

Lunds Universitet
Sociologiska institutionen

Welfare Deficit of Exclusionary Development in Post-Peace Accords Guatemala

Author: Johan Sandberg
Master of Science in Global Studies
Spring 2008 (08-05-27)
Supervisor: Göran Djurfeldt

Abstract

This study applies an embedded approach to the analysis of social welfare in Guatemala. The assumption in such a study is that welfare outcomes in developing countries could be but partially explained through structural analyses on redistribution systems; i.e. a country's social welfare, tax and social policies, and labour market. Instead, comprehensive studies on social welfare should extend beyond isolated analyses on redistribution systems to assessments of overall development strategies. In particular, they should focus on exploring the causality between welfare outcomes and the assigned role of redistribution and social welfare within development strategies, as well as the type of growth paths being pursued. The case of Guatemala is analyzed and is shown to provide empirical evidence supporting this assumption. While insufficient and regressive redistribution systems directly reproduce welfare deficiencies such as chronic poverty, structural inequalities and socio-economic exclusion of the poor and the indigenous Guatemalans, this study finds that these outcomes are ultimately the result of the country's exclusionary development strategy. It further finds that the structural reproduction of poverty, inequalities, exclusion and inadequate social welfare is the logical result of the elite's systematic insistence on such reproduction to retain hegemonic powers. As demonstrated in this study, large landholders, business oligarchs and the intellectual elite shape the exclusionary strategy through a clientelist relationship with the executive powers and block any attempt at correcting Guatemala's inequalities and exclusion. This agent-structure power relationship is evident in the Peace Accords of 1996 that fail to address structural inequalities and exclusion; in the deliberate failure to implement the accords by consecutive governments; and in the current 'Vamos Guatemala!' development plan. Furthermore, it is evident in the reproduction of regressive and reverse redistribution systems that exclude the large majority of Guatemalans while taking from the poor and giving to the rich.

Key Words: *social welfare, redistribution, exclusion, development, Guatemala.*

Table of Contents

- INTRODUCTION.....3**
 - Statement of Purpose & Problem Definition.....3
 - Research Methodology & Theoretical Approach.....5

- SOCIAL WELFARE MODEL FOR DEVELOPING COUNTRIES.....8**
 - Overview of the Analytical Model & the Underlying Causality.....8
 - Theoretical Issues of Particular Importance to Social Welfare.....9

- SOCIAL WELFARE MODEL & GUATEMALA.....18**
 - Guatemalan Welfare & Development Outcomes.....18
 - Guatemala’s Post-Peace Accord Development & Growth Strategy.....28
 - Guatemala’s Development & Growth Path.....40
 - Guatemalan Redistribution from Social Welfare, Tax & Social Policies.....41
 - Guatemalan Labour Market Structure, Institutions & Policies.....49

- CONCLUSIONS.....52**

- BIBLIOGRAPHY.....56**

This study analyzes social welfare in Guatemala through empirical research and the application of relevant theories and analytical frameworks. It presents an embedded approach for social welfare and policy research in an effort to analyze Guatemalan social welfare in terms of three puzzling paradoxes. The first paradox revolves around the troubling question as to why social welfare is not improving in the country in spite of average economic growth rates of 3 percent during the last 50 years. Why is poverty and extreme poverty not diminishing with income per capita far above that of other countries with much less poverty, and where per capita consumption levels are 3 times the level for poverty and 6 times the level for extreme poverty? The second paradox relates to the question as to why economic growth and development remain stagnant in spite of numerous reforms coherent with prevailing international development agendas and discourses. The third paradox pertains to the question as to why the indigenous population continues to be socio-economically excluded in spite of over ten years having passed since the Peace Accords of 1996 that specifically stipulated an end to such exclusion.

The intellectual basis of the embedded approach is the notion that social welfare in a country is not merely a function of the degree of structural sufficiency and adequacy of its redistribution systems (i.e. social welfare, tax and social policies, and the labour market). Rather, it is ultimately the result of the development strategy and the way in which it conditions these systems. Welfare outcomes are most directly influenced by a country's redistribution systems and programs and its ensuing growth path. These are in turn greatly conditioned and shaped by a country's development strategy, particularly through the role assigned to redistribution and social policy and the type of growth pattern within the development paradigm. Finally, the overall type of development strategy and its degree of reproduction of inequality and exclusion vs. redistribution and inclusion is largely determined by a country's underlying power structures. This embedded approach is multidisciplinary, challenging disciplinary boundaries between sociology and economics. It rests on the assumption that more comprehensive research on social welfare should reach beyond traditional, isolated approaches of social welfare systems and social policy analyses, to wider socio-economic analyses that account for the ways in which welfare is nested in the overall development strategy. Thus, it focuses on researching the structural conditions within which social welfare and policy are produced and reproduced. This focus is based on the notion that sustainable growth and enhanced welfare require socially and economically inclusive national development strategies (Ortiz 2006: 6). This study further rests on two assumptions pertaining to social welfare. First, residualised social welfare with regressive and targeted social policies,

such as can be found in the majority of developing countries, contribute only marginally to increased growth, reduced poverty, and enhanced welfare. Second, traditional social welfare typologies and analytical models were initially designed with the objective of analyzing and categorizing social welfare in industrialised countries with developed welfare regimes and labour markets. While being helpful in initial assessments of social welfare in developing countries, they need to be further developed to account for the specific characteristics of social welfare in developing countries.

There are broad purposes of this study pertaining to global studies and sociology. It aims at contributing to research on the social dimensions of global studies and globalisation processes, hitherto overshadowed by the economic dimension of the same. Limited engagement of sociology in these fields has enabled economic theory and economists' hegemony even in social dimensions such as social welfare and policy. Sociology should provide critical analyses on the social dimensions that would enable the creation of different kinds of globalisation processes that are more inclusive, more equal, with enhanced welfare for the many. In terms of sociological theory, this study utilizes economic sociology or sociological research on the economic, social and political structures that condition 'agent-structure' welfare relationships in contemporary society. It finds political economy to be of as much relevance today as it was during the advent of modernity. Finally, this study aims at directly and indirectly contributing to on-going sociological research on such phenomena as social policy, poverty, globalisation, labour market, stratification and inequality, ethnicity, migration, and power.

To achieve the stated objective and to serve the purposes described above, this paper is structured as follows. In section two, it presents an analytical social welfare model for developing countries which is the framework for the embedded approach. It discusses the individual components of the model in terms of their impact on social welfare and policies, as well as in terms of major theoretical findings. In section three, the model is applied to the case of Guatemalan welfare. First, welfare outcomes are being analyzed in terms of development, poverty, economy, social welfare, inequality, and exclusion of the indigenous population. Second, Guatemala's development and growth strategy is analysed in terms of its key objectives, implementation of the Peace Accords and consequent development plans, its bases of power and main architects, and their impact on social welfare and structural socio-economic reproduction. Third, the resulting development and growth path is analyzed in terms of its degree of inclusion, pro-poor growth pattern, equity and redistribution. Finally, this section concludes with a series of structural analyses of the redistribution systems in

Guatemala, covering the country's social welfare, tax and social policies, and the labour market. These analyses include the application of an alternative welfare typology that is a hybrid extension of those provided by Esping-Andersen (1990), Wood & Gough (2006), and Barrientos (2004).

This study argues that Guatemala's social welfare deficit is most directly determined by the inadequate and insufficient coverage and regressiveness of its social welfare system, the regressive structure of its highly insufficient taxation system, and its informalised and exploitative labour market. It finds such structural shortcomings in the country's redistribution systems to be the logical result of the exclusionary development strategy the country is continuously pursuing. In spite of the Peace Accords of 1996, the national development strategy remains the forum in which Guatemala's elite secures the reproduction of their historic concentration of powers (political, economic, and social) and the highly unequal and exclusionary structures on which it is based. The hegemonic elite is made up of large landholders, business oligarchs and the intellectual elite led by the free-market and laissez-a-faire dogma of the University of Francisco Marroquin. Their objective of reproduction of existing structures to retain their privileged position is shown to be evident in two major areas. First, it is evident in their managing to negotiate relatively weak Peace Accords that fail to correct asymmetric power hierarchies, the unequal distribution of land and other assets, the minimal role of the State, structural regressivity in redistribution systems that exclude the majority of the population, and the exploitative non-enforcement of labour regulations in the informalised and flexibilised labour market. Second, it is further evident in their clientelist relationship with the executive powers and their ignoring the implementation of the accords' stipulated provisions and reforms during the ten years that have passed.

Research Methodology & Theoretical Approach

This study utilizes a research approach whereby a major theoretical assumption on social welfare is being tested through empirical research and theoretical applications within an analytical framework. The four-step research process begins with the major theoretical assumption that social welfare is conditioned by a country's development strategy. The second step in this process is the development of an analytical framework (Social Welfare Model for Developing Countries) specifically designed to provide the macro context within which social welfare is embedded. This framework is based on the assumed causal chain of

events that ultimately produce and reproduce certain welfare outcomes. The third step tests the major assumption through empirical research on Guatemala's social welfare conducted within the analytical framework. The final step involves the confirmation or negation of the major assumption based on the research results.

