In other words, the defensive behavior of the salaried workers receiving a smaller proportion of the social product translated into a direct substantiation of the inflationary process: for example, neither unions nor politicians took into consideration the fact that wage demands were financed with disproportionate increases in prices or greater taxes on consumption which, fundamentally, fell upon the working class itself and on other lower income sectors" (Instituto de Economía 1971, 305–6).

⁵⁷ In 1965, the average retirement income for beneficiaries of the Notaries and University Professionals Fund (Caja Notarial y de Profesionales Universitarios) was around six times greater than that from the Rural Workers and Domestic Servants Fund (Caja Rural y de Servicio Doméstico); retired banking employees received on average twelve times more. The wages of the industrial sector were significantly higher than those of commerce workers.

⁵⁸ The rest of the social security system also came under the jurisdiction of the BPS. Social security in Uruguay covers a variety of allowance and insurance programs, most of which are contributory and job-related, though there are exceptions, such as family allowances and old-age pensions, which are universal and noncontributory. Retirement benefits and associated pensions form by far the largest component of social security, around 70% of the total.

the functionaries of private banks, university professionals, notaries, and functionaries of race tracks also managed to opt out of the BPS. The new institution administered retirements and, even though it was called a bank, it lacked capital to make loans or provide financial services. It was a collection and payment organism, receiving contributions from affiliated workers and their employers and subsidies from the Treasury, and paying retirement benefits to members and covering its bureaucracy costs. Following a format similar to that of the wage councils, the board of directors was to be quadripartite, including labor representatives elected by the unions, business representatives (also elected), state representatives, and representatives from among the beneficiaries. However, because the law to regulate the board was not passed, the state had exclusive control of the BPS.

Demographic changes also threatened the financing of the welfare system. A national census undertaken in 1963 found that 8.5% of the population was over 65 years of age. This group had increased to 11% in the 1985 census. Between 1960 and 1969 the relationship between retired persons receiving monetary transfers from social security and active workers who contributed to the system rose from 0.256 to 0.436.

Furthermore, the organizations that served retirees and pensioners lost large parts of their investments. A large share of the funds accumulated by the early 1950s was placed in public bonds which rapidly lost value in the second half of the 1950s. In fact, the system liquidated its resources to extend the period of *Uruguay feliz* for nearly a decade. These factors combined to bring about a sharp drop in real retirement benefits which persisted, although in a less marked form, during the military regime (Table 2).

The main changes in the health care area were the expansion of the mutual aid societies, both in members and services, the drop in state expenditure in health, and the introduction in the late 1960s of collective bargaining agreements for health coverage in the private sector, which became mandatory in the 1970s. While the Ministry of Public Health covered the poorest sectors of the population, mutual aid societies almost doubled their membership among the expanding middle classes and the top layers of the urban proletariat (Royol 1970). In 1970, what had been part of collective arrangements between capital and labor became law. Health insurance became mandatory for the private and public sector, financed by contributions from employers, employees, and the state.⁵⁹

⁵⁹ The system evolved into the Directorate of Health Insurance (Dirección de Seguros de Salud del Estado or DISSE). By this form of health insurance the employee automatically became a member of a mutual aid society. The employee's contribution, deducted from salary, was considerably less than he/she would have had to pay for an individual membership. The employer and the state made up part of the difference. The mutual aid societies themselves also contributed to the new arrangement by accepting fixed quotas (defined by the state) in an inflationary economy. The state, thus, tried to unload increased demands for health coverage

TABLE 2

**Index of Retirement Benefits, Real Value Measured by the Consumer
Price Index**
(base 100: 1968)

Year	Index
1963	250
1965	160
1967	135
1968	100
1969	120
1971	115
1973	74
1975	70
1977	66
1979	55
1981	65
1983	58
1985	45
1987	68
1989	51
1991	48

Source: Based on data from the BPS

On the other hand, direct state spending on public health fell sharply; it represented 9.5% of the budget of all ministries in 1955 and 5.76% in 1968. Nevertheless, this did not signify a deterioration in the health of the population. Although the rise in life expectancy at birth began to slow somewhat, the level remained the highest in Latin America and close to that of developed countries.⁶⁰ An expanding elderly population, with causes of mortality similar to those of developed countries, altered the type of spending within the health care system.⁶¹ Eliminating

onto the mutual aid societies. However, the societies began to suffer from financial problems, ultimately requiring state subsidies.

⁶⁰ The infant mortality rate remained at about 50 per 1000 (Royol 1970), higher than that of the developed nations but one of the best in the rest of the world.

⁶¹ In 1943, tuberculosis caused 12% of deaths, respiratory diseases (pneumonia, bronchitis) caused 6.5%, and illnesses such as colitis and gastroenteritis accounted for 5%. Cardiovascular disease, tumors, and cancers represented 21% of the total. In 1967, pneumonia, bronchitis, and illnesses such as colitis and gastroenteritis were responsible for less than 4% of deaths. Cardiovascular illnesses came to represent 26% and cancers some 20% of deaths. Thus, Uruguay experienced an important shift in causes of death from diseases related to poor living conditions and those of an infectious/contagious type to degenerative types of illnesses (Royol 1970).

some of the health problems of the subordinate sectors—especially those of the urban marginal population or residents of the interior—required a program to eliminate extreme poverty and the implementation of an extensive system of prevention.⁶²

Education expanded markedly in this period. The new Constitution, approved in 1967, instituted nine years of mandatory education, six of primary school and three of secondary. In 1967, enrollment in primary education covered practically 100% of school-age children. Intermediate and higher-education enrollment also expanded, growing strongly at the secondary level and at a slower pace at the university level.⁶³ Not all primary students graduated and many had to repeat grades. Only 40% of students graduated from primary school and only 60% reached fourth grade. Nevertheless, by then Uruguay had achieved a situation rather similar to that of developed countries. Various studies undertaken in this period, even the most critical (Otero 1969), found no serious problems with primary education.

Education was the most universal of the state social service systems. There is no evidence of fragmentation and stratification to be found in the legislation and norms governing the system. People did not access the system through clientelistic practices. Neither was clientelism used to appoint teachers and professors, who were hired according to practices inaugurated at the end of the nineteenth century.

However, the inconsistency between subordinate sectors' heightened expectations of social mobility through expanding educational opportunities, on one hand, and insufficient health care subsidies, the deterioration in retirement benefits, and the regulation and adjustment of the labor market, on the other, created disloyalty toward the political system. The emergence of authoritarianism and frustration within certain sectors of the citizenry was linked to these policies, which granted educational status but made it irrelevant in a context of blocked social mobility and declining employment.

The search for equality led to constant demands for expanding the educational system through unlimited access, especially at the university level. Nevertheless, if one considers the rates of retention at different levels, controlling for socioeconomic status, one finds that the system tends towards formal equality of access more than equality of opportunity in implementation. The redistributive effect of this educational system, which sought equality through unlimited free access, had less success than if more selective modalities had been

⁶² A program of prevention was implemented with significant success during the dictatorship and continued after the democratic restoration.

⁶³ In 1956, Montevideo had 12 public secondary schools with a liberal, pre-university curriculum and one pre-university institute. In 1973, there were 26 secondary schools and 12 had preparatory courses for the university. The only university, a state institution, had a enrollment of close to 3,000 students in the mid-1950s; this grew to nearly 25,000 in 1971.

implemented in the distribution of services.⁶⁴ The liberal professional class culture predominating in the intermediate education curriculum, the devaluation of manual labor, and the failure of diverse attempts to modernize and organize technical education were reinforced by an economic context that did not offer job opportunities to youths.⁶⁵

Housing policy during a great part of the 1960s remained centered around financial credit for construction. These loans substantially benefited middle and upper-middle sectors able to handle the payments. Access for lower income sectors was greatly restricted by the amount of capital required, by lack of familiarity with the bureaucratic procedures involved, and by the collateral required to solicit loans.

By the late 1960s the BHU could no longer maintain this credit policy. Because mortgages and other long-term loans were not adjusted for inflation, depositors lost capital and confidence in the bank, while borrowers watched their debts reduced in real terms. The bank took defensive measures, such as increasing the requisite paperwork, to slow down the granting of loans. Obtaining credit then became the result of political favors. The privileges of certain groups, with power of their own or with clientelist networks tied to the state apparatus through the parties, became crucial for obtaining credits, further stratifying the system and the type of beneficiary.

