Adapting the theoretical discussion of the welfare state to regions outside of wealthy democracies has been a difficult task. Typically, contextual differences directly affect the plausibility of applying those explanations to similar phenomena. However, the theoretical framework of “credit claiming” and “blame avoidance” that Paul Pierson developed to explain different moments of welfare state evolution is useful in explaining social policy changes throughout other regions of the world. In this article I analyze the last two major reforms of the Chilean pension system: the implementation of an individual capitalization system in the 1980s as well as a counter-reform process initiated by a socialist president in 2008 and expanded by a right-wing president. In spite of Chile’s particular context—a tough dictatorship that implemented the first reform and a long process of transition to democracy that initiated the counter-reform—Pierson’s twin concepts of “credit claiming” and “blame avoidance” explain both movements particularly well. The article concludes with a reflection on democratic institutions and their ability to promote long-lasting reforms that support the most disadvantaged people that the welfare state pledges to protect.

INTRODUCTION
In the early 1980s, Chile pioneered a pension system later used a model for the World Bank as it confronted the “Pay as You Go” pension systems crisis, which relied upon current workers to finance the pensions of retirees. The collective capitalization system was scrapped in favor of one based on individual capitalizations—each person accumulating savings to pay for his or her own future pension benefits. The collective capitalization system originated in the 1920s and was rooted in the Bismarckian model of social security, which defined pensions by occupation.

Pinochet’s tough dictatorship implemented reforms in the 1980s, after which nearly twenty years of democratic governance in the country elapsed before counter-reforms were pioneered, led by the Concertación, a center-left coalition, which held power between 1990-2010. Despite the recent return to power of a more conservative government with the presidency of Sebastian Piñera (2010-present), the exceptional model of individual capitalization created during the previous administration has not regressed, but has expanded.

Welfare state literature describes various forms of democratic capitalism in “rich democracies” like Europe and the United States. The literature offers different explanations for the welfare state expansionary era, initiated in the 1940s and lasting until the 1970s. Some explanations emphasize the economic development of nation-states (Wilensky), others the power of the left (Korpi), and still other arguments emphasize institutions (Skocpol) as the main drivers in the evolution of the welfare capitalism. In the case of Latin America, explanations emphasize elite responses to development of social welfare policy (Mesa-Lago, 1987) and the distinctive process of state building in the region (Filgueira, 2002). Due precisely to a lower development of the welfare state in Latin America, some authors, among them as Huber and Stephens (2012), have proposed a more modest definition of “social policy regimes.” These conventional theories of welfare states serve to illustrate the role that institutions, political parties, and national elites have had in previous case studies on development. This trio of arguments will be what I refer to as the “conventional theory.”

Adapting that theoretical tradition to other regions has been difficult. In the case of Latin America, the main trouble arises from contextual differences, such as slower economic development, weak democratic institutions, and, especially, distinct class structures. Paul Pierson’s concepts of “credit-claiming” and “blame avoidance” are particularly instructive in discussing how politicians react to changes in the welfare state. In this paper, I argue that Pierson’s categories of “credit claiming” and “blame avoidance,” which describe the expansion and retrenchment movements of the welfare state evolution, can also explain particular social policy changes in different contexts. To probe my case, I analyze the last two major reforms of Chile’s pension system: the implementation of an individual capitalization system in the 1980s as well as a counter-reform initiated by a socialist president in 2008 and expanded by a right-wing president. In spite of Chile’s particular context—a tough dictatorship that implemented the first reform and a long process of transition to democracy that initiated the counter-reform—Pierson’s twin concepts of “credit claiming” and “blame avoidance” explain both movements particularly well. The article concludes with a reflection on democratic institutions and their ability to promote long-lasting reforms that support the most disadvantaged people that the welfare state pledges to protect.
than contradict the common explanations of welfare state evolution—can be presented in terms of Pierson’s categories of credit claiming and blame avoidance as an exception to the accepted conventional wisdom of welfare state evolution. The concepts of “blame avoidance” and “credit claiming” prove more instructive than institutions or the role of any particular political party. The exceptional model of Chilean pensions motivates the further discussion of possible redistribution policies for the most unequal region in the world. The paper will conclude with a final reflection of the development of democratic institutions in the region and how the Chilean example demonstrates the importance of those institutions in realizing long-lasting social welfare throughout the region.