This study utilizes different research methods ranging from direct analyses of primary sources, documentary research and analyses of official statistics, to theoretical application of secondary sources. Primary data in Spanish have been directly analyzed and analyses of secondary data have been performed where necessary due to a lack of primary information and/or limitations of the research project. Primary data for empirical research are drawn from the 2006 Guatemala Living Standard Measurement Study (ENCOVI 2006), the latest national household survey conducted in Guatemala. Carried out by the National Institute of Statistics (INE) between March and September of 2006, the household survey is essentially a follow-up of the one conducted in 2000 (ENCOVI 2000). The ENCOVI 2006 has been directly analysed in analyses on poverty, social welfare, labour market, inequality and exclusion. The analytical use of the survey has been limited by the fact that this research study was conducted before larger sets of results of the survey had been published. Therefore, this study complements the empirical analyses based on the ENCOVI 2006 with analyses of secondary sources. These sources base a majority of their analyses on the national surveys ENCOVI 2000 and the 2004 National Survey on Employment & Income (ENEI). The methodology used in developing the analytical framework is one where the macro context is being outlined and verified by discussions on key theoretical issues directly impacting social welfare in developing countries. The sources of these theoretical issues include academic articles, and reports and studies conducted by international organisations. The framework is conceptually based on Polanyi's (1944) theory of embeddedness to accurately analyse social welfare within the overall development paradigm. It is influenced by two major social welfare models particularly relevant for developing countries: the framework of redistributive regimes presented by Seekings (2005) and Wood & Gough's (2006) typology model on different welfare regimes in developing countries.

In the application of the framework 'Social Welfare Model for Developing Countries' on the case of Guatemala, direct analyses of the ENCOVI 2006 are complemented by documentary research and analyses of official statistics. The empirical findings are then further analyzed in terms of the application of theoretical concepts. The use of official statistical sources entails various Guatemalan state and governmental reports and analyses, including those published by the INE, the Central Bank (Banco de Guatemala), the

Guatemalan Institute of Social Security (IGSS), the Finance Ministry (Ministerio de Finanzas Públicas), and the Ministry of Labour and Social Provision (Ministerio de Trabajo y Previsión Social). The international sources of official statistics include the United Nations Development Programme (UNDP), the World Bank, United Nations Economic Commission for Latin America & the Caribbean (ECLAC), the International Monetary Fund (IMF), the Inter-American Development Bank (IDB), the World Health Organization (WHO), the International Labour Organization (ILO), the International Organization for Migration (IOM), the European Commission (EC), and the Foreign Ministry of Sweden.

In analyzing Guatemala's development strategy, this study undertakes documentary research by directly analyzing the Peace Accords document and the 'Vamos Guatemala!' strategy paper. They are furthered by investigating their actual impact by way of a direct comparison with empirical data on the actual situation in Guatemala. Theoretical application is used in conjunction with empirical findings on social welfare to test the validity of major theoretical assumption as demonstrated by the case of Guatemala. First, the concept of hegemonic power of the country's elite is indirectly based on the theory of power presented by C. Wright Mills and Karl Polanyi's theory of embeddedness. The notion of a ruling elite composed of business oligarchs with a clientelist relationship with the executive powers, based on economic power, shared social backgrounds of its leaders and the interchange of personnel between businesses and the Government, is influenced by C. Wright Mills' theory of the 'power elite' (Mills 1956). This study utilizes Karl Polanyi's concept of embeddedness in two ways. The major assumption on social welfare being conditioned by the developing strategy is based on the concept of embeddedness, and the concept of disembeddedness is used to describe and analyze the overriding supremacy of economic policies and the market. More precisely, it is used to identify and analyze the strategy of the hegemonic elite of disembedding the market from its social realm.

Second, the notion of residualisation of social policy in Guatemala's developing strategy is largely based on the theory of globalisation of social policy by Nicola Yeates (2001) and Bob Deacon (1997); Thandika Mkandawire's (2005) analyses on targeted social policy; and Walter Korpi & Joakim Palme's (1998) theory of the paradox of redistribution. Third, the development of an alternative typology for Guatemala's social welfare regime (Informal-Residual-Regressive Welfare Regime) is based on the welfare typologies presented by Gøsta Esping-Andersen (1990), Geoff Wood & Ian Gough (2006) and Armando Barrientos (2004).

SOCIAL WELFARE MODEL FOR DEVELOPING COUNTRIES

Overview of the Analytical Model & the Underlying Causality

The following social welfare model for developing countries has been developed in an effort to accurately account for the major impact of a country's development strategy in determining the specific role of social welfare and policies. It is argued that the specific role assigned to social welfare and policies within the overall development strategy directly and/or indirectly conditions welfare outcomes, the welfare structure, specific social policy choices and the preference for those particular mechanisms that best adhere to the overall development goals and their underlying ideologies. The analytical grounding of social welfare and policies is found within the theoretical framework presented below in Figure 1. It comprises five components: development strategy; development & growth path; redistribution from social welfare, tax and social policies; labour market institutions and policies; and welfare outcomes. In contrast to the framework presented by Wood & Gough (2006), in which welfare outcomes are argued to be explained most immediately by the welfare mix or institutional responsibility matrix, this model argues that welfare outcomes are primarily explained by the overall development strategy and only secondary by the particular social welfare structure and policies. The development strategy is the result and expression of the prevailing power structures in the country, the main objectives of its most powerful agents, and its prevailing socio-economic conditions. Ultimately, the development strategy is a vehicle through which a country's power and socio-economic structures are being reproduced or changed.

The chain of causality shows welfare outcomes to be directly influenced by the degree of structural sufficiency and progressive inclusion of a country's redistribution systems, its labour market characteristics, and the type of growth path. The growth path conditions redistribution systems by implementing the central or peripheral roles for redistribution assigned by the development strategy (i.e. the degree of progressive redistribution; inclusion vs. exclusion; and pro-poor growth vs. stratified growth). In turn, redistribution systems influence the socio-economic outcomes of a particular growth path. Finally, the developing strategy determines the type of growth path a country is pursuing and the degree of reproduction or change of existing socio-economic structures.

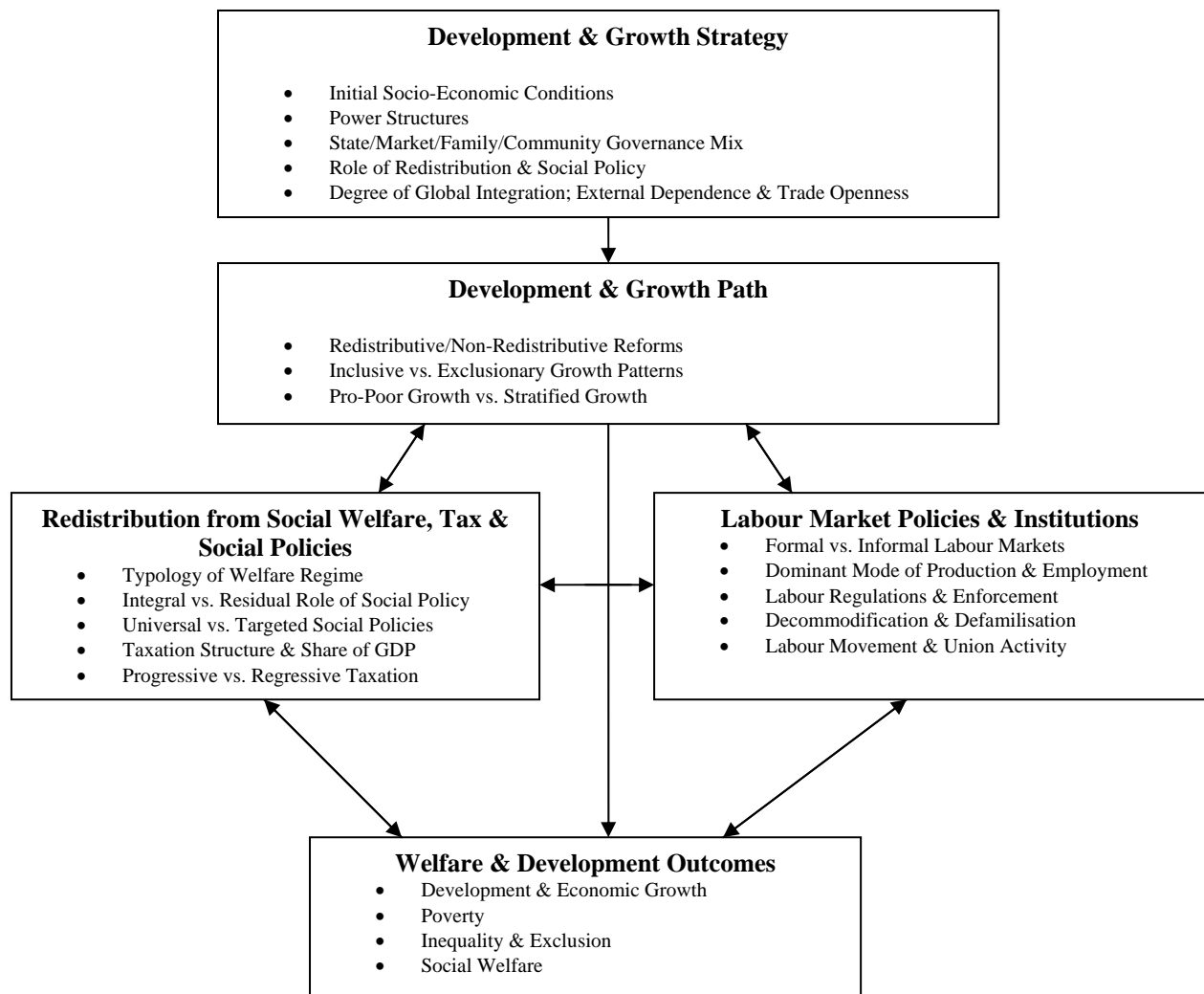


Figure 1

Theoretical Issues of Particular Importance to Social Welfare

Globalisation & Residualisation of Social Policy

Globalisation of social policy provides an internationally-based context in which social policy is increasingly being formed. This global context is in most instances highly integrated with domestic and regional contexts where social policies are produced and reproduced. Without underestimating the intricate relationships between local, domestic, regional, and global contexts of social policy, this paper highlights the fact that the global context has emerged as a major term in the last decades. Social policies of any country are increasingly shaped by the explicit and implicit social policies of numerous supranational agencies (Deacon 1997). Globalisation of social policy is expressed in general agreements in international forums, by state and non-state participants, as well as in the policy and strategy prescriptions of

international organisations. In the globalisation of social policy international governmental organisations (IGOs) create 'epistemic communities' with national technocrats, business and political elites that build coalitions of support (Yeates 2001: 28; 117).