The bankruptcy of the system by 1968 provoked legislative modifications. In 1969 the National Housing Directorate (Dirección Nacional de Vivienda) was created to coordinate both public and private sector housing construction. It was administered under the new Office of Planning and Budget (Oficina de Planeamiento y Presupuesto). The BHU began to readjust the interest rate of its loans to inflation, although it did so at irregular intervals. A National Housing Plan (Plan Nacional de Vivienda or PNV) was approved, and between 1970 and 1972 there was considerable housing construction in Montevideo and the cities of the interior. The law also permitted the creation of savings cooperatives for housing construction which could solicit credits from the BHU. Pressure groups related to the union movement combined with ad hoc neighborhood organizations to form a significant movement for improved housing.

Wage policy continued according to the patterns of the previous period: wage councils set earnings and job descriptions for workers in industry, commerce, and private services. The executive branch determined the wages for rural workers. Salaries for public employees were

⁶⁴ The University Censuses of 1968 and 1988 show that the majority of university students belonged to middle or upper social strata and benefited from a transfer of income because tuition was free.

⁶⁵ Founded at the end of the nineteenth century for correctional activity, the School of Arts and Trades (Escuela de Artes y Oficios) changed its name to the Labor University (Universidad del Trabajo) in 1941 to give it more prestige. However, it continued to attract popular sectors while the middle class continued to send their children to secondary schools and it never became an adequate institution of technical education.

decided by the respective authorities, either the executive power, public enterprises, independent services, or municipal administrations. Although salary decisions were made by administrators, they were discussed previously during the budget approval process in Congress. Normally this meant constant negotiation. Until 1966, this process was undertaken annually. The 1967 Constitution established five-year budgets plans—the period foreseen for elected administrations—with annual revisions based on actual expenditure. Inflation made the procedure illusory, however. The reviews implied new discussions of the entire framework of state salaries. Workers entered a growing spiral of conflict to maintain real earnings. In 1963, functionaries of the state electric and telephone company launched a wildcat strike, curtailing services. The government responded by imposing a 'state of exception'⁶⁶ and repressed the movement. By 1965, when a unified union movement promoted a socialist program,⁶⁷ the disputes between the union movement and the state reached a crescendo. Strikes in both the public and private sectors led the state to again invoke a state of exception. An ephemeral attempt to create a social agreement organism failed.⁶⁸

Following the election of a new government in 1967, this time a Colorado administration which initially attempted to take the Batllista path, adapted for times of crisis, the conflicts were renewed. In June 1968, the outbreak of strikes in the banking system and in various public services paralyzed economic activity. The government responded by increasing repression of the labor movement. At the same time, a new economic policy was put into place, directly affecting the income of salaried workers.

This policy included a strong currency devaluation accompanied by a wage and price freeze. In 1969, faced with a growing wave of strikes and social conflict, the government again invoked a state of exception, which prevailed until the coup d'état in 1973. To adjust wage

⁶⁶ The 'state of exception' is a legally defined situation (requiring two-thirds of the votes of Congress to be declared) by which Congress hands part of its prerogatives to the president. Furthermore, some basic collective and individual rights, such as the right to strike and the inviolability of the household, are temporarily suspended or subject to restrictions. This did not always imply outright repression, but it allowed for that possibility and thus constituted a clear threat to the popular protest movements.

⁶⁷ In 1964, communists and noncommunists within the Left union movement overcame their disputes. The liberal sectors practically disappeared. The new organism, the National Convention of Workers (Convención Nacional de Trabajadores), adopted the program of the Congress of the People (Congreso del Pueblo), a conference organized in 1965 uniting unions with other social movements and supported by the majority of leftist political organizations. This organization argued for agrarian reform, urban reform, and the nationalization of banks and foreign commerce as fundamental demands. The deteriorating situation of the middle sectors and their turn to broader options to defend their interests was probably one of the significant factors behind this unification.

⁶⁸ The Constitution of 1934, in accordance with the corporatist influences of the era, provided for the formation of a National Economic Council (Consejo de Economía Nacional) as a consultative body to be made up of government, business, and union representatives, but it never became operational. The conversations in 1966 did not move beyond preliminary contacts between union leaders and government representatives.

policies, a National Coordinating Directorate of Prices and Incomes (Dirección Nacional Coordinadora de Precios e Ingresos) was created with the capacity to collect information and recommend wage policy and prices. The effect was an immediate reduction in real wages.

To gain popular support the government tried to show fairness by attacking the rich also. For this purpose it created a Commission to Repress Illicit Economic Activity (Comisión de Represión de Ilícitos Económicos). The Commission sought to bring to the courts tax evasion and financial crimes carried out by big industrial and financial corporations. After a few spectacular operations against some big enterprises, the Commission's activity declined into insignificance. The state's reaction to labor, on the other hand, became increasingly authoritarian. To confront the lack of labor discipline due to the fall in real wages (Table 3), the state responded with repression and in 1968 liquidated the existing system of wage negotiations.

TABLE 3

**Evolution of Wages, Real Value Measured by the Consumer Price Index
Index 100 = 1957**

Year	Index
1957	100
1960	90
1963	81
1966	76
1969	52
1972	60
1975	51
1978	58
1981	63
1984	51
1987	54
1990	50

Source: author's elaboration based on Instituto de Economía (1971), Aguiar (1982), and *Búsqueda* (various issues)

Due to the coming elections of 1971, relations between state and labor softened somewhat. Between 1970 and 1971, new arrangements for collective bargaining were introduced for the private sector. No negotiating mechanism was foreseen for state employees, but in the budget review of 1971 the amount destined for salaries of state employees was increased.

In 1964 Real de Azúa foresaw an important crisis of the social welfare system when he wrote his essay suggestively titled *El impulso y su freno* (The Momentum and the Brake):

That inflation would over the long run devour the relative efficacy of our public services, would ruin social institutions, converted into shameful organizations, and that able arbitration would make our society disdainful of any change of structures, of all radical and valuable impulse—since every demand apparently has the destiny of being heard and met—are not, without doubt, the exclusive fault of Batllism but of the political style of ease and conformity, of pity and contemplation of the 'created interests' imposed on national life (Real de Azúa 1964, 62).

Demands continued to grow and slight administrative changes were the only response. Between 1955 and 1972 growth measured by GDP was practically nil but the government's current spending increased, particularly in the area of transfers to families (from 9.4% to 10% of GDP) and subsidies to state-owned industries (from 9.6% to 14.6% of GDP). The legitimacy and continuity of the political system were at stake. Even in the late 1960s, when conflicts led to confrontation between the government and the unions, the state responded with Batllista strategies for times of crisis, that is, a return to the Terrist framework discussed previously. The government repressed unions and controlled wages, lowering the salaries of public functionaries and, in smaller measure, those of retired and pensioned persons. It maintained control over and actively intervened in the economy and social welfare. Although the first attempt was made to privatize certain activities such as public health, it was only partially successful. The private system of mutual aid societies lost income and most of its liabilities were absorbed by the state.

In other words, the state tried to manage the crisis by tinkering with the existing administrative machinery. There was no attempt to make serious political changes or to reverse the effects of the crisis. The upper classes were not burdened with additional taxes; the middle classes' standard of living did not deteriorate as much as that of the lower classes; the poorest suffered the most while *Uruguay feliz* collapsed.

5. The Military Government: Reform and Continuity, 1973–1985

In 1973 a coup occurred in several stages, culminating in the dissolution of Congress. The elected president remained in office, but the armed forces became the principal political actor. This began a period extending until 1985, during which democracy was annulled. The annulment of citizenship, of the traditional forms of corporative pressure, and of many, although not all, of the particularistic channels of access to policy-making were an attempt to return initiative and power over civil society to the state.

The dictatorial regime did not make substantial institutional changes in the state's social programs, but it modified the amounts and the allocation of resources for public spending. Public social spending, which reached 16% of GDP in 1964, declined to 14% in 1975 and to 13.6% in 1984 (Davrieux 1987). The majority of this spending was allocated to retired and pensioned

persons. In 1965, they received 11% of GDP and in 1972, 13%; thereafter the figure declined to 10.5% in 1975 and 1980. Although social spending as a whole did not decline much, the considerable increase in the number of retired and pensioned persons effectively reduced the real average payment. The second largest area of social spending was public education which declined from 3% of GDP in 1964 to around 2% between 1972 and 1980, before dropping to 1.5% in 1984. Notably, this reduction was accompanied by a significant increase in enrollment in intermediate and higher education. Spending on public health, which represented 1.5% of GDP in 1965, declined to 0.4% in 1972 and then hovered at close to 1% between 1975 and 1984. This reduction, too, was accompanied by an increase in the demand for services (Davrieux 1987).⁶⁹

Shortly after the coup, the institute administering family allowances, which provided family benefits for the private sector and maternal-infant services, was unified with the administration of health insurance for private sector workers and with the various private sector unemployment insurance institutions⁷⁰ that had functioned up to that point.⁷¹ Thereafter, the General Directorate of Social Security (Dirección General de la Seguridad Social) administered the whole system. Initially, this process created breakdowns⁷² along with savings.⁷³ Once it achieved greater coverage, the new system was quite effective, despite arbitrary management.