**WELFARE STATE THEORY: CREDIT CLAIMING AND BLAME AVOIDANCE AND THEIR EFFECT ON EXPANSION AND RETRENCHMENT OF THE WELFARE STATE**

Decades of rapid expansion of welfare states came to a close in the 1980s in various parts of the world, including Chile. A common initial explanation for retrenchment in the industrialized world was globalization, followed by changes in demography, family patterns, and expansion of service sector. In Latin America, the key factor in the development of the “economic adjustment” period was the influence of the “Washington consensus” led by international financial institutions (such as the World Bank and the International Monetary Fund), which emphasized the need to limit welfare programs and pushed for neoliberal models of welfare reform.

Pierson’s analysis of the austerity era (1973-2010) led him to identify a key distinction in welfare state evolution. Unlike the expansion era, this period has been characterized by many different features. Among the most prevalent are the evidence of political shifts to the right, and the privatization or deregulation of particular economic sectors. These features led to a post-industrial era, which shifted from manufacturing to service-based production. Changes in family structures, including an aging population, made it more difficult to internalize the traditional aspects of the social policies. While Pierson agrees with the “conventional theory” as it relates to economic development, the power of left-wing political parties, or relevant institutions, to explain the expansion of the welfare state, he defines a new framework to comprehend the retrenchment era when many of the common drivers of welfare state expansion were considerably weakened. According to Pierson, “the welfare state expansion involved the enactment of popular policies in a relatively undeveloped interest-group environment.” In that sense, Pierson argues that expanding social benefits is generally a process of political “credit claiming,” where those in power act to maintain popular support. However, he realized that there is a profound difference between extending benefits to large numbers of people and taking them away. Contrary to the expansion era during the “golden years,” “the welfare state retrenchment requires elected officials to pursue unpopular policies.” Since “the costs of retrenchment are concentrated (and often immediate) while the benefits are not,” different political strategies are more likely to be deployed during retrenchment among them championing reforms where negative effects are opaque and responsibility is hard to trace. For this reason, he states that “retrenchment is generally an exercise in “blame avoidance” rather than “credit claiming,” where pain and costs of the policy can be distributed across an entire populace.

In order to support his claims, Pierson analyzes the existing theories and their predictions for the years of austerity. Based on each of those theories, he says that we should expect “a lot of changes and mostly in a particular direction.” However, as he shows, “the evidence suggests a surprising level of stability.” For instance, the reforms promoted by conservative British Prime Minister Margaret Thatcher “achieved some nontrivial incremental cutbacks in various programs” but “radical retrenchment efforts failed, often at considerable political costs.” That example illustrates that, contrary to what the conventional theory of the welfare state anticipates, the retrenchment era failed to reduce the welfare state as one could have expected. Therefore, Pierson argues that the politics of retrenchment are “not simply the mirror image of the welfare state expansion.” The main point here is that developing social programs produces “new organized interests, the consumers and providers of social services, that are usually well placed to defend the welfare state.”

In Pierson’s estimation, the welfare state has proven itself resilient, “far more durable than what would be expected in the former theory.” In that manner, the main difference between expansion and retrenchment is the durability of the welfare state itself.