Social policy is not an autonomous agent in society or even an autonomous sphere of government; rather, it is subordinated to the dominant economic goal of achieving and maintaining high economic growth rates (Wood & Gough 2006: 1706). Political ideologies assume a critical role in shaping social policy; social policies are not determined primarily based on economics, but on politics (Deacon 2005: 19). Ideologies are important to social policy because they determine not only the underlying norms and motives, but also the relative weights attached to benefits and costs of social interventions. The normative values underlying social policy choices are derived from the fact that state elites are motivated by a particular kind of ideology which shapes their view on the role of social policy. Traditional roles of social policy do not only include addressing issues of intrinsic value such as social protection, equality and redistribution, and social citizenship; they also include a developmental role, a productive role in enhancing human capital, and a democratic role of social cohesion and stability (UNRISD 2006: 2). Mkandawire (2005) argues that for most of its history, social policy has involved political choices between a universal social provision and a selective one through targeting, and it is the emergence of the neoliberal ideological position of a limited role for the State and privilege of individual responsibility that set its limits and the preferences for contributory and means-tested targeting. The predominant political-economic ideology in a country greatly influences the development strategy. The domestic political landscape, with different degrees of democratic participation, and the prevailing power hierarchies is the primary source of ideology. Yet, it is important not to underestimate the great importance of external influences, such as the prevailing development discourse in the international community which is being championed by IGOs and leading academic and research institutes.

On the role of social protection in the globalisation processes of economic integration and world trade, empirical studies have demonstrated that marketisation increases insecurity and the increasing volatility of the global economy makes it more important than ever for governments to sustain effective and comprehensive social protection arrangements (Rodrik 1998; Hirst and Thompson 1996; Milanovic 2003). Trade openness has been proven to be associated with increasing inequalities in poor countries (Milanovic 2006; Ravallion 2005), and the effects of shocks on growth are larger the greater the social cleavages and the weaker the social welfare institutions, such as social insurance (Rodrik 1998). Empirical analyses in

developed countries reveal a positive correlation between openness to trade and the size of social welfare systems which almost amounts to a law (Rodrik 2004: 227; Gough 2005: 21; Yeates 2001: 68; UNDESA 2005: 121; Navarro et al. 2004). Thus, these empirical findings negate the neoliberal 'blind' faith in trade and marketisation and the residual role it assigns to social policy, arguing that social protection provides buffers against external shocks in the international economy and are thus increasingly necessary the more trade barriers are removed and a national economy is exposed to these shocks.

Residualisation of social policy in (neo) liberal development theory prescribes a residual role for social policy in development strategies and agendas, diminished to simply cure the gravest ills of economic and trade liberalisation, marketisation, deregulation, and privatisation (Mkandawire 2005: 7).¹ This point becomes urgent as it has become a hegemonic discourse in the globalisation of social policy. Through the paradigmatic shift in development theory in the 1980s from developmentalism to the neoliberal ideological position, social policy in the 1990s was considered residual and secondary to the focus on growth (Mkandawire 2005; Ortiz 2007). This change produced the preference for residual, means-tested and targeted social policy, whereby the range of social policy alternatives backed by international organisations remains limited to variants of liberalism in the absence of any international institution advancing a truly redistributive agenda (Yeates 2001: 29). Residualisation of social policy has been a central component of the IMF and the World Bank. Perhaps most evident in the development discourses 'Washington Consensus',² and 'Country Competitiveness', it has been directly implemented in developing countries through Structural Adjustment Policies (SAPs) and Poverty Reduction Strategy Papers (PRSPs) as conditionality for development financing. These SAPs have in most cases either discouraged governments from pursuing redistributive policies and social protection, or imposed on governments to limit interventions in their respective economies and demanded cuts in welfare programs. 'Country Competitiveness' states that countries, primarily developing, need to subordinate all other policies to the overall goal of increasing their 'competitiveness' to attract foreign private capital and investments.³ Residualisation of social policy has turned out to be one of the first victims in developing countries' pursuit of such 'competitiveness'.⁴

Universal vs. Targeted Social Policy & the Paradox of Redistribution

Social policy involves a key choice about whether the core principle behind social provisioning should be 'universalism' or selectivity through 'targeting'. The choice between universalism and targeting is essentially a political economy problem: it involves the choice

of instruments for redistributing resources in society and for determining levels of social expenditure (Mkandawire 2005: 12). Under universalism, the entire population is entitled to social benefits as their basic right and social policy assumes a central role in overall development strategies. In contrast, under targeting eligibility is restricted through means-testing to the ones deemed most deserving of such benefits (*ibid*: 1). Although it should be recognized that most forms of social policies are hybrid forms of the two types mentioned above, which one is dominant is decisive not only in terms of specific social policy instruments being selected, but also in the role assigned to social policy in overall development paradigms.⁵ Historically, universalism has been associated with the encompassing social-democratic welfare regimes (e.g. Sweden) whereas targeting has been most prevalent in liberal welfare regimes (e.g. USA). The continuous promotion of residual and targeted social policies in developing countries is remarkable as empirical findings on the relative performance of different types of social welfare regimes in terms of development, equality and poverty overwhelmingly show the superiority of universalism. Numerous studies on the impact on poverty, equality and income distribution of different types of social welfare systems find those with universal social policies to be clearly superior to those based on residual and targeted policies (Mkandawire 2005; Korpi & Palme 1998).⁶ The emphasis on targeting has been increasing (Ortiz 2007). If the goal is to reduce poverty and inequality, this is an unfortunate development as universal welfare systems generate the broadest base of support for welfare state expansion and the largest budget size (Korpi & Palme 1998: 672).

The paradox of redistribution states that the more we target benefits to the poor, the less likely we are to reduce poverty and inequality. This notion is based on the finding that the degree of redistribution finally depends on the size of the redistributive budget, and the greater the degree of low-income targeting, the smaller the redistributive budget tends to be (*ibid*: 672). They argue that traditional arguments in favour of targeting and flat-rate benefits errs in the focus on the distribution of actual money transfers, thereby neglecting three policy-relevant considerations. First, the size of redistributive budgets is not fixed but reflects the structure of welfare state institutions. Second, a trade-off exists between the degree of low-income targeting and the size of redistributive budgets. Third, outcomes of market-based distribution are often more unequal than those of earnings-related social insurance programs. Thus, while targeted programs may have greater redistributive effects per unit of money spent, other factors are likely to make universal programs more redistributive. This is a consequence of the type of political coalitions that different welfare state institutions tend to generate. Targeted programs being directed primarily at those below the poverty line, offers

no rational base for a coalition between those above and those below the poverty line. In contrast, universal models tend to encourage coalition formation between the working class and the middle class in support for continued welfare state policies. Furthermore, the targeted model involves the lowest degree of political interference with market distribution (*ibid*: 661-671).

Redistributive vs. Exclusionary Growth Paths

In their quest for growth and development, countries’ development strategies inevitably lead to certain paths of growth. Admittedly simplistic, this study makes a distinction between redistributive and exclusionary growth paths. These frameworks of different types of growth paths have a direct impact on a country’s social welfare and redistribution systems.