Later, the system of pensions and retirements was rationalized. The benefits system was modified through Institutional Acts.⁷⁴ Two reforms, in 1973 and in 1982, changed the conditions for obtaining retirement benefits and the possibilities of accumulating retirement or pension benefits. The retirement age was raised from 60 to 65 years for men and from 55 to 60 for women.

⁶⁹ In the same period, the combined spending of the Ministries of the Interior and Defense went from 2.5% of GDP in 1965 to 4.5% in 1975, before falling to 2.9% at the beginning of 1984 (Davrieux 1987).

⁷⁰ Unlike private sector workers, public functionaries cannot be removed and are thus ensured employment security, except in cases of proven ineptitude or offenses. In 1977 the authoritarian regime did dismiss a significant number of public functionaries who were considered politically unreliable, granting 12 months of complete salary and six of half salary as indemnization. Under the new democratic regime, a law was approved by which these functionaries were rehired.

⁷¹ Some unemployment insurance programs existed before the 1960s, but they were mainly related to unstable and/or seasonal types of skilled work. The closing of many meat packing plants in the 1960s unleashed a storm of union protest and demands. The state responded by creating additional unemployment schemes. Unemployment programs became universal during the authoritarian regime.

⁷² For example, maternity services under the family allowance institutions were discontinued since it was assumed that health insurance, which the General Directorate also managed, would cover the services provided through mutual aid societies. The only resource for unemployed mothers or those without this coverage was the maternity services at public health institutions, where the level of care was notoriously lower than that provided by the family allowance clinics.

⁷³ As partisan clientelist mechanisms lost efficacy, administrative rationalization initially reduced the duplication of services. Later a clientelist network was recreated under the new administrators.

⁷⁴ *Actos Institucionales*, as the military regime called their legislation.

Many of the early retirement options were eliminated. Furthermore, sons and daughters were no longer permitted to collect survivors' benefits after reaching age 21, and collecting benefits from more than one retirement or pension plan was prohibited.⁷⁵ A system of retirement benefits indexation was instituted with annual readjustments based on the mean index of salaries. The executive had the power to issue advances prior to the month designated for indexed adjustments.

Other sectors with greater earnings maintained their capacity to administer autonomous pension funds. The military's pension and retirement benefit fund was transformed into a subordinate institution of the Ministry of Defense.⁷⁶ The police also created a retirement and pension institute, under the control of the Ministry of the Interior.⁷⁷ State and private bank employees maintained an autonomous fund, but the transformation of the labor market in the banking sector, considerably reducing the number of employees, caused the real value of retirement benefits to drastically decline. The pension and retirement funds of university professionals and notaries also remained autonomous.

Nevertheless, the reforms were no more than timid measures to confront constant increases in retirements. The ratio of retired beneficiaries to economically active, contributing members constantly rose, even after the reforms. In 1975, there were 0.55 economically passive persons per each active one, in 1980, 0.65 and in 1983, 0.82 (Mesa-Lago 1985a). Further raising age requirements was discussed again, but no measure was adopted.

These were reforms within the prevailing statist framework. The military regime, run by technocrats and bureaucrats, did not want to reduce the overall influence of the state on society. The reforms resulted from need and not from a project to dismantle the system inherited from the beginning of the century.

During this period public health was administered within the same institutional framework as in the past. The Ministry of Health served the subordinate sectors, coordinating its activity with the university hospital. The military's control of the hospital facilitated the application of a more unified health policy, although this did not translate into institutional reform. The General Directorate of Social Security supported institutions to serve infant health care needs and created

⁷⁵ Between 1960 and 1982 the retirement system went from one of over-coverage due to duplications (109.1% over the total of the economically active population or EAP) to 76.3% coverage (Mesa-Lago 1985a).

⁷⁶ The system began to expand markedly due to the increased number of personnel with legal military status. The service was not able to finance itself from original contributions and depended on state subsidies. Average benefits for the entire system are not high since subordinate personnel—the enlisted men and low-level officials constituting the majority—received low levels of benefits.

⁷⁷ Until 1974 the police were part of the Civil Servants' fund of the BPS, which covered all nonmilitary state employees. During the dictatorship the police forces were ruled by the superintendent of the armed forces and were subjected to military discipline.

some specialized institutions, such as a center for premature babies. The administration of some of these institutions was later transferred to the Ministry of Public Health.

The armed forces' health care services expanded impressively in the period and a hospital for the police was built in Montevideo. Together they directly served 70,000 persons and provided partial services to their dependents, approximately 290,000 persons—almost 10% of the population. Military units also provided primary health care services as part of a paternalistic policy, especially towards the lowest sectors of society.

The mutual aid societies continued to grow and absorb members and their financial situation continued to worsen. A number of additional private health services appeared during the '70s and expanded throughout the '80s, as the quality of services of mutual aid societies declined. The two most important new forms of health care that appeared were services based on mobile units to treat emergency situations (heart attacks, infantile convulsions, etc.), and specialized centers equipped with the latest technology for treating terminal and degenerative diseases. Upper- and upper-middle-class sectors had access to the latter. Mobile emergency units followed an organizational pattern similar to mutual aid societies, thus lowering quotas and making services available to lower-middle-class sectors.

Prevention campaigns directed by the Ministry of Public Health had notable success. The ministry set goals of 100% immunization against tetanus, diphtheria, tuberculosis,⁷⁸ infantile paralysis, measles, rubella, and mumps. These campaigns combined with effective social work, especially summer programs to prevent infant diarrhea, led to an important drop in infant mortality—from 46 per thousand to 38 per thousand between 1973 and 1980. The National Institute of Nutrition expanded its services to the interior and the armed forces implemented policies providing assistance to poor populations living close to military units.

Overall, health care services expanded, but differentially across classes. Lower classes received increased prevention services; upper and upper-middle classes had access to better and faster private medical treatment; lower-middle and working classes maintained and expanded their coverage but the quality of their services deteriorated—though they were able in some cases to maintain good emergency and out-patient services by affiliating to the new private medical mobile units.

Public education was affected most during the military period. The social composition of the guerrilla movements that were defeated shortly before the coup and the strong adhesion of intellectual circles to parties of the Left greatly disturbed the military regime. Beginning in

⁷⁸ The Anti-Tuberculosis League, originally a private institution, continued to exist. In addition to controlling the few cases of tuberculosis that continued to arise, it began to serve as a center to register and track the development of other contagious diseases and to monitor infant vaccination. In 1978, it coordinated an immunization campaign against meningitis when an epidemic broke out in Brazil.

November 1973, after the university was placed under the control of the government, public education was unified under one authority, the Ministry of Education. This was a repressive measure without any serious attempts at reform. Although changes were made in the curricula of primary, secondary, and technical education, inherited patterns still prevailed. At the end of the military period, some reforms were attempted at the university level, including regulations intended to limit admission, which were only enforced for three years. After 12 years of unified control of public education, the results were negative. There had been repression and expenditure cuts but not reform, creating a myth (not completely untrue) that the dictatorship had destroyed public education.⁷⁹ Meanwhile, demand for education continued to grow, although much of it was channeled outside the public system.⁸⁰

In regard to housing policy, the regime that came to power in 1973 created a housing ministry to centralize planning and to bring the BHU under its control. In 1976, the ministry disappeared and the bank regained primacy. During this time, the principal instrument for promoting housing construction was granting credit to businessmen who would construct housing according to the specifications of the 1969 plan. Nevertheless, the majority of the loans drifted toward higher standard housing.⁸¹ Lower-standard housing was left to cooperatives. They constructed a large number of units but met with financial problems and had to refinance their debts with the BHU. These debts (many of which remain unpaid today), created a heavy financial burden for the BHU and the state, generating sharp conflicts between cooperatives and the BHU, which led to the BHU's attempt in the mid '80s to eliminate the legal status of cooperatives.⁸² In the interior, the Movement to Eradicate Low-Standard Rural Housing (Movimiento de Erradicación de la Vivienda Rural Insalubre or MEVIR) was created. This nongovernmental organization, which promoted the construction of low-cost housing, also

⁷⁹ The deterioration in secondary and university education had begun in the 1960s with the drop in teachers' real wages, a shortage of operational resources, and the expansion of enrollment. The repression unleashed in 1973 distracted public attention from these problems; hence the perception that the military was solely responsible for destroying the educational system.