**THE PENSION SYSTEM**

According to Pierson, old-age pension systems provide a good example of the new politics of retrenchment. Old-age security represents a remarkable and expensive policy developed during the welfare expansion. Due to its high costs, old-age security is expected to face great changes during years of austerity. In that sense, Pierson argues that expectations for greater change rest in part on the implicit application of conventional models from the period of welfare state expansion. However, as illustrated in the Thatcher example described above, he found little evidence to prove that the conventional theory explains welfare state expansion. He goes even further, claiming that “with few exceptions, the size of the welfare state for the elderly in the next century will be larger than it is now if [for] no other reason than demand for benefits will rise more quickly than the capacity of policy makers to cut entitlements.” Old-age pensions are a central element of the welfare state around the world. Social welfare...
states face two main challenges: changing demographics\textsuperscript{21} and stagnant wages. For most pension systems, this means sufficiently accounting for the demographic shift of the population they serve, in which more people are dependent on a pension program, while also confronting “slow growth in real wage that most policy makers assume will continue into the future.”\textsuperscript{22} Most countries operate on a pay-as-you-go basis (PAYG) in which current workers pay contributions that finance the previous generation’s retirement. According to Myles and Pierson (2001), a particular combination of economic, demographic, and political conditions prevalent during the post-war “Golden Age” for social welfare policies created a unique opportunity to consolidate generous PAYG systems. The trouble is that the “parameters that made pay-as-you-go the model of choice in the 60s\textsuperscript{23} – rising wages, full employment, and comparatively high fertility – have changed dramatically.”\textsuperscript{24} Many governments recognize the impending crisis of the old system. In fact, since 1994 the World Bank has promoted a multi-pillar system as the solution to avert the “old-age crisis” that tackles both the efficiency and distribution problems created by today’s demography. This approach would replace collective provision of pensions with a privatized model based on individual retirement savings in which the state would retain only the residual responsibility of meeting the income of those with the greatest need. However, as Pierson states, certain courses of development are hard to reverse. During the austerity era, the networks associated with mature welfare state programs constituted a barrier to radical change.\textsuperscript{25} The main changes happened only in the so called “latecomer countries.” Those are the nations that “never or only belatedly initiated significant PAYG defined benefit schemes.”\textsuperscript{26} On the contrary, those countries with a mature PAYG system have made only incremental cutbacks. Countries’ are reluctant to shift to a private system because it would require today’s worker pay double, which would place an “untenable burden on current workers, requiring them to finance the previous generation’s retirement while simultaneously saving for their own.”\textsuperscript{27} Therefore, “the dominant track of reform in the mature PAYG nations has been two-pronged. Current retirees, or those near retirement, undergo a series of accommodations of austerity, typically modest in scale. Future generations then often face substantial changes as reforms are phased in.”\textsuperscript{28} As Pierson states about Thatcher’s reforms in the pension system, “these changes, though criticized, failed to generate the kind of outcry that often led the government to back off from other reforms. Offering the carrot of personal pensions diminished the pain of the cuts in public pensions.”\textsuperscript{29} This allowed Thatcher to shift from avoiding the blame for cutting public pensions to claiming credit for the development of personal pensions.

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|}
\hline
\textbf{PERIOD} & \textbf{PRESIDENT} & \textbf{POLITICAL COALITION-PARTY} \\
\hline
1964-1970 & Eduardo Frei Montalva & Center-left (Christian Democrat) \\
1970-1973 & Salvador Allende & Left (Socialist) \\
1973-1990 & Augusto Pinochet & Military Dictatorship \\
1990-1994 & Patricio Aylwin & Center-left (Concertación) \\
1994-2000 & Eduardo Frei Jr. & Center-left (Concertación) \\
2000-2006 & Ricardo Lagos & Center-left (Concertación) \\
2006-2010 & Michelle Bachelet & Center-left (Concertación) \\
2010-2014 & Sebastián Piñera & Right (Renovación Nacional) \\
\hline
\end{tabular}
\end{table}

**THE CHILEAN PATH**

Chile presents a rare case in which both retrenchment and expansion movements seem to contradict the main theories about welfare states evolution. In the 1980s, Chile replaced one of the most developed PAYG pension schemes of the region for a very radical new system based on individual capitalization. Capital is tied to savings of the individual rather than a collective pool of savings in many PAYG systems, a major change that mostly eliminated government influence on the security system. In a sense, we could say that it represents a real radical retrenchment because pensioners’ benefits were dependent on individual savings rather than collective resources of the population paying into a central system.