**Exclusionary Development Strategy & Stratified Growth Path:
Vicious Trap of Inequality & Exclusion**

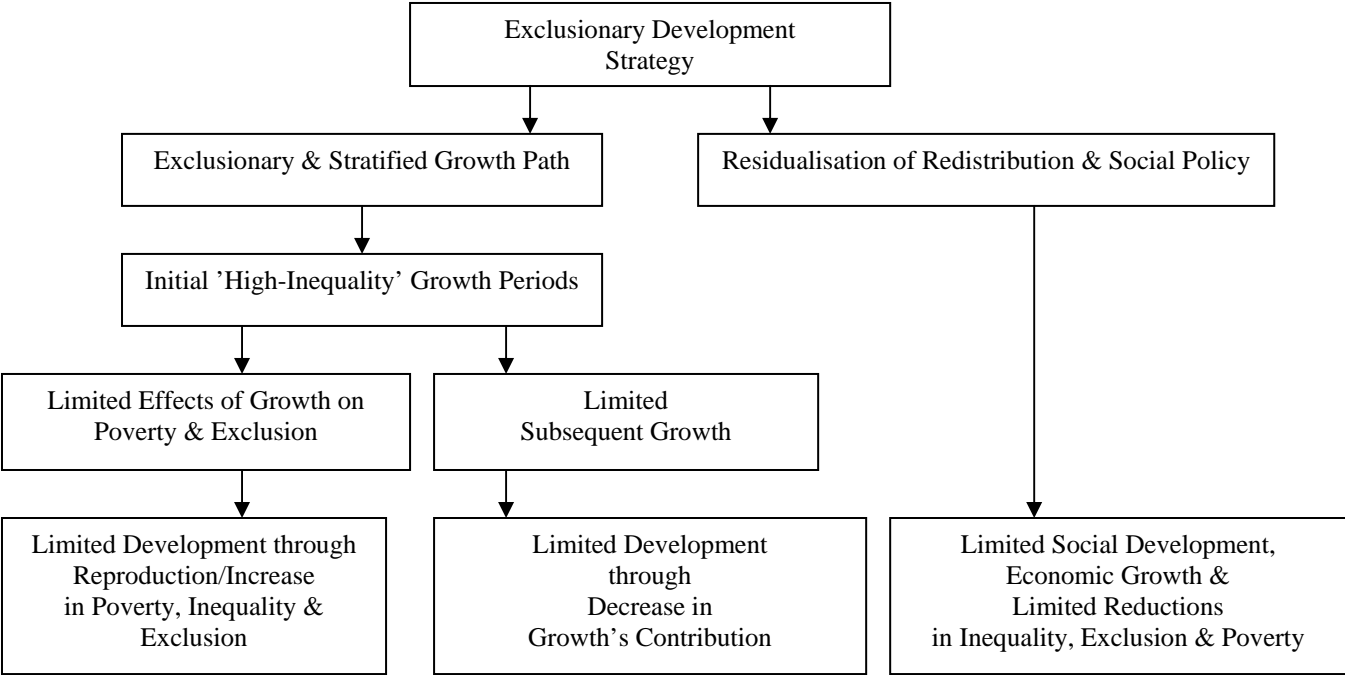


Figure 2a

The main theoretical foundations of exclusionary development strategies and stratified growth paths include a false dichotomy between growth and equity; an exclusive focus on growth (i.e. ‘trickle-down-economics’) without proper consideration of the role of inequality and growth patterns; and a residual role for redistribution and social welfare/policies.

**Redistributive Development Strategy & Inclusive Growth Path:
Pro-Poor Growth & Enhanced Development**

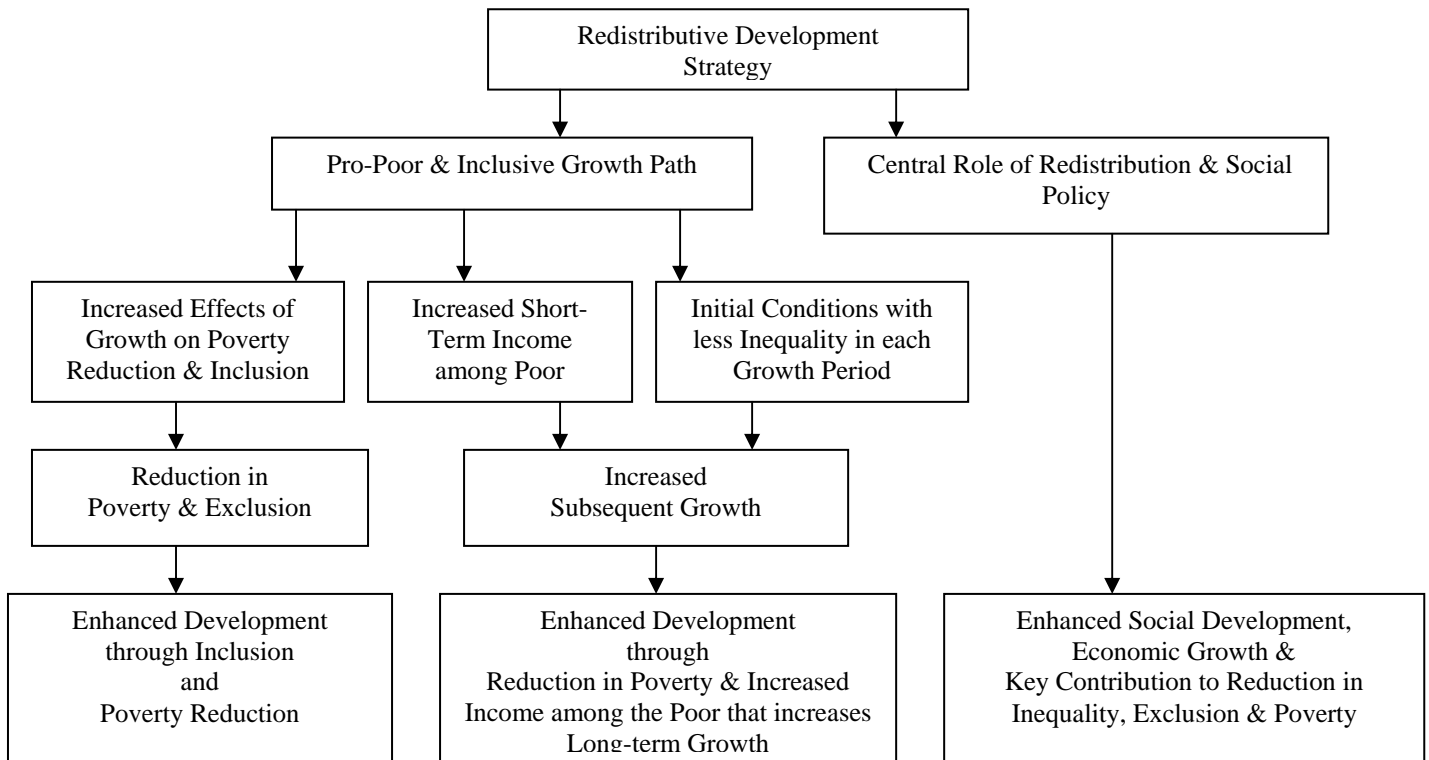


Figure 2b

The main theoretical foundations of redistributive development strategies and inclusive growth paths include adherence to the key role of inequality in development, growth and poverty; a focus on the importance of ‘initial inequality’, redistributive and inclusive growth patterns (i.e. pro-poor growth); and a central role assigned to redistribution and social welfare/policies.

Key Role of Inequality & Type of Growth Pattern

The empirical research findings underlying the models presented above in figures 2a and 2b, all have in common a significant rupture with neoliberal and neo-classic development and economic theories that have dominated policies and reforms in developing countries during the last decades. Central to the application of empirical research findings in this section is the principal assessment that inequality plays a determining role in development, economic growth, and poverty. It directly challenges the neoliberal dichotomy between growth and equity, as well as its relentless faith in, and focus on growth to the detriment of redistribution. The rupture is furthermore based on empirical evidence that emphasize the central role of

redistribution and social policies as opposed to residualisation of the same. Several analysts have directly challenged the neoliberal dichotomy between growth and equity. Numerous studies have led to the dominant view today that this dichotomy is not only false, it is in fact not based on empirical data. Contrary to its logic, empirical evidence suggests that countries should not engage on a growth path, or adopt policies, that promote one at the expense of the other. Instead, countries should focus on both simultaneously while paying close attention to the intricate relationship between them (see for example Lindert 2004; and Bourguignon 2004). Inequality has proven to be not merely an outcome of growth. Rather, it has been found to also play a central role in determining the rate and pattern of growth (see for example Bourguignon 2004; Persson & Tabellini 1994; Alesina & Rodrik 1994). Empirical findings demonstrate the fallacy of an exclusive focus on growth in reducing poverty and enhancing development. Kakwani et al. (2004: 3) demonstrates that there is in fact no monotonic relation between growth and poverty. They find that while growth constitutes a necessary condition for poverty reduction, it is not sufficient. UNDESA (2005: 19) and Cornia & Court (2001: 29) agree with Kakwani et al. in stating that growth alone is a blunt instrument in poverty reduction, unable to alone achieve reductions in poverty. Ravallion (2005: 11-13) arrives at the same conclusion by emphasizing the role of inequality in stating that growth alone is indeed an ineffective instrument against poverty, in particular in high-inequality countries, largely because growth has found to be distribution neutral on average. Countries with high inequality will need unusually high growth rates to achieve poverty reduction. Hall & Midgley (2004: 89) conclude that several decades of neoliberal growth strategies based on the assumption of 'trickle-down' effects have accomplished little to alleviate mass poverty.