⁸⁰ Private educational institutions at the primary and secondary levels expanded significantly, especially those that offered modest enrollment and monthly fees to middle-class sectors. A Catholic university was founded, and various institutions began to address the demand for new types of knowledge, such as computer science, not included in public education.

⁸¹ The affluence of the upper-middle and upper class at the end of the 1970s allowed them to increase their housing substantially and promoted a notable expansion of the principal beach community in the country, the Punta del Este. The BHU financed a large part of this construction boom.

⁸² Housing construction under the regime of mutual aid cooperatives requires that the property be collective. The bank attempted to apply a condominium regime—that is, individual ownership for each unit. Finally, an agreement was reached in which collective property was preserved but payment was made by individual units.

applied for state credit. Direct construction by the state was minimal, mostly limited to housing for members of the armed forces.

The military regime increased the state's control over income policy. It continued to set wages through administrative channels for workers in both the public and private sectors. Unions were severely repressed and had no possibilities for negotiation.⁸³ Individual demands concerning working conditions were addressed, however. The Labor Ministry established a complex system of 'personalized' attention to labor relations, following the paternalistic views of the military. The overall result was a decline in real wages and the informalization of labor-capital relations.

Despite its profound imprint on Uruguayan history, the dictatorship did not introduce radical transformations in the statist patterns inherited from the beginning of the century. For the same reason, this regime gave way to a 'restoration.' In contrast to other dictatorships,⁸⁴ Uruguay's maintained many existing patterns; while it fostered the opening of the economy, promoting exports and permitting unregulated financial activity within a system of strict banking secrecy, other activities continued according to old statist patterns.

Clientelist relations, although reduced, remained important for obtaining public employment, though the recommendations came from military personnel instead of political leaders. At the same time, repression made it particularly difficult for those considered irredeemably opposed to the regime to obtain work.⁸⁵ Despite the positive evolution of GDP until 1982, social spending and average real incomes declined. The demand to increase the activity of the welfare state was one of the issues that the new democratic regime of 1985 had to address. It also had to consider the demands of the middle and lower-middle sectors, who had strong perceptions of deprivation tied to both symbolic and material losses.

6. Democratic Restoration, 1985–1989

In the final months of the authoritarian regime the political parties invited interest groups to meet and discuss their agendas for the new democratic regime. The National Programmatic Concertation (Concertación Nacional Programática: see Brezzo and Vispo 1988; Rial 1988) was

⁸³ In June 1973, as part of the final process of the coup, the union central (*Central Sindicato*) was made illegal and Congress dissolved; Left parties were banned in 1974. An attempt to launch strikes in 1974 was sharply repressed and some unions lost not only militants but goods and organization. From 1975 until 1983 the labor movement had no public presence.

⁸⁴ For example, Chile's Pinochet regime characterized itself as 'foundational' (Garretón 1983), introducing a new socioeconomic and political framework. Along with repression, it created a new type of state action in economic and social regulation with a decidedly neoliberal orientation.

⁸⁵ The intelligence services categorized the population into three groups. The 'A' group included those the regime was confident did not have political histories on the Left; the 'Bs' were those who required supervision; and the 'Cs' were considered incorrigible.

formally created after these first meetings. The concertation sought to achieve a social pact, covering most of the relevant social policy issues and wage policies, hoping to limit conflict in the transitional period. The agreement turned out to be more symbolic than real, and the new democratic government took little guidance from the documents that came out of those meetings. On labor relations, though, agreements were followed. In this area, a tripartite commission was created to normalize the change to a new system of wage bargaining once the new regime was installed and, meanwhile, to ensure the transition and defer conflicts.

Sanguinetti's government can be said to have carried out a somewhat perverse state reform, fundamentally through the control of spending. It concentrated decision-making power over social spending within the executive, reduced the legislature to an almost nominal role, and abused the presidential veto.⁸⁶ The government's central preoccupations were to secure democratic restoration⁸⁷ and to keep the economy under control, attempting to achieve continuity with the opening process of foreign trade initiated by the authoritarian regime. Social policies were of secondary concern. Control of economic activity and social spending rested with the government's 'economic team,'⁸⁸ which sought to achieve budget equilibrium.

The principal debate over social policy was centered on monetary benefits, particularly retirements and pensions, granted by the state. The economic team was interested in maintaining this policy under their control. They wanted maximum reduction of the deficit in the system so that the Central Treasury could reduce its subsidy. Many of the state institutions that provided public services (like the BHU) had met with budget problems. Other private providers of social services, like the mutual aid societies for health care, contributed to the state deficit by

⁸⁶ Of the total vetoes imposed on the five-year budget and the annual review process, more than three-fourths were directed at dispositions granting funds to organisms such as the state university, the National Administration of Public Education, the Electoral Court, and the judicial system, principally affecting wages and other benefits of their employees. The other one-fourth of the vetoes were concentrated in dispositions that granted additional funds to the Ministries of Education and Culture and of Public Health. Of the other 17 vetoes imposed on laws besides the budget and annual review laws, 5 referred to the issue of retirees and the BPS, impeding the payment of benefits greater than those that the executive had estimated. This information is systematized in "Observaciones interpuestas por el Poder Ejecutivo al Poder Legislativo durante el período 1985-1989" (Montevideo: PEITHO, 1990), on the basis of information provided by the *Diario de Sesiones de la Asamblea General de la República Oriental del Uruguay*, Volumes 60-65 (Montevideo, 1985-1990).

⁸⁷ Managing relations with the military was a main preoccupation of the presidency during most of the Sanguinetti administration until the plebiscite was held.

⁸⁸ This was an informal arrangement which included the Minister of the Economy, the Secretary of Planning, and the presidents of the Central Bank and the Bank of the Republic. The Minister of Labor attempted to form a 'social team' together with the Minister of Public Health, the Minister of Education and Culture, and the presidents of the directorates of the BHU and the BPS, but the presidential decision to prioritize fiscal adjustment made the initiative fail. There were, however, certain policies that the Ministry of Labor was able to coordinate together with other social state organisms. Such was the case of the Nutrition Plan in which the BPS also participated (Filgueira 1990).

borrowing from the state and being unable to meet their debts. Also DISSE (the parastate health insurance system for employees) faced financial imbalance, since employers successfully evaded their contributions to the health insurance plans for their employees. The government chose to reduce these deficits by freezing or even lowering the real value of retirement benefits and social spending.

At the same time, retired and pensioned persons demanded a substantial increase in their benefits. The executive power avoided increases that would widen its deficit. The existing mechanism of annual adjustment of retirement benefits defined increases according to the mean index of earnings for all economic activity; the executive readjusted increases through the mean index of the substantially lower earnings of public functionaries.⁸⁹ This sparked a strong congressional debate and in 1987, Congress approved an interpretive law stating that the adjustment should be set at 107% (calculated on the mean index of all earnings) and not at 80% as indicated by the executive. The executive responded with a veto.⁹⁰ In 1991, the BPS used as a base the revaluation of 1987. Despite these problems, retirement benefits improved in real terms, but the perception of the beneficiaries was emphatically negative. Their expectations of substantial increases were disappointed.

The income of nonsalaried inactives (mainly retired and pensioned persons) from 1985 to 1988 showed improvements for people in the lowest 20% income group and those of the highest 20%; the remaining 60% suffered slight decreases (Diez de Medina 1989). The gains for the poorest 20% may be due to the growth in old-age pensions,⁹¹ which were granted to persons over 70 who had not contributed to the retirement system and did not have other resources (see Table 4). The implementation of the Nutrition Plan and the concession of coupons for bus transport for retired persons in Montevideo significantly increased their real income.

The social security system remained statist. Although at the end of the authoritarian regime a decree was passed to allow the creation of private complementary social retirement funds, the attempt was unsuccessful. There were two reasons for this: First, moving to private funds did not exonerate participants from paying contributions to the state system. Second, after this decree was regulated by an additional decree in 1989, the perception of upper-income groups was that these new regulations made the private funds prone to state intervention. An

⁸⁹ Family benefits were determined by the same criterion—a percentage of the minimum wage of public functionaries.