Then, as the first measure of his final term (2010-14), right-wing president Sebastián Piñera introduced a 7 percent expansion of pension benefits, financed by public spending, and eliminated the 7 percent health care contribution rate for the elderly. These reforms have been recognized as some of the most significant contributions of his administration. This expansion not only consolidated the contra-reform movement that started under the previous Socialist president Michelle Bachelet (2006-2010), but also expanded the benefits for old pensioners. Conventional theory does little to explain these movements, illustrating the truly exceptional case of the Chilean pension program. However, as I argue here, they may fit very well under Pierson’s categories of credit claiming and blame avoidance. When faced with politically unpopular policies to rein in welfare programs, leaders from both sides of the ideological spectrum expanded the pension system.
Both sides of the ideological spectrum used credit claiming to justify their political regime.

This runs in stark contrast to the previous pension system. In the 1970s, Chile had a very developed system with high coverage and protection against all contingencies and generous benefits that had proven very resilient. It presented some serious differences for occupations (150 models) and an atomized structure (thirty-five agencies) that as Edwards (1998) shows, had more than 100 different retirement regimes and high contribution rates (in 1973 it varied between 16 percent and 26 percent of wages depending on the type of job). Besides its complex form that also required complicated administrative process, the system was very resilient. Neither President Eduardo Frei (1964-70) nor President Salvador Allende (1970-73) were able to overcome pressure to make the system more uniform, by reducing the number of occupational groups or changing the complicated bureaucratic structure. Neither president was able to make the changes that would have allowed for welfare state expansion and the credit claiming that would have allowed their political factions to remain in power.

### AN EXCEPTIONAL RETRENCHMENT?

At the end of the 1970s, Pinochet’s dictatorship (1973-1990) imposed personal reform preferences for an individual capitalization system under the guise of righting perceived “inequities” in the preexisting system. The reform was based on a system of defined contributions and mandatory private individual plan of savings: each worker should contribute 10 percent of his or her earnings to individual savings accounts and pay a private agency for administrative costs. As a result, the pensions were defined as a combination of worker contributions, investment returns, and additional variables such as gender, age, and the number of dependents. However, despite being implemented during a tough dictatorship, the reform faced various challenges that illustrate the obstacles towards implementing radical reform. José Piñera, the architect of the new system, recognized the stiff opposition to the reform that contributed to a yearlong delay. Besides, as Edwards shows, with the support of politically potent high-ranking military officers, many interest groups, such as public sector workers, teachers, and healthcare workers, firmly opposed any changes. The opposition of the military officers was so strong that even Pinochet himself did not convince his military colleagues and, as a result, the army was the only
branch of the armed forces that did not participate in the reform.

This story shows that even dictators must marshal the support of necessary interest groups. In order to reduce the political opposition, Piñera implemented a compensatory bonus that intended to increase net take-home pay for those joining the new system (on average those who transferred to the privately run capitalization system experienced an 11 percent increase after-tax increase). The idea was to help improve the reform’s popularity and to encourage workers to voluntarily shift to the new system. We see “blame avoidance” mechanisms in the Pinochet administration’s arguments about the “total insolvency of the system and the inequitable benefits among workers of the old system” and the strategy of delaying the effects of the reform. Nevertheless, the fact that the Pinochet regime was a dictatorship was the key factor that allowed this radical reform to actually happen. Edwards supports that idea stating that “there is no doubt that given the dictatorial nature of the Chilean government of the time, the authorities faced a significantly lower degree of political opposition than they would have encountered in a democratic regime.”