Ravallion (2004: 18) and Londoño & Székely (1997: 23) argue that the reduction in poverty is largely contingent upon what is actually happening to inequality in the growth process; that is, the type of distribution produced by economic growth patterns. Fuentes (2005: 3) goes one step further in demonstrating that measurements in inequality and growth elasticities of poverty indicate that the effects of inequality reduction seem to be greater than the effects of economic growth on poverty reduction. Thus, a change in poverty is a function of growth, inequality and redistribution (Bourguignon 2004: 5). According to Dagdeviren et al. (2001: 11) and Birdsall & Londoño (1997: 19), a reduction in inequality produces a 'double benefit' in the efforts to reduce poverty. On the one hand, it makes the poor benefit directly in a more equal growth pattern with a better distribution of assets and income; and on the other hand, it produces more equal initial conditions that stimulate subsequent growth. Among analysts, there is a dominant view that, in addition to the great importance of the

degree of inequality and redistribution of income and assets in particular growth patterns, initial inequality has proven to play a particularly significant role in determining growth (see for example Alesina & Perotti 1996; Deininger & Squire 1998; Birdsall & Londoño 1997; Ravallion 1997; Persson & Tabellini 1994; Alesina & Rodrik 1994). There is a strong negative relationship between initial inequality and growth, whereby initial levels of income inequality produce lower subsequent growth rates. Cornia & Court (2001: 59) find that empirical data indicate Gini 0.40 to be the cut-off point at which inequality tends to begin to limit growth. Deininger & Squire (1998: 1) move beyond income inequality in finding that cross-data on income and asset distribution, such as land distribution, reveal a strong negative relationship between initial inequality in asset distribution and long-term growth. Birdsall & Londoño (1997: 17-19) conclude that the negative relationship between inequality and growth resides primarily in the asymmetrical accumulation and ownership of assets. Income inequality's negative effects on growth rest on the fundamental economic structure of unequal access to productive assets. Siegel (2005: 9) considers household assets to be the key contributor to sustainable growth and poverty reduction. In developing countries with primarily agrarian economies, the key asset inequality impacting growth is found in the unequal distribution of land ownership (Deininger & Squire 1998; Carter 2000). Land ownership inequality has been found to severely limit growth through retarded human capital accumulation and credit constraints leading to lost investment opportunities. Credit constraints among the poor means that poor people cannot borrow money for necessary social and economic investments as they lack assets needed as collateral for such credits. While reproducing the exclusion of the poor, credit constraints in imperfect financial markets condition the income distribution consequences of growth and decrease subsequent aggregate growth (Carter 2000; Bourguignon 2004).⁷ The discussion above on the key role of inequality in growth and poverty reduction shows the great importance of inequality in the development process. Easterly (2002: 3) and Lindert et al. (2006: 9) conclude that there is indeed a strong, negative causal link between high inequality and development. Perhaps UNDESA (2005: 1) provides the best summary of the section above in stating that "ignoring inequality in the pursuit of development is perilous".

Empirical evidence shows that economic growth must be pro-poor for it to have any real impact on reducing poverty and decreasing inequalities and exclusion. Pro-poor growth is here defined using Kakwani et al.'s (2004: 10) definition that growth is pro-poor if the changes in inequality accompanying growth reduce total poverty. This definition implies more attention to growth patterns than to growth rates, or to what is called the 'poverty-

equivalent growth rate' that takes into account both the magnitude and the distribution of growth (*ibid.*: 3). Kakwani et al. argue that it is the 'poverty equivalent growth rate' that is to be maximised rather than the actual growth rate if rapid poverty reduction is to take place. Perry et al. (2006: 1) state that growth is pro-poor when accompanied by reduced inequality. Dagdeviren et al. (2001: 8) find that a growth pattern that reduces inequality reduces poverty through distribution, as a growth pattern with equal distribution raises three times as many households from poverty than distribution-neutral growth over any time period (*ibid.*: 16). Fuentes (2005) goes even further in assessing the positive impact of pro-poor growth by relating it to chronic poverty and inter-generational transmission of poverty in stating that it can save an entire generation from living in poverty in some countries. Pro-poor growth has been found to constitute a requirement for meeting development goals, such as the first of the Millennium Development Goals (MDGs) of reducing poverty in half by 2015 (Cornia & Court 2001: 5; Fuentes 2005: 3). The specific components of pro-poor growth have all been found to be grounded in different redistributive mechanisms. UNDESA (2005: 19) and Perry et al. (2006: 4) find that realizing the redistributive potential of social protection and social policies of health and education is of great importance in pro-poor growth that spurs development. Ravallion (2005: 14) finds that the key ingredient of growth in its impact on aggregate poverty is the degree to which it is pro-rural and small-holder friendly.

In terms of comparative performance of different types of welfare regimes, Navarro et al. (2004) conclude that universal, social-democratic welfare countries all had low inequalities and poverty in all age groups in the period between 1980 and 2000. On the contrary, liberal welfare countries had higher household inequalities and higher poverty rates for all age groups during the same period. Goodin et al. (1999) have in their study singled out the universal, social-democratic welfare system as clearly superior to the liberal one in terms of social policy objectives and economic objectives, including economic growth rates. This last argument is supported by Garrett (2004: 239) who finds macro-economic performance in social-democratic regimes to have been as good as, or maybe even better than in any other regime. The limitations inherent in the liberal social policy system propagated for in the neoliberal discourse, are particularly evident in the system's apparent inability to combine economic growth with equality and inclusion. Goodin et al. (1999: 167) state that compared to other welfare regimes, liberal regimes are "strikingly bad at combating poverty in every respect".

SOCIAL WELFARE MODEL & GUATEMALA

Guatemalan Welfare & Development Outcomes

Development Outcomes

Guatemala's degree of development is low, regardless of the type of comparative measure being applied. It is underdeveloped in terms of global and regional comparisons, in comparison with specific countries that achieve similar GDP per capita, as well as in terms of the MDGs. In a global comparison, UNDP Human Development Index (HDI) ranks Guatemala in 118th place out of a total of 177 countries. In a regional comparison, Guatemala has the lowest ranking in HDI in Central America, reflecting the fact that it has the lowest social spending in the region at around 5 percent of GDP (IMF 2005; World Bank 2007). The country is particularly underdeveloped considering its GDP per capita, with social indicators resembling those found in Haiti and Nicaragua, countries with average incomes far below those in Guatemala (Alwang et al. 2005). Guatemala's low degree of development, in spite of its relatively high average income, is further evident in the country's slow progress towards reaching the MDGs. Of particular concern is arguably the fact that the apparent failure to enhance development has been and is taking place in the midst of long-term economic growth averaging 3.9 percent in the last 50 years and a relatively high GDP per capita. Growth fails to reach the extremely high rates needed to increase development and reduce poverty, in a Guatemala plagued by large inequalities. Specifically, Guatemala's development strategy has failed to correct the structural barriers to development of high inequalities in land, assets and income, coupled with a reproduced exclusion of large portions of the population from social protection and policies, and formal employment paying at least minimum wages.

Poverty Outcomes

The following section analyzes Guatemalan poverty using results from the ENCOVI 2006, the latest country-wide household survey. Guatemalan poverty is found to contain ethnic, rural, and regional dimensions, with a less pronounced gender dimension. As such, poverty in Guatemala is predominantly a rural phenomenon, discriminating against the indigenous population. The poverty analysis conducted below also reveals a fairly gender-equal poverty distribution relative to each gender's representation in the total population. It is important to note that the upper line of 'Extreme Poverty' has been set in the ENCOVI 2006 at

Q3,206/year or Q8.78/day, which is equivalent to approximately US\$1.14/day; while the upper line of Non-Extreme Poverty has been set at Q6,574/year or Q18.01/day, which is equivalent to approximately US\$2.34/day.⁸

Table 1: Poverty & Extreme Poverty by Gender, Ethnicity and Area

	Population		Poverty		Extreme Poverty	
	#	% of total pop.	#	% of total	#	% of total
Country Total	12,987,829	100%	6,625,892	51% of total population	1,976,604	15.2% of total population
Male	6,220,832	47.9%	3,214,205	48.5% of total poverty	975,811	49.4% of total extreme poverty
Female	6,766,997	52.1%	3,411,687	51.5% of total poverty	1,000,793	50.6% of total extreme poverty
Indigenous	4,973,138	38.4%	3,721,110	56.2% of total poverty	1,354,995	68.7% of total extreme poverty
Non-Indigenous	7,990,816	61.6%	2,894,290	43.8% of total poverty	618,184	31.3% of total extreme poverty
Rural	6,737,251	51.9%	4,750,021	71.7% of total poverty	1,644,256	83.2% of total extreme poverty
Urban	6,250,578	48.1%	1,875,871	28.3% of total poverty	332,349	16.8% of total poverty

Source: ENCOVI 2006, INE

Over half of Guatemala's population lives in poverty, with over 15 percent living in extreme poverty. Compared to results obtained in the ENCOVI 2000, the overall poverty rate has decreased from 56 percent to 51 percent, with a slight decrease in extreme poverty from 15.6 percent to 15.2 percent. Yet, the total number of poor increased in the same period with 257,532. Similarly, there was an increase in the total number of extremely poor of 185,139 during that same period. In terms of ethnicity, the ENCOVI 2006 reveals that the indigenous population makes up 38.4 percent of the total population. The incidence of poverty is disproportionately higher among indigenous Guatemalans. While there are 23.2 percent less indigenous than non-indigenous in the total population, there are 12.4 percent more indigenous living in poverty than there are non-indigenous and 80.3 percent of Guatemala's non-poor are non-indigenous. In terms of gender, the distribution of the number of men and women in poverty, as well as in the different poverty categories, differs only slightly from their relative representation in total population. That is, there are approximately three percent more women than men in poverty. The ENCOVI 2006 also demonstrates the predominant rural dimension of Guatemalan poverty. While the rural population is in a 3.8 percent surplus compared to the urban population, as measured in the total Guatemalan population, over 70

percent of the poor in Guatemala live in rural areas. In addition, the regional dimension of Guatemalan poverty could be described in terms of a 'poverty belt' entailing the 'North', 'Northwest', and 'Southwest'. These three regions together contain over 67 percent of Guatemala's poor.