⁹⁰ Law 15900 of October 1987 was only partially vetoed. Other aspects came into force, among them a maximum limit on payments. Some of those affected by the ceiling—retired persons affiliated with the fund for civil servants of the BPS who had held important positions in the government and now saw their benefits frozen—brought their demands to court, arguing that a law could not be applied retroactively. In 1991, the Supreme Court ruled in favor of the petitioners.

⁹¹ Note also (Table 4) the increase in the number of retired persons receiving benefits from occupations at the lower end of the income scale, for example rural work and domestic service.

additional attack on the statist nature of the retirement programs occurred in 1989, just before the general elections. A large group in the Colorado Party launched a campaign for the privatization of the whole retirement system, following the Chilean model. The majority of public opinion was against this proposal, and these Colorado party members suffered electorally for their critique of the public system.

TABLE 4

**Number of Retired and Pensioned Persons
in the Period of Democratic Restoration
(thousands of persons)**

Year	1985	1986	1987	1988	1989
Industry and Commerce	308	308	311	311	313
Civil	137	135	133	131	130
School	22	22	22	22	22
Rural	114	115	117	118	121
Domestic Service	28	28	29	30	31
Old-Age Pension	21	23	48	60	63
Total	630	631	660	672	680

Note: Because of duplication of benefits for the same individual, the figures are slightly overestimated. Not included in the table are: close to 30,000 retired military personnel, 25,000 police, 14,000 bank personnel, and some 15,000 professionals and notaries. In total, some 760,000 retirement and pension benefits were distributed, for close to 715,000 persons (circa 1989).

Source: BPS

In opposition to these privatizing attempts, a social movement composed of organizations of retired persons proposed a plebiscite, to be held in conjunction with the 1989 general elections,⁹² seeking a constitutional guarantee for the real value of their retirement benefits. The proposal was that retired persons would receive increases at the same time and in the same proportion as state functionaries, and that no ceilings would be placed on benefit levels.⁹³ In November 1989, with nearly 90% participation of registered voters, 81% voted in favor of the proposal.⁹⁴ The old idea of state assistance remains intact among the population.

⁹² The Constitution permits constitutional reform initiatives by citizen groups. They must present a petition signed by 10% of the citizens. Approval requires 51% of the vote and must represent no less than 35% of registered voters.

⁹³ Recently, the ex-president of the military period, Lt. Gen. (Ret.) Gregorio Alvarez, together with the majority of the generals of this period, appealing to the new constitutional norm, won a judgment in which he defended his right to a greater adjustment than the one granted.

⁹⁴ Although the cost of the measure implied a significant increase in the fiscal deficit, apart from Jorge Batlle's supporters and other marginal sectors of the Left, no political groups opposed the initiative since public opinion was favorable towards the project.

Within the National Programmatic Concertation, the possibility of creating a national health care system was proposed, but no serious action was taken; the issue was not even introduced in Congress. The public health system continued with its prevention plan, especially focusing on the maternal-infant program. Complementary nutrition programs for infants and pregnant women, continuing the orientation set during the military regime, contributed to bringing the infant mortality rate from 29 per thousand in 1985 to 20 per thousand in 1988. At the same time, the mutual aid societies faced most severe financial problems. Many institutions reached agreements with the BPS to defer loan payments; others filed for bankruptcy. The clientele and infrastructure from these bankrupt institutions were transferred to other mutual aid societies. Despite increasing financial constraints, health care achieved universality, though in a fragmented way. Between 1985 and 1988, according to the Ministry of Public Health, mutual aid societies increased their membership from 1,250,000 to 1,400,000.

In the same period, the Ministry of Public Health registered an increase from 880,000 to 1,000,000 persons served. In 1988 the two systems together covered 2,400,000 persons, to which should be added some 250,000 from the military and police force, reaching 2,650,000 of a total of 2,900,000 inhabitants.⁹⁵ Thus, though informal and lacking coordination, a nationwide system of medical prevention and services does exist. It is administered in a fragmented way, responding to the interests of a divided medical corporation⁹⁶ and to the interests of groups of members who seek to preserve those institutions with the highest standards of care.

Middle and upper-middle sectors attempt to retain the privilege of belonging to institutions considered private (the mutual aid societies) while also trying to retain state coverage by affiliating to these institutions through DISSE. Another form of agreement allows members to pay very low quotas (below US \$30) for themselves and part of the family, bringing family spending down considerably. This has permitted poor sectors to join the system. Some of the middle sectors and almost all of the upper-middle strata complement this medical attention by affiliating with private emergency services at a cost of approximately US \$10 (as of 1990) per month. Although state services provide a lower quality of medical care in some respects (especially nursing services, hospital internment services, and the rapidity with which the patient gains access to walk-in or home services), the public system plays an important role in providing

⁹⁵ Participants in the maternal-infant programs of family allowances should also be added, but these figures are not available.

⁹⁶ Diverse ideological alignments and intracorporate struggles explain the resistance to unification.

health care for the poor sectors.⁹⁷ Uruguay's figures for the classic indices of health are significantly better than those of its Latin American counterparts.⁹⁸

Some types of medical attention, such as transplants or high-risk operations, are not available because of problems of infrastructure, high cost, and lack of adequate personnel. Few of these cases arise, however, and they are normally covered by charitable organizations which appeal for donations to seek treatment abroad.

With the restoration of democracy, education returned to the preexisting system of autonomous organizations. Primary, secondary, and technical education reverted to a decentralized agency with three councils for each area. The relationship between the councils and the coordinating body was conflictive, and plans for reform failed. A conflictive relationship also existed between the education administration and the teachers and professors, whose salaries continued to be very low. Between 1985 and 1989, for 30 hours work in class, salaries oscillated between US \$100 and \$150, depending on the time of year and levels of inflation. Finances were controlled through bureaucratic rules that made spending all the budgeted funds practically impossible.⁹⁹

State university education returned to its previous legal status, which shields it from direct government intervention. The university's government is composed of representatives from the professors, students, and graduates. The state's only source of control over the university is that it provides the funds. Attempts at university reform were more rhetorical than real during the first democratic administration. Charging tuition to higher-income students, limiting annual enrollment, and cutting the budget in order to force professors and researchers to seek outside funding were the basic issues debated. Only the third proposal had any success, due more to overall cuts in social spending than to a deliberate strategy to modernize the university. The other two issues faced the opposition of university authorities, who adhere to an ideological creed of free education.

At the secondary level, the most important trend was the expansion of private education. From the 1960s to 1984, the private sector had already increased its number of students from

⁹⁷ One factor that helps to standardize quality is that physicians divide their time between both public and private spheres.

⁹⁸ United Nations Development Program reports locate Uruguay as the country with the best figures in Latin America, many of them close to those of developed countries. Life expectancy at birth in 1988 was 72.2 years compared to 78.6 years in Japan, the highest in the developed world. Infant mortality according to this source (measured for children under five years of age) is 24 per thousand, compared with about 15 per thousand in the developed countries.

⁹⁹ The Treasury did not release funds until the entire series of authorizations was completed, from the congressional down to the paperwork of the actual institution doing the spending. It then demanded that all purchasing procedures be fulfilled, especially bid taking which is a notoriously tedious process. Often when the deadlines for implementation and accounting had been reached, the funds had not been spent and the process was cut short. As a consequence, between 1985 and 1989, the education budget was never entirely spent.

10,000 to 20,000. Between 1984 and 1989, enrollment reached 27,000. Private education in languages, computer science, and business administration also continued to expand.

In terms of housing policy, as already mentioned, the BHU continued to face serious financial problems throughout the first democratic government. The government's approach to this problem was basically to administer the crises. The BHU diminished its lending and slowed the rhythm of construction. A new housing plan, which proposed direct construction by the state, was implemented in 1985. Only part was completed, and that with difficulty. Some 16,000 units were constructed of a total of 40,000 planned.¹⁰⁰

The National Nutrition Institute continued its programs and implemented special plans to distribute foodstuffs to retired and pensioned persons¹⁰¹ through accords with the Ministry of Labor and the BPS and, with the mayor of Montevideo, to assist extremely poor neighborhoods.¹⁰² By 1988, the two plans were terminated, supposedly because extreme needs no longer existed. In fact, both plans had instrumentation problems and neither produced the expected political rewards. For its part, the family allowances program initiated a maternal-infant nutrition plan distributing foodstuffs to pregnant women and to mothers with children under five years.