Similarly, Mesa-Lago concludes that, given the unique political context in which this kind of reform flourished, it is “not feasible to implement in any other country of Latin America.” Despite the exceptional political context of Chilean welfare state, the examples of blame avoidance and credit claiming still serve to demonstrate the counterintuitive expansion of the Chilean pension system when retrenchment was the expected outcome.

**Social Welfare Expansion in Conservative Regimes**

Chile not only pioneered the private individual capitalization system, but also has recently experienced a unique path of pension system expansion during both by both center-left and right-wing administrations. In this exceptional case, “credit claiming” (rather than “blame avoidance”) seems to be the driver. In 2006, numerous political actors celebrated reforms presented by President Bachelet. That counter-reform against the Pinochet-era pension system has been recognized as the main achievement of Bachelet’s government. Although the system still has a mandatory private pillar (individual capitalization administered by private funds) it includes a solidarity pillar (a minimum pension funding level guaranteed by the Chilean state). According to Arenas (2010), one of the architects of this new reform, these changes have renewed the fundamental role of the Chilean government in guaranteeing universal rights. In 2010, President Sebastian Piñera, José Piñera’s younger brother, went one step further by increasing the benefits provided to retirees by 7 percent (using public spending and eliminating the 7 percent health care contribution rate for the elderly). He says that promoting that increase of pensions for the elderly has been one of the most important achievements of his government. Piñera’s reform represents another exceptional movement in Chilean pension evolution, which may even contradict one of the key arguments of the conventional theory that drives the welfare state – the power of the left. Conventional welfare state theory would have predicted funding cuts and support of the current pension system under the Piñera presidency. Piñera’s presidency has used the expansion of the pension system, which his primary opposition initiated, to “claim credit” for his own party to serve their future electoral interests. In the context of the democratic transition that started in Chile during the 1990s, this expansion aligns with the idea of “credit claiming” presented by Pierson.

**Conclusion**

Pierson’s ideas have changed the way we understand the role of the state in social welfare reforms. Contrary to many theories about the evolution of the welfare state, the distinction of credit claiming and blame avoidance explains the exceptional evolution of the Chilean pension system. Although Pierson’s ideas were developed to explain the policy changes in wealthy democracies, his theory is provides a valuable frame of analysis that can be used to explain the way that states can develop social policies even in less developed regions. Using the distinction between conventional social welfare theories and Pierson’s credit claiming and blame avoidance theory, we can explain why an authoritarian regime, like Pinochet, faced huge problems in implementing a radical reform to a popular social welfare program. At the same time, we can also start to understand why a right-wing administration, in this case the current presidency of Sebastian Piñera, not only lent support to the previous left-wing administration’s social welfare policy expansion, but also took that expansion one step further to guarantee a better quality of life for the Chilean people. Although it is too early to argue that we are at the beginning of the “expansion era” of the Chilean welfare state, it does at least seem clear that a set of new conditions imposed by the last reforms to the Chilean welfare state, including different political problems and new supporters of the system, make regression to past policies more difficult. Removing the solidarity pillar or reducing the 7% benefit to retirees will prove difficult without new political strategies that counter the broad support of these social programs.

One of the primary causes of social policy reform in Latin America is the quality of democratic institutions. As Huber and Stephens (2012) state, “democracy is one of the most important determinants of redistributive social policy.” The quality of democratic institutions is a precondition for left-wing parties to gain access to political power. Those same institutions can also be important determinants in how redistributive policies persist under right-wing administrations. The way the current Piñera administration pushed the expansionist policies of the Bachelet presidency
forward is a perfect example of how important the role of
democratic institutions played in social welfare reform. Huber
and Stephens (2012) using an example of health care of
McGuire (2010) show that “the mechanisms through which
(…) democracy favors expansion of basic health services is
not just electoral competition but includes organization of
advocacy groups, a free press, and the spread of expectations
among the poor that such services be provided.”6 In that
sense, the main challenge is not to improve democracy in
electoral terms but also to develop the democratic institutions
that can help entrench recent achievements that protect and
improve the quality of life of the most vulnerable populations.
Without long-lasting democratic institutions, these policies
will not be sustainable and resilient to eventual shocks. Radical
retracement in Chile was only possible in the context of the
extremely weak democratic institutions of the Pinochet
dictatorship. Yet even then, the blame avoidance mechanisms
that Pierson describes for retracement were evident. In that
sense, improving democratic institutions is indispensable to
building a welfare state in Latin America that may challenge
the region’s record as the most unequal region in the world.