The paradoxical severity of poverty in Guatemala in spite of relatively high per capita income for a developing country is perhaps best illustrated by UNDP (2005) in concluding that over 6 million Guatemalans remain poor, with over 2 million of these being unable to cover even a minimum diet. Yet, private consumption per capita is 3 times the poverty level and 6 times the absolute poverty level. Relative to countries in the world with similar GDP per capita levels, Guatemala stands out as having a disproportionately high rate of poverty (Grangolati & Marini 2003: 5). In Van Hoegen's (1999: 129) study on poverty, poor Guatemalans claim that poverty is for them primarily not having food and a place to live, while being forced to depend on handouts and charity in order to survive. When asked about the welfare consequences of their being poor, they listed hunger and malnutrition, inhumane conditions, diseases without the ability to purchase medicines, lack of clothing, forced to work in dangerous conditions, impossibility to go to school, and stunted growth among children.

Analysts agree on the fact that Guatemala is trapped in a vicious circle of chronic poverty (see for example Marques 2003; IDB 2004: 2; Tesliuc & Lindert 2002: 46), which persists in spite of the country averaging a growth rate of 3.9 percent in the last 50 years. The majority of Guatemalan poor (79 percent) are chronically poor, whereas only 20 percent are transient poor (World Bank study 2003: iii; iv). Under the large inequality and exclusionary conditions that prevail in the country, chronic poverty is directly linked to the lack of redistribution in land, assets, wealth and the exclusion from social protection and policies. Should economic growth continue to fail to reach the lower strata of Guatemalan society, it will have but marginal and insignificant effects on the reduction in poverty (UNDP 2005). According to IDB estimates, an annual growth in per capita income of four percent would be needed in order to cut extreme poverty in half, thereby reaching Goal #1 in the MDGs, by 2015. With a reduction of 10 percent in inequality, the rate of growth required would be approximately 1.6 percent per year (IDB 2004: 11). To overcome chronic poverty, Guatemala's development path would need to achieve a large reduction in inequality and a major redistribution of land, assets, and income, as well as providing access to social insurances and services, such as health and education, for the excluded poor. The most severe expression of the vicious circle of chronic poverty is the reproduction of poverty across generations. In Guatemala, and

especially among indigenous families, inter-generational transmission of poverty is the result of the fact that in a poor family lacking productive assets and living in poor housing conditions with malnutrition, children are being forced to work instead of going to school in order for the family to survive. Easterly (2002: 11) concludes that credit constraints prevent the majority of a country's poor from human capital accumulation. The opportunity cost of foregoing school in order to survive is the overwhelming probability that these children will as adults face few employment opportunities and meagre wages, thus reproducing poverty (Romero 2006: 75). Statistical data obtained in the ENCOVI 2006 confirm Romero's observation on the reproduction of poverty by foregoing school. These data show that 73.2 percent of Guatemalans who have not received education are poor. The educational dimension in Guatemala becomes even stronger the further up the educational ladder: 50.9 percent of the 5,257,002 Guatemalans who have completed primary school are poor; 17.1 percent of those having completed secondary school and 0.9 percent of all Guatemalans who have completed tertiary education are poor (INE 2007).

Economic Outcomes

Guatemala's GDP per capita in current prices is estimated at US\$2,079; GDP per capita in terms of purchasing power parity (PPP) at US\$4,568; and the country's GNI per capita is US\$2,260 (IMF 2005; UNDP 2007; World Bank 2007).⁹ Thus, in terms of income as measured in terms of GDP per capita alone, Guatemala would be considered a middle-income developing country. At first glance, this finding may seem surprising as the analysis above finds Guatemala to be a country struggling with high degrees of poverty. Yet, large inequalities in income explain the disproportionate level of poverty and extreme poverty for a country with that level of GDP per capita. As discussed above, economic growth in itself is not a panacea for development, welfare and poverty reduction. Furthermore, as is evident in the analysis below, economic growth as measured in real GDP per capita often provides a quite different picture than growth as measured in real GDP.

Source	2001	2002	2003	2004	2005	2006
BANGUAT	2.4%	3.9%	2.5%	3.2%	3.5%	5.0%
World Bank	2.3%	2.2%	2.1%	2.7%	3.5%	4.6%
IMF	2.3%	2.2%	2.1%	2.7%	3.2%	3.2%

Sources: Banco de Guatemala (2007) 'Estudio de la Economía Nacional'; World Bank (2007) 'IBRD Progress Report on the Country Assistance Strategy for the Republic of Guatemala'; and IMF (2005) 'Country Report No. 05/362'.

Guatemala has reached an average real GDP growth in the last six years of 3.41 percent according to calculations by Banco de Guatemala; 2.9 percent according to calculations by the World Bank; and 2.61 percent according to calculations by the IMF. Statistical figures from Banco de Guatemala (2007) over a ten-year period from 1997 to 2006 reveal stable economic growth with an annual average of 3.54 percent since the Peace Accords, and the highest growth rate (5.0 percent) registered in the year 2006. This is to be compared with world average growth rates of 4.9 percent in 2005 and 5.4 percent in 2006, average Latin American growth of 4.5 percent in 2005 and 5.3 percent in 2006, and Central American growth rates of 4.0 percent in 2005 and 4.9 percent in 2006. However, growth as measured by changes in GDP per capita presents a gloomier picture; Banco de Guatemala calculates GDP per capita growth at 0.6% in 2005, and 2.0% in 2006, the lowest per capita growth in Central America.¹⁰ Guatemala's per capita growth is not sufficient enough to have any significant impact on poverty reduction and enhanced welfare.

In 2005, the largest share of GDP was Services at 58.2 percent of GDP, with Agriculture at 22.9 percent of GDP and industry at 18.8 percent of GDP (World Bank 2007). Private consumption made up 85.2 percent in 2006 and grew by 4.8 percent during that year. Guatemala recorded a current account deficit in 2006 of US\$1,592.1 million, which is largely the result of a 15.3 percent increase in the trade deficit reaching US\$5,903.2 million, or 19.5 percent of GDP. Exports grew by 4.6 percent in 2006 which is a recovery of the negative growth (-2.1 percent) recorded in 2005, and imports grew 5.6 percent which is also a recovery from the -0.6% growth in 2005. Yet, a recorded capital account surplus of US\$1,870.8 million in 2006 added to the country's international reserves that reached US\$4,061.1 million in December of 2006, an increase of US\$278.7 million compared to the corresponding date in 2005. This is equivalent to 4.2 months of imports. At the end of 2006 Guatemala registered a fiscal deficit equivalent to 1.9 percent of GDP, an annual increase with 0.2 percent. Guatemala has no difficulties in sustaining and servicing its external debt. It has a debt/GDP ratio of 13 percent in 2006 (the internationally established critical point is 30 percent) and a debt/exports ratio of 66.8 percent, comfortably below the critical point of 150 percent (*ibid.*). In 2006, Guatemalan exports went to a total of 124 countries, where the largest recipient was the U.S., Guatemala's largest trading partner, with 26.7 percent of total exports. Other export destinations included primarily those countries in the DR-CAFTA trade agreement. In terms of products being exported in 2006, the greatest product group were the so called 'other products' that totalled US\$4,718.7 million, where chemical products, construction materials, food, and plastic articles all recorded increased exports to other Central American countries.

In terms of traditional export products, the main exported product was coffee with a total export value of US\$436.6 million, decreasing with 0.1 percent compared to 2005. The second largest export value was sugar at US\$298.6 million, an increase of 26.2 percent compared to 2005, followed by banana exports with a total value of US\$215.5 million in 2006, a decrease of 8.8 percent compared to 2005. The primary origin of Guatemalan imports is the U.S., from which 35.4 percent of total imports originated in 2006. Major countries of origin included Mexico with 8.6 percent of total imports, El Salvador with 5.1 percent, and China with 4.5 percent. The greatest increase in product groups was recorded in consumer goods which totalled US\$2,963.7 million, an increase of 11.5 percent compared with 2005. Among services, Guatemala recorded a US\$474.5 million surplus in tourism, travel and transport, in large part due to the increase in tourists from 1.3 million in 2005 to 1.5 million in 2006. Finally, in terms of monetary performance, Guatemalan inflation at 5.79 percent at the end of 2006 was not only lower than the 8.57 percent recorded at the end of 2005, but it was also within the inflationary target of 6 percent (+/- 1 percent) which largely dictates the country's monetary policy (*ibid.*).

Social Welfare Outcomes

Life expectancy at 65 years is the lowest in Central America, and 12 years below that in Costa Rica (Grangolati & Marini 2003: 2). In 2004, child birth mortality was the highest in the Americas at 39 per 100,000 and mortality rate of children under 5 years of age was 48 per 1,000, the fourth highest in the region (WHO 2007: 1). Different studies have recently highlighted the problem of chronic malnutrition in Guatemala, arriving at very similar conclusions. According to a WHO (2007: 1) study, 49 percent of all Guatemalan children and 68 percent among indigenous children under 5 suffer from chronic malnutrition. UNDP (2005) reports that 69 percent of indigenous children suffer from chronic malnutrition. This compares with rates found in African and Asian countries characterized by a general lack of resources, such as Nepal (50.5 percent) and Uganda (39.1 percent). Guatemala's total fertility rate of 5 children per woman, the highest in Latin America, further exacerbates the health problems of chronic malnutrition among children. In terms of access to water, 62 percent of Guatemalan households have access to running water inside their houses. Yet, only 29.2 percent of this total number is made up of poor households. Among poor households, 45.3 percent have access to running water inside their homes. This could be compared to a corresponding percentage of 73.2 percent among the total of non-poor households. In terms of sanitary services, 40.3 percent of all Guatemalan households are connected to a drainage

network, of which only 14.5 percent represent poor households. 74.9 percent of the total number of poor households lack drainages and sanitary services (INE 2007).