In terms of incomes policy, there was a return to a tripartite mechanism of wage negotiations. Rather than follow the procedure outlined in the 1942 law on wage councils, an informal mechanism was applied. A framework was negotiated between the union central and the representatives of the principal business associations within the guidelines set by the government. Wage councils then met to adjust this overall agreement to each area of economic activity. Although state regulations stipulate that worker and business representatives should be elected, it frequently happens in Uruguay that interest associations are granted public status but left unregulated in regard to their procedures for selecting representatives. The wage councils were convened without following formal electoral procedures: unions and business associations directly designated their representatives.

Salaries for public functionaries continued to be set by decree, although informal negotiations also took place. Wages of rural workers also continued to be set by decree, following the method initiated in the 1920s. After 1988, however, rural workers were able to sign collective

¹⁰⁰ An investigation of the plan's implementation has been threatened since poor management is suspected as a cause of its failure.

¹⁰¹ From a social policy viewpoint, the access qualification—being in receipt of one minimum pension—did not prove to be the most adequate criterion for identifying recipients' needs.

¹⁰² A new organism under the mayor's office, the Advisory and Special Projects Unit (Unidad de Asesoramiento y Proyectos Especiales or UAPE), coordinated the creation of neighborhood commissions to distribute the foodstuffs. This led to a new horizontal clientelistic network. The UAPE was dissolved in 1990 after the victory of the left-wing Frente Amplio coalition in Montevideo.

bargaining agreements. These were two-year, renewable agreements, following the same guidelines used in the early 1970s.

The Sanguinetti government of democratic restoration did not attempt to significantly change the old system of state social programs nor could it restore a welfare state that would be perceived as prosperous and effective. However, in comparison with the dictatorial period it undoubtedly improved social benefits, both in monetary terms and in variety of services. Most important, the end of repression, the reorganization of the trade union movement, and the government's need to consider policies in the light of potential electoral support all had a positive effect on wages. Improvement in the overall economy—GDP returned to levels reached prior to the crisis of 1981¹⁰³—also bolstered wages.

7. Present Issues on the Agenda

Table 5 outlines the complex system of monetary benefits and social services provided by the state. To avoid increasing the complexity, this outline omits a series of subsidies and nutrition services centralized in the Nutrition Institute within the Ministry of Labor and a series of transport subsidies for sectors such as students and retired persons. It also omits wage negotiations which continue according to the tripartite guidelines already described. Superimposed on the universal character of many of the systems presented in the table lie differences in facilities and possibilities of access based on a veritable collage of benefits for different categories of citizens.

In addition to the institutionalized system, a series of ad hoc policies have been implemented since the democratic restoration to assist sectors affected by extreme poverty. Unlike the paternalistic methods used by the authoritarian regime to aid marginalized social sectors and also in contrast to the statist and universalist tradition of *Uruguay feliz*, the new democratic government implemented some selective, flexible and, at least rhetorically, participatory forms of social policy. These policies did involve the state and were usually initiated by it, but they also incorporated a number of nongovernmental organizations in both design and implementation.

Two initiatives stand out. One is the Infant Care Centers (Centros de Atención a la Infancia or CAIF) program, supported by the United Nations Children's Fund (UNICEF), for mothers and children in situations of poverty and extreme poverty. The program was designed to be a highly selective instrument for providing integral services to cover basic needs (health care,

¹⁰³ GDP rose from 23 million new 1978 pesos in 1968 to 26 million in 1970, where it remained practically stagnated until 1974. It rose to 28 million in 1975 and to 36 million in 1981 before falling to 30 million in 1983. In 1984, it began to recuperate, reaching 34 million in 1986 and 35 million in 1990 (data from the Central Bank of Uruguay).

TABLE 5

State-Provided Monetary Benefits and Social Services

Sector	Retirements, Pensions, and Survivors' Benefits		Education	Health	Housing
Organisms that cover the benefit	<ul style="list-style-type: none"> •BPS •Parastate institutions and state services 		<ul style="list-style-type: none"> •Directive Council on Education/University of the Republic 	<ul style="list-style-type: none"> •Ministry of Public Health •University of the Republic •Ministries of Defense and of the Interior •Health Insurance, •Subsidiarily: municipalities 	<ul style="list-style-type: none"> •BHU and municipalities •A Ministry of Housing and Environment is beginning to operate
Monetary payments made by the beneficiary	<ul style="list-style-type: none"> •Salaried worker (future beneficiary) and employer contribute. 	<ul style="list-style-type: none"> •Contribution from employer only 	<ul style="list-style-type: none"> •Tax for primary education paid by owners of real estate 	<ul style="list-style-type: none"> •Payment of tariffs or taxes in accordance with social condition 	<ul style="list-style-type: none"> •System of previous savings on the part of beneficiaries
Monetary benefits	<ul style="list-style-type: none"> •Retirements •Pensions •Unemployment insurance for six months 	<ul style="list-style-type: none"> •Family allowances •Old-age pensions 	<ul style="list-style-type: none"> •Grants for housing and foodstuffs at the tertiary level •Limited coverage 	No	<ul style="list-style-type: none"> •Housing loans
Services	No	No	<ul style="list-style-type: none"> •Education for the primary, secondary, and tertiary levels and technical education •School meals system 	<ul style="list-style-type: none"> •Health insurance •Hospital attention •Preventive care, polyclinics, health and vaccination campaigns •Supervision of mutual aid societies system 	<ul style="list-style-type: none"> •Direct construction of housing
Character	<ul style="list-style-type: none"> •Contractual •Universal coverage 	<ul style="list-style-type: none"> •Selective for old age pensions, universal for family allowances 	<ul style="list-style-type: none"> •Free •Universal coverage 	<ul style="list-style-type: none"> •Universal coverage •System of differential payments in accordance with level of income •Free for those in situation of poverty 	<ul style="list-style-type: none"> •Contractual •Universal access through the private sector, individual and cooperative •In the case of housing construction, selective

nutrition, education, and recreation), characterized by involving civil society in the management of the program.

The other initiative is the reformulation of nutrition policy centered in the National Nutrition Institute, a dependency of the Ministry of Labor and Social Security. The new plans include short-term, high-impact programs, making the previous systems more flexible. Among the most important changes was a shift from the system of community kitchens to one of food coupons.

Although the Colorado government did implement these alternative forms of social policy, the traditional Uruguayan social state remained mostly untouched. Not only were the major institutions and programs still there; there were also few articulated attempts to attack the system of welfare provision ideologically. The Blanco government, inaugurated in 1990, was more opposed to the traditional system of welfare, both pragmatically and on ideological grounds. President Luis Alberto Lacalle defended a neoliberal agenda, recommending a retreat of the state from a number of productive, regulative, and redistributive functions. With regard to social programs, he defended a model of minimal state intervention for cases of extreme poverty.

Through the Social Investment Program (Programa de Inversión Social or PRIS) and the Emergency Social Investment Fund (Fondo de Inversión Social de Emergencia or FISE), the Blanco government has launched a model of social services that differs from the country's traditional system. Through benefits to complement family allowances (programs in health and nutrition, donations to primary education institutions in critically poor zones, recreation programs for the popular sectors, construction of emergency housing for the homeless) and with a call for the participation of civil society, the government has attempted to change social policy. It has sought to reduce the level of state activity, applying state resources only to the worst situations among the subordinate sectors and abating attention to middle sectors. These programs are located under the presidency and not under the ministries whose areas are involved. A large part of the resources has come from international loans.¹⁰⁴

There are a number of ongoing debates regarding the minimal and flexible model of social policy that the Blanco government is attempting to impose. The debate is not confined to Uruguay; it is being held throughout most of the world, especially in Latin America, so I shall frame it in general.

I propose to approach the debate by identifying three basic critiques. First, there is the question of how effective and efficient the state is at providing social services. Those who

¹⁰⁴ FISE, created in 1990 with \$5 million donated by the government of Spain, \$1,650,000 from the US, and small contributions from the Inter-American Development Bank (IDB) and the government of Canada, was managed outside the traditional state framework with rapid implementation of programs. Loans were sought from Italy for \$11 million and from Germany for \$16 million. Negotiations are in progress with the IDB to obtain loans of \$40 million to construct schools and polyclinics and \$60 million for housing. In all cases, the intention is to deal with poverty and indigence.

advocate the minimal welfare model point to the clientelistic networks, the petty corruption, and the administrative costs of the state compared to privately administered social services. The second critique is more clearly related to the neoliberal view of the status of markets and their proper functioning. Markets, it is claimed, are the best mechanisms for allocating resources. Protecting labor and providing free health care distorts labor markets and service economies and destroys competition. The proponents of this argument are not monsters with no social conscience. Their conviction is that only one road leads to social well-being—economic growth. To grow, markets must be in equilibrium, inflation must be curbed, and countries must remain competitive. Universal welfare policies and their cost to the state treasury are the enemies of market efficiency.¹⁰⁵ The third critique questions whether universalistic provision of social services is, in fact, progressive in terms of income distribution. A 'softer' argument allows that universal provision may be progressive, but claims that it would be more progressive still to substitute means-tested policies and targeted policies for sectors in extreme poverty for some of the universal programs.