Patricio Dominguez is a graduate student at the
Goldman School of Public Policy at UC Berkeley.
His research interests are social policies and in
particularly those that aim to reduce poverty and social
inequality.

ENDNOTES


[4] In spite of tremendous differences with the rich democracies it is important to recognize the different countries present important differences among them. Following a similar strategy as the classic work of Esping-Andersen (1990), Filgueira (2002) identifies three main typologies in Latin America: a stratified universalism (Uruguay, Argentina, Chile), dualism (Brazil) and exclusionary regimes (Guatemala, Honduras, El Salvador, Nicaragua, Bolivia). As Huber and Stephens (2012) state “they see stratified universalism as the product of contending elites seeking popular support, dualism as the product of elite statecraft and co-option accompanied by repression of the popular sectors, and exclusionary regimes the product of predatory elites.”


[8] Although how strong the effects were remain in dispute. For example, Huber and Stephens (2012) states “the smaller the Latin America country, the more powerful were the pressures from the IFIs.” p.17.


[13] According to Pierson (2011) the main point here is that at 2010 the context of the welfare state is quite different than it was in the end of the “Golden Age.” Some of the main changes are: deregulation or privatization; a new post industrial era and the shift from manufacturing to services production; and the demographic changes with the population ageing and the changes in households structures.


[16] Ibid 156.

[17] Ibid 175.

[18] Ibid 144.
[23] Pierson also recognizes that at that time “since there was no preceding generation of entitled pensioners, politicians could immediately offer a potent combination of modest payroll taxes, generous promises of future pensions, and unearned benefits for those near retirement age.”
[25] Myles and Pierson (2001) contrast both convergence analysis, and a naïve version of institutionalism. Against the latter, which stresses inertia and stability, they emphasize that big shifts are taking place in systems of retirement provision. On the other hand, they say, while the convergence analysis anticipates a move toward “one best practice,” it ignores the radically different starting points of different countries. In that sense, they propose that there “is no single destination,” and that any “change is powerfully shaped by the constraints and opportunities presented in distinctively constituted pension systems.” So, instead of a convergence direction, they present different clusters of nations each with their own dynamics.
[26] Indeed, he says that the latecomer countries “have been busy creating a novel form of “welfare state for the elderly,” that approximates in varying degrees the World Bank’s model of choice. In this design, governments provide a basic tier of protection against poverty but bear little or no direct responsibility for providing standard levels of wage replacement for middle-income workers.”
[28] Myles and Pierson (2001) 331. Pierson (1996) also says: “Once in place (PAYG), such systems may face incremental cutbacks, but they are notoriously resistant to radical reform. Shifting to private, occupationally based arrangements would place an untenable burden on current workers, requiring them to finance the previous generation’s retirement while simultaneously saving for their own” 176.
[34] Besides the solidarity pillar, the counter-reform wants to amend three main problems: to reduce gender inequities by giving a “child bonus” to each elder women in order to compensate the lower contribution that they have because of past pregnancy times; to solve some funding problems giving incentives on savings to vulnerable groups—women, young people, and independent workers—in order to increase their contributions; and to enhance the functioning of the capital market system—promoting a better competence between the agencies (AFP) that manage the pensions.