According to the ENCOVI 2006, 39.5 percent of all Guatemalans are being treated by doctors when falling sick or ill, with only 26.6 percent of all poor being treated by doctors. Among the indigenous, 27 percent have access to a doctor in times of need while 25.4 percent treat themselves and 20.6 percent are being treated by other household members. Asked about the reason for not consulting health personnel, 33 percent of all Guatemalans state a lack of money as the primary reason. The apparent inadequacy of public health in Guatemala is evident in the fact that 11.8 percent of all Guatemalans are being attended to in public hospitals, while 56.8 percent are being treated in private health facilities. In terms of poverty, 46.5 percent of Guatemalans being attended to in public health facilities are poor, while 25.2 percent among those attending private facilities are poor (*ibid.*).

Educational attainment is comparatively low with 60 percent of children between 6 and 15 attending school in Guatemala (Adams 2005: 47).¹¹ According to UNDP (2005), some 24 percent of Guatemalans between 25 and 40 lack any education at all; a figure that reaches nearly 50 percent among the population situated in the bottom strata of society. According to Edwards (2002), Guatemala's national average in educational attainment is 4.3 years, a figure that is low in comparison to other countries. The ENCOVI 2006 records some 21.1 percent of Guatemalans as illiterate, with 71.4 percent of all poor being classified as illiterate (INE 2007). Among the indigenous, average schooling in 2002 was 2.38 years, with 64.5 percent of male and 36.8 percent of female indigenous classified as literate (Adams 2005: 42 & 49). While 5.7 percent of Guatemalans between 25 and 40 has some form of university education, less than 2 percent of the population situated in the 'lower' and 'lower-middle' classes has had access to higher education (UNDP 2005).

In analyzing Guatemalan coverage of publicly-provided social protection (i.e. social insurances and social assistance) the minimal role of the State is immediately apparent. Private transfers account for 46 percent of all transfers to households. They have become a major individualised form of risk mitigation as only 29 percent of total transfers originate from public social assistance and 26 percent from public social insurance benefits. Social insurance covers 16 percent of the total workforce, while roughly 17 percent of Guatemalans receive social assistance benefits. Equally low coverage is found in terms of pensions that reach 7 percent of Guatemalans and 11 percent of the elderly over 60 years (Tesliuc & Lindert 2002). In 2002, 17.8 percent of the population paid contributions to social security, some 31.1 percent in urban areas and 8.5 percent in rural areas (ECLAC 2006). Social protection in

Guatemala fails in addressing the needs of the poor, reaching only 25 percent of the extremely poor and 21 percent of the poor. It is primarily made up of social assistance as virtually all of the extremely poor and non-extremely poor (98 percent and 96 percent respectively) are excluded from social insurance (Tesliuc & Lindert 2002). In terms of pensions, coverage rates among the non-poor households are at least 5 times as large as those found among poor households (Tesliuc & Lindert 2002). Finally, in terms of social security, only 4.7 percent of the households in the bottom quintile are covered (ECLAC 2006).

The importance of private transfers and individualised risk mitigation discussed above merits a closer look at remittances, the largest source of such social welfare assistance. Annual flows of remittances continuously increase and has reached over US\$3 billion per year (IOM 2005: 3; UNDP 2007: 2),¹² which is equivalent to approximately 9.5 percent of GDP and almost 14 times the inward flow of foreign direct investments (FDI) (Acosta et al. 2006: 961). According to IOM (2005) estimates, about 3.7 million individuals in Guatemala benefit from remittances. No doubt, in the absence of public social protection Guatemalans have increasingly turned to remittances as a form of informal social safety net (IDB 2004: 2). Thus, remittances constitute an important source of income for many Guatemalan households, especially for those in the bottom deciles group for whom remittances make up between 50-60 percent of their total income (Adams 2004: 2). The importance of remittances as a form of social welfare is also evident in a comparison with public social spending. Remittances total 9.5 percent of GDP while total public spending on social protection absorbed 1.8 percent of GDP in 2000 (Tesliuc & Lindert 2002), and total public social spending on health and social assistance accounted for 1.5 percent of GDP in 2005 (Ministerio de Finanzas Públicas 2007). This individualised social protection and assistance mechanism should however not be considered an adequate substitute for the inadequate and insufficient public social welfare system in Guatemala. This is due to remittances' mixed results in terms of regressivity and their effects on poverty and inequality.¹³ In terms of poverty, remittances have been found to reduce poverty gaps but increase poverty headcounts (Acosta et al. 2006: 982). Tesliuc & Lindert (2002: 36) have found that 34 percent of domestic remittances and 37 percent of international remittances reach the extremely poor, with the majority going to non-poor households.

Inequality Outcomes

Guatemala's income inequality at 0.57 is one of the highest Gini coefficients in the world. UNDP (2005) puts Guatemala as the 15th worst country in the world in terms of inequality.¹⁴ Income inequality and the lack of redistribution in Guatemala produce a severe degree of stratification where a person in the lowest quintile earns an average income which is 10 times less than the country-average, and almost 55 times less than a person situated in the top income quintile. The share of the poorest quintile in national income is 2 percent, compared to the 64 percent share of the richest quintile (UNDP 2005). Guatemala's high rate of income inequality is historically rooted. Institutionalization of inequality and exclusion, under the concentration of power limited to a small elite group, has characterized the country for centuries. Tesliuc & Lindert (2002: 1) conclude that the pattern of exclusion and inequality is structural rather than transient. The historic persistence of structural inequality is evident in the fact that land owned by non-indigenous are on average 24 times larger than that owned by indigenous citizens, the same ratio as in 1950 (Fazio 2007: 8).

The fact that inequality is increasing over time casts an additional shadow on the country's development strategy as Guatemalan society is becoming increasingly stratified in spite of its history of already high inequalities. In highlighting the correlation between inequalities and Guatemala's development strategy in the Post-Peace Accord era, it seems plausible to analyze the change in inequality during the past decades. In the last 15 years, inequality in Guatemala has increased. In 1989 the income difference between the richest and poorest 20 percent of the population was 19.3 percent; in 2004 it had increased to 34.2 percent. Expressed in terms of stratification, in 1989, the population in the extreme bottom strata was 5 times that of the upper strata; in 2004, it was 10 times (UNDP 2005). Another popular measure of stratification is the degree to which the middle class is growing, thereby decreasing stratification. According to the definition used by UNDP (2005), the middle class grew by 7 percent between 2000 and 2004 compared with growth rates of up to 30 percent in other Latin American countries in that same period. Thus, in an even shorter time span, the trend of increasing inequality and stratification is persistent. Between 2000 and 2004, the middle class in Guatemala grew from 11.7 percent to 15.5 percent while the extreme bottom strata grew from 23.1 percent to 28.8 percent. As discussed above, of great importance beyond income inequalities are the great differences in asset ownership (Alejos 2003: 6). This is especially the case of land ownership where inequality as measured by the Gini coefficient is 0.84, one of the most unequal distributions of land recorded in the world. Considering the fact that nearly 90 percent of Guatemala's poor and extremely poor depend on agriculture for

survival and development, land distribution assumes an even greater importance in driving and reproducing inequality. The concentration of land ownership amongst the country's elite, where less than 1 percent owns 70 percent of the land (Alwang et al. 2005), combined with the elite's great political power, enables it to maintain control of economic assets while marginalising rural labourers from the benefits of growth and development (Krznicaric 2005: 14). While landowners hold large pieces of arable land, the poor and mainly indigenous rural farmers possess small, less arable pieces of land. Holdings under 7 hectares make up about 87 percent of total landholdings in Guatemala, but cover only 15 percent of the total of arable land (*ibid.*). The trend of increasing concentration in Guatemala's highly skewed distribution of land is evident in the fact that during the last two decades, the percentage of landless rural inhabitants increased from 22 percent to 33 percent (Fazio 2007: 8).

Inequality in the access to credit is closely related to inequalities in land and asset ownership. Access to formal credit and insurance markets in Guatemala is limited to the non-poor and non-vulnerable households. The rural poor face severe credit constraints that drive inequality and hinder growth. In 2000, 13 percent of rural households applied for and received any kind of loan in the preceding 12-month period, stating the lack of collateral assets as the main reason for not applying and receiving loans (Vakis 2003). The lack of collateral assets stems from landlessness and non-titled land held by the rural poor (Fazio 2007: 8). Vakis (2003) finds that only 40 percent of landowners in Guatemala possess land titles that could be used as collateral. Tesliuc & Lindert (2002) point to the fact that only 15 percent of the poor and 3 percent of the extremely poor have access to financial deposits. Instead, the poor and the extremely poor use informal risk mitigation mechanisms, such as borrowing from moneylenders, relatives and friends.