We could label these critiques the 'state efficiency debate,' the 'market debate,' and the 'redistributive debate.' The three are interrelated to some extent and they all share common roots in the neoliberal creed. Yet, the first and third can be and have been considered good critiques by parts of the Left, both in Latin America and the rest of the world, which cannot be said of the 'market debate.'

As I mentioned, these debates are couched in terms that are used worldwide, but they are certainly applicable to the Uruguayan case. It is not the aim of this article to discuss each issue in detail. Furthermore, to evaluate the second requires research that has not even been attempted here. What can be done is to evaluate the chances of the first and third critiques to generate successful transformational policies in the Uruguayan context.

The possibility of imposing a model of the PRIS/FISE type in Uruguay with lower state involvement and more selective targeting of beneficiaries depends on the bureaucracies in charge of state services and, in large measure, on the power of the organizations and sectors who are beneficiaries of these social services. Even minimizing the power of the legislative branch to process particularist demands and to act as the nucleus of the old system of rewards, the existence of corporately organized subordinate sectors limits the executive power's margin of action. Table 6 illustrates my view of the matrix of social power behind the system of services, which currently presents a profile tending toward maintenance of the status quo.

As can be seen in Table 6, the presence of beneficiaries' associations and political groups that specialize in representing beneficiaries is significant in all cases. In addition to these political

¹⁰⁵ Not only is the pursuit of universal welfare extremely expensive, it also implies a major distortion in the labor market since it decommodifies labor.

TABLE 6

Matrix of Social Power behind the Uruguayan System of Social Service^a

Sector	Retirements, Pensions, and Survivors' Benefits	Education	Health	Housing
Organisms and state entities	<ul style="list-style-type: none"> •BPS •Parastate institutions •Ministries of Defense and the Interior 	<ul style="list-style-type: none"> •Administration of Public Education •University of the Republic 	<ul style="list-style-type: none"> •Ministry of Public Health •University •Ministries of Defense and the Interior •Municipalities 	<ul style="list-style-type: none"> •BHU •Municipalities •Housing Ministry
Formal participation foreseen for beneficiaries	<ul style="list-style-type: none"> •BPS •Only recently implemented, foreseen by the constitution •Normal in the parastate institutions 	<ul style="list-style-type: none"> •University Cogovernment: teachers, students, and graduates 	No	No
Existence of corporatively organized groups	<p>Yes</p> <ul style="list-style-type: none"> •Diverse movements of retired and pensioned persons •Different degrees of representativeness 	<p>Yes</p> <ul style="list-style-type: none"> •Teachers' and professors' unions •Student associations 	<ul style="list-style-type: none"> •Unions •FUS (private sector health care union) •AFSP (public sector health care union) 	<p>Yes</p> <ul style="list-style-type: none"> •FUCVAM (cooperatives) •MOVE (grassroots movement for decent housing) •Incidence of union movement (SUNCA, union for workers in construction and allied trades)
Political sectors specialized in their representation	<p>Yes</p> <ul style="list-style-type: none"> •Sectors of the Right of the Colorado Party and sectors of the Left 	Left	Left	<ul style="list-style-type: none"> •Residual importance •Minority sectors of the Left

^a Beyond the existence of groups that explicitly represent the sectors of beneficiaries, there exists a whole range of state officials, congresspersons, and senators of different political persuasions who make the representation of certain beneficiary sectors (especially retirees) their fundamental political function and capital.

groups, there are a number of congresspersons who maintain patron-client relationships at a more informal level. Finally, the table does not include any indication of the power of the civil servants who administer the programs: they are themselves unionized, and they have direct links to the political elites. This configuration is hardly conducive to major changes.

Public Spending and Its Distributive Effects

A study conducted at the end of the dictatorship in 1982–1983 evaluated the redistributive effects of social policies at that time (Davrieux 1987). The social security distribution in the period showed a redistribution from the middle sectors toward the lower sectors. Although systematized information is not available for more recent periods, it seems reasonable to assume that those data approximate the present situation in the areas of health, education, social security, and housing (Table 7).

TABLE 7

Distribution of Family Income and Public Spending, 1982–1983^a

Stratification of Families by Per Capita Family Income	Distribution of Income	Public Spending on Education	Public Spending on Health	Social Security	Housing
1st Quintile	46.3	13.4	11.8	31.1	32.8
2nd Quintile	19.9	16.3	8.4	23.7	18.6
3rd Quintile	14.8	17.9	16.1	18.8	17.7
4th Quintile	11.8	21.0	29.7	16.1	23.9
5th Quintile	7.2	31.4	34.0	10.3	7.0
Total	100.0	100.0	100.0	100.0	100.0
50% of families with lowest income	25.5	60.6	73.1	34.7	38.4

^a This table shows the appropriation of total income and social spending by areas from lowest quintile (fifth) of income distribution to the highest (first quintile).

Source: Davrieux (1987)

Social policies in health care and education tend to be progressive, that is, the redistribution they promote counters the distribution of income. By measuring only the state's contribution in these two sectors, it appears that the middle and upper classes obtain their health and education services in the private sector. However, indirect transfers, which do not appear in the system's accounts, diminish this progressive picture.¹⁰⁶

¹⁰⁶ As we shall see, although the social security system is largely contributory, it is not self-financing but has a large deficit that has to be covered by state general revenue.

Health care and education are still the most progressive forms of social spending. Consistent with what has just been said in the case of social security, these two areas are the ones in which private solutions for middle and upper sectors have more clearly emerged. The upper and upper middle classes exit from a system that does not meet their standards and rather attack than defend it. While social security beneficiaries have successfully defended and even improved their benefits, neither education nor health care have increased spending or improved the quality of their services.

Having a single state system for social security apparently redistributes income only to a limited extent. The quintiles of income distribution follow the same tendency as the distribution of social security benefits, although the existence of ceilings for maximum retirement benefits does introduce a redistributive effect. In terms of an evaluation of redistributive effects, the general conclusion is that the social security system redistributes between the richest quintile and all the rest in progressive terms. The transfers from this quintile to the four poorer ones, though, are not redistributed progressively. The redistribution of the 15 percentage points that the upper quintile loses to the rest of society is neutral in relation to the rest of the population. There is even a slight regressive tendency, by which the second and third quintiles appropriate a bit more of the transfers from the richest quintile than the fourth and fifth ones. An important political issue is what would be the effects of a better targeting of certain social security transfers.¹⁰⁷ On the one hand, it would make the system more progressive overall; on the other, clearer institutional distinctions between contributory and noncontributory benefits would decrease the collective action potential and solidarity between the middle classes and poor sectors.¹⁰⁸ This would translate into a weaker political defense of social security as a whole, a system that does redistribute progressively from the richest to the rest of society. The lesson is that while better targeting can be 'better policy,' it can also lead to 'worse politics' as far as poor people are concerned.

It is more complicated to evaluate spending on housing. Without a global study of the operation of this sector we are unable to judge whether spending is progressive or regressive. A linear comparison of income distribution and spending on housing reveals a similar pattern in both, with the exception of some progressive transfers to the third and second quintiles (lower-middle classes). As Terra (1969) pointed out, the systems of savings and credit promoted by the various housing plans of the BHU have tended to operate in greater measure for the middle sectors for than lower-income sectors; they do not tend to favor the poor. The programs

¹⁰⁷ Especially controversial are the issues of putting a ceiling on the amounts received by contributors and targeting universal noncontributory programs, such as family allowance.

¹⁰⁸ The strong distinction between welfare and social security in the United States has clearly had this effect.

specifically designed for the poorest sector, such as MEVIR, do not have enough impact to change this tendency. Thus the progressive redistributive character of public spending for housing is open to debate.

Taxation and Its Distributive Effects¹⁰⁹

The system of retirement benefits has not been self-financing since 1955. Thus, state subsidies are needed to supplement the contributions made by workers and employers. The permanent deficit of the retirement system and the noncontributive nature of the other social programs (education, health, etc.) mean that for an accurate picture of their distributional content we have to evaluate the tax base that finances them. In Uruguay indirect taxes constitute the largest portion of state revenues. After a number of tax reforms starting in the late '60s and continuing throughout the '70s, the value added tax (VAT) became the single most important tax. In 1988, VAT represented more than 60% of the country's tax revenues. Taking VAT together with taxes on alcohol and combustibles, indirect taxes amounted to 70.3% of tax revenues.

VAT has also become the preferred instrument of policymakers when they face financial deficits, and when they need to expand the state tax base. Between 1973 and 1990, the VAT basic rate has increased from 14% to 22%¹¹⁰ and its minimum rate has gone from 5% to 12%.¹¹¹

The funds collected by the General Directorate of Taxation (Dirección General Impositiva) are general taxes without preset allocations. However, many of the increases in VAT, the tax on combustibles, and other minor sources of revenue have won approval through political agreements that preset the allocation of the extra revenue to be collected. Also, in June 1991 a flat-rate tax on property was passed, allocated by law to primary education.

VAT is a universal tax, since it is levied on consumption. If part of these revenues finance universal progressive social programs, the effect of the tax should be progressive. Yet Bisogno and Grau (1988) suggest that burdens distributed on the basis of the structure of spending by income quartiles are neutral if not regressive. They also point out that tax breaks and minimum rates on certain products appear to be governed "neither solely nor principally" by criteria of distributive equity.

¹⁰⁹ The problem of tax evasion is notorious, but its impact on the overall distributive picture is not well documented. In addition to widespread petty evasion, mostly in VAT, there is a significant amount of social security evasion on the part of employers and major combinations of different kinds of tax evasion at the corporate level.

¹¹⁰ When the National Party government assumed office, it raised the basic rate from 21% to 22%, a necessary measure, it claimed, because of a possible fiscal crisis.

¹¹¹ VAT is assessed according to a basic rate but some products are levied at a minimum rate, which is lower, and others are exempt altogether.

Movement toward a system in which direct personal taxes have greater weight does not appear to be on the political agenda. Nor is it clear whether this would result in greater progressivity. Moreover, the system for controlling tax evasion is inadequate as it is and has certainly neither the structure nor the human resources to deal with a major change in taxation strategy. In the future, indirect taxation, based on VAT and the tax on combustibles, will likely be reinforced, since this is considered to be an easier option than obtaining resources through personal taxes.

8. Final Reflections

In my initial discussion of the conditions that contributed to the creation of the first Batllism, I pointed out that the Uruguayan political system should be understood in terms of three superimposed dynamics: electoral competition; clientelism; and a plurality of interest groups. These dynamics give Uruguayans in the middle classes and popular sectors considerable power over the country's political choices and policy options. As citizens, they have a vote that is precious in a fragmented and extremely competitive electoral system. As clients, they have direct access to a number of 'hidden political professionals' within a state apparatus that was colonized by the party machines very early in its history. As members of interest groups—especially the trade union movement—that are autonomous both from the state and from the dominant parties, they can wield significant influence and effectively 'punish' any government that attempts to bypass their organizations.¹¹² This combination keeps the state, the government, and the parties accountable and restricts their room for maneuver. As long as politics continue on a 'business as usual' basis, the three traditional dynamics make it very difficult for an administration to pass laws or launch policies that imply cuts in social expenditure or closure of existing programs. Thus, it is highly improbable that any administration within the current democratic setting will deliberately undertake a radical transformation of state social programs. Transformations are to be expected, but in the longer term and as a result of underlying social dynamics, not of political will.

While political factors block the possibility of major government-led changes, social variables may slowly alter the face of the Uruguayan social welfare state. The state is unable to ignore, redefine, or even select among the demands made upon it, but the content of these

¹¹² In addition to strikes and other union activities directed at the government, some nonunion interest groups have displayed an impressive capacity to affect policy decisions. One instance was the overwhelming victory of the movement of retired persons in the 1989 plebiscite, which defeated a government attempt to limit pensions by executive decree (see section 6, 38–39). Another example is the emergence and consolidation in the last ten years of a movement for cooperative housing (Federación Uruguaya de Cooperativas de Vivienda de Ayuda Mutua or FUCVAM), which continues to lobby successfully despite government efforts to ignore its existence.

demands may be changing. Although the dictatorship left the basic framework of Uruguayan social programs intact, it did affect the traditional pattern of social stratification by reducing social expenditure, repressing trade unions, freezing wages, and liberalizing the labor market. Unemployment has increased considerably and there are more people working in the so-called informal sector. The middle classes and the urban working class remain important groups but their power and overall weight in the social structure have decreased. In other words, the numbers of people standing closer to poverty and occupying a marginal position in the modern sectors of society have grown at the expense of the traditionally integrated sectors of *Uruguay feliz* (the urban proletariat and the middle classes). If this trend continues, the base of legitimacy of the state and the political system may shift from the formerly prosperous sectors to poorer groups with considerably lower expectations.

Poverty and inequality have been on the increase throughout Latin America in the last two decades. In this context Uruguay is still a relative anomaly with low poverty levels and moderate to low levels of inequality. Under the most optimistic scenario, Uruguay will remain a relatively egalitarian society (by regional and to a lesser extent international standards) and the middle classes and urban proletariat will be able to recover some of the power they lost during the dictatorship. This would give them the strength to protect the social welfare state in its present form. Yet, as I have shown, Uruguayan social programs have faced growing bureaucratic and financial problems during the last four decades. Unless the state acts aggressively to expand its tax base—and this implies the major challenge of shifting the tax burden to upper income groups—social programs will continue to deteriorate under the repeated impact of serious financial crises. Moreover, rational reform of the policy system and the bureaucracy, guided by appropriate technical expertise, will remain an impossibility as long as the political class continues to operate in a clientelistic fashion.

This author is inclined, reluctantly, to reject the optimistic scenario. In addition to the factors just mentioned, the existence of the military as a political and corporate actor appears irreversible in the foreseeable future, which means that defense and 'national security' will continue to account for approximately 33% of the national budget. Defense and security institutions have increased their employees and consequently their expenditure on salaries and other benefits. This makes significant budget reductions difficult: it is always easier to deny a new benefit than to take away an existing one.¹¹³

Furthermore, redistribution of national wealth from the highest income sectors to the lowest simply does not look viable. The power of the former in the political system and in the state itself has increased considerably during the past twenty years. Confronted with economic

¹¹³ There may be some cuts in the defense budget but only as part of an overall decrease in the state budget; the proportion allocated to defense is unlikely to vary greatly.

uncertainty and lacking any precedent for willingly taking risks, the government is more likely to seek economic growth by guaranteeing profits—at whatever cost to the poorer and less powerful sectors—than to take up the challenge of redistributing the burdens.

It seems all too possible that Uruguay will continue to slide—albeit at a slower rate than many other countries in the region—towards a more unequal social order, with a consequent adjustment in its social welfare policies. A partial shift from universal to targeted and means-tested social programs (special social security programs) could be expected under this more pessimistic scenario, together with an overall decrease in social spending and the privatization of some social services (especially health care).

Redistribution in a country in crisis often comes down to limiting the traditional benefits of the middle sectors in favor of the most depressed. In Uruguay this would mean penalizing formerly privileged sectors (retired persons and public employees) and moving towards new systems of social policy. If designed to be flexible, selective, and with social participation in their management, these new systems could act effectively to absorb some of the shocks caused by neoliberal adjustment strategies and the pursuit of growth 'with social costs.' Alternatively, welfare policies could be implemented as a means of social containment for the extremely poor, with an undignified veneer of charity.

According to Flora (1987), three principles have guided the construction of the modern welfare state, and Uruguay, though less developed than its European counterparts, has historically attempted to adhere to these principles. First, the welfare state exists to guarantee a minimum subsistence level to all its citizens. Second, behind the state's social programs lies the belief that the capitalist system is to a certain extent inherently unfair; the welfare state is supposed to partly correct that unfairness. Third, welfare states attempt to provide everyone with the possibility of social mobility, by progressively redistributing wealth. If Uruguayan social programs are allowed to degenerate into mere mechanisms of social control, then the principles of fairness and redistribution will be abandoned. Perhaps the first principle will be upheld, but sustained by the flimsy ideological foundation of charity rather than the solid grounds of rights and social citizenship.

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