Social and Economic Exclusion of the Indigenous Population

UNDP (2005) argues that in cases of there being asymmetries in the access to development, caused by differences beyond socio-economic ones, one should in conjunction with inequality define it as exclusion. Van Hoegen (2000: viii) defines exclusion as the presence of groups with limited access to the benefits of economic, social and cultural opportunities in society. He further argues that exclusion in Guatemala is manifested in three key dimensions: the economy with structural exclusion from the access to and participation in the market, assets and income; political-judicial; and social exclusion in which privileges pertain to specific social groups or individuals, without recognition of certain ethnic particularities. Guatemala is a country markedly divided between the indigenous and non-indigenous population, as

evident in each of the different analyses above on welfare and development outcomes. Adams (2005: 11) traces ethnic exclusion all the way back to the Spanish invasion in 1524. Some 484 years later, the indigenous peoples remain socially and economically excluded, concretely positioned at the bottom of the highly stratified Guatemalan society. Over 80 percent of the total indigenous population is in the bottom strata, with only 5 percent in the medium, and none in the higher strata. In terms of stratification in rural areas, over 90 percent of the rural indigenous are in the bottom strata. Without a doubt, the statistics above reveal a pronounced ethnic dimension of Guatemalan stratification. As discussed in the Poverty Outcomes above, indigenous peoples in Guatemala are far more likely to live in poverty than are Ladinos. In particular, indigenous peoples are the primary victims of the ‘ruralisation’ of poverty in the country – over 75 percent of the indigenous live in rural areas where the incidence of poverty is almost 5 times the average for urban, non-indigenous people (IDB 2004; UNDP 2005). The indigenous peoples are primarily rural inhabitants working in agriculture, many of them in subsistence farming on untitled land. Some 81.4 percent of the indigenous population work in the informal sector with wages less than half the wages paid to non-indigenous workers (IDB 2004: 2). Furthermore, extreme poverty and inequality are predominantly rooted in the exclusion of indigenous groups from social, economic, and political opportunities.

Through the high degree of ‘indigenisation’ of Guatemalan stratification, exclusion of indigenous peoples is increasing in an almost linear fashion with the reported increase in inequality and stratification during the last decades. The percentage of indigenous peoples in the lowest quintiles increased in the period from 1989 to 1998, with a stagnant representation in the top 2 quintiles. The change in stratification affecting the non-indigenous is the direct opposite where the percentage of non-indigenous in the bottom strata decreased, while their representation in the top quintiles increased (Adams 2005: 28). Finally, the failure to socially and economically include the indigenous population has had negative effects on the country’s development, growth and poverty.

Guatemala's Post-Peace Accords Development & Growth Strategy

The main objective of Guatemala's hegemonic elite has been and continuous to be the reproduction of their structural concentration of power and the existing inequalities and exclusion through an exclusionary development strategy. Ortiz (2007) identifies elites and vested interests holding on to their privileges as the most common political obstacle to building inclusive development strategies in developing countries. The elite's capacity to shape Guatemala's development strategy is not only a manifestation of its hegemonic position and clientelist relationship with the executive powers; it is also a prime example of its ability to mobilize political obstacles to inclusive development strategies. Four specific strategic components are here identified as particularly important in reproducing existing structures and suppressing redistribution. First, the role and capacity of the State, arguably the primary agent of redistribution, is being kept to a minimum by limiting its budget, jurisdiction and authority. The State's financing capacity is being systematically suppressed through low taxation revenues and fiscal prudence, resulting in minimum public social spending.¹⁵ In terms of State revenues, Guatemala is one of the poorest States in the world (Swedish Trade 2008).¹⁶ The State's jurisdiction and authority are restricted in a number of areas to ensure its non-intervention in the market. For instance, land remains a private issue in Guatemala with state-led land redistribution yet to appear on the development agenda, and the State's capacity to supervise and enforce labour legislation and regulations is continuously kept at a minimum. Informalisation and flexibilisation of labour on the part of the country's employers keep the labour market under their control, with the State acting as a non-interventionist entity in the periphery.

Second, the development strategy not only fails to correct Guatemala's prevailing inequalities and exclusion; it exacerbates the same through reverse and regressive redistribution systems. The strategy of taking from the poor and give to the rich ensures the reproduction of the elite's hegemonic power that is based on inequalities and exclusion of the majority of the population. Third, Guatemala's development strategy is based on the disembedding of economic policy and the market from political and social structures, thereby assigning the former supremacy.¹⁷ The supremacy of economic growth while neglecting the role of inequality as well as the type of growth pattern assures a residual role for redistribution. The result is a residualisation of social welfare as largely a by-product of economic growth reserved for the few, and of social policy as an instrument reduced to cure

but the gravest ills of the exclusionary strategy through means-tested targeting of the poorest and most excluded. A re-embeddedness of economic policy and the market is yet to take place in Guatemala.¹⁸ Fourth, the alienation of labourers through informalisation, flexibilisation and harassment of union members undermines the power of a labour movement which in many countries has been instrumental in enhancing redistribution and social welfare. It ensures employers' and landowners' power and profits to the detriment of the country's development, growth and social welfare. A labour party is unlikely to emerge in Guatemala's populist political system based on individual candidates rather than political parties, with the exclusive participation in electoral campaigns of individuals who can afford campaigning or are funded by the hegemonic elite. The findings above are verified by the current socio-economic situation in Guatemala and the structures of the redistribution systems of social welfare, tax and social policy. Further verification of the exclusionary nature of the development strategy which reproduces existing inequalities and exclusion is found in an analysis of the Peace Accords of 1996, their non-implementation, as well as of the development strategy 'Vamos Guatemala!'.

Peace Accords of 1996

The Peace Accords of 1996 ended 36 years of civil war between the Guatemalan government and the Guatemalan National Revolutionary Unit (Unidad Revolucionaria Nacional Guatemalteca-URNG). Mediated by the UN, the Peace Accords presented a unique historic opportunity to establish peace and reconciliation in a country torn by unacceptable State violence and oppression. It also presented Guatemalans with an opportunity to correct the unfair land distribution, marginalisation of indigenous peoples and lack of participative political and democratic organisation. In retrospect, this national development plan could have been the initial platform for a redistribution of the concentrated powers of the ruling elite of large landholders and business oligarchs. Governance and political participation could have been extended far beyond the clientelist relationship between the elite and the executive whereby a minimal State is working to reproduce existing structures of inequality and exclusion. Perhaps most importantly, the State could have been strengthened to play a significant role in an inclusive and redistributive development strategy where enlarged fiscal budgets could enable significant increases in social spending to enhance social welfare. Yet, the primacy of the interests of the ruling elite are strongly reflected in provisions of land reforms and the economic role and capacity of the State – the accords failed to challenge and tackle key structures of inequality and exclusion. The limited space in this paper prohibits a

comprehensive analysis of the Peace Accords which entail 13 agreements and over 300 commitments. Instead, the analysis below focuses on two major aspects. First, it identifies key issues of the accords that either fail to address major structural problems or that were simply omitted altogether. Second, it discusses failures by consecutive Governments to implement the accords. Of particular importance to this study are the agreements on Socio-Economic Aspects and the Agrarian Situation, and on the Identity and Rights of Indigenous Peoples.

The Agreement on Socio-Economic Aspects and the Agrarian Situation, signed in Mexico City on May 6th of 1996, lays the foundation for the development strategy and growth path in Post-Peace Accords Guatemala. The major shortcoming of the agreement is its failure to solve the fundamental problem of land and asset inequality. Without land expropriation reforms or redistributive measures, the accords fail to challenge existing ownership structures. While the agreement recognizes that the immense concentration of land resources contrasts with the poverty of the majority of Guatemalans (Conciliation Resources 2007: paragraph 28), as well as hinders development, it provides no stipulation of concrete redistributive reforms. The State's responsibility in the land issue is largely limited to administrative strengthening, such as land registration. The limited engagement of the State is further evident in paragraph 34 that establishes a Land Trust Fund and in paragraph 38 that assigns land registry and titling under the authority of the State. While land registration, titling and protection of land ownership hinders further confiscation of smallholders' and indigenous farmers' land by large landholders, it forfeits any measure that could expropriate and redistribute land taken from the former throughout history. In essence, land registration and titling legitimize existing ownership structures. The Land Trust Fund, through which the Government is responsible for acquiring land to be distributed to smallholders and subsistence farmers, is limited by applying largely to uncultivated land and State-owned farms of which there are but a few in Guatemala. Thus, the agreement avoids tackling the real issue of unequal land distribution by limiting land reform to the promotion of a 'dynamic' land market that would enable farmers to acquire land at commercial or favourable interest rates.¹⁹

There are provisions in the Socio-Economic agreement that directly or indirectly limit the role of redistribution in Guatemala's development strategy and growth path. Paragraph 14 stipulates that the State is responsible for promoting, guiding and regulating the country's socio-economic development, without mentioning its funding or financing role. Yet, the largest failure of the agreement is the lack of implementation of stipulated reforms, commitments and goals during the 10 years that have passed. The State has failed to "prevent processes of socio-economic exclusion and maximizing the benefits of economic growth for

all Guatemalans” (paragraph 14). It has failed to meet its stipulated obligations of “correcting social inequities...both by steering the course of development and by making public investments and providing universal social services” (paragraph 16). The Post-Peace Accords governments have failed in “implementing a progressive social policy” (paragraph 18) as Guatemala’s social protection, assistance and policy programs are all regressive. The governments have clearly failed to “increase social investment...restructure the budget so as to increase social expenditure, as well as giving priority to the most disadvantaged” (paragraph 20). Another significant blow to social welfare has been the governments’ failure to “facilitate the universal coverage of all workers by the social security system (paragraph 20), as it still covers but a fraction of the labour force. The governments have also failed to “enforce the labour laws and severely penalise violations, including violations in respect of minimum wage, non-payment and safety” (paragraphs 26 and 39). The agreement fails to even mention the issue of informal labour. Finally, the governments have failed in implementing a tax policy that “should on the whole be progressive, universal and compulsory” (paragraph 47). Taxation structures in Guatemala continues to be regressive and governments still have not undertaken sufficient steps to address “the most serious issue relating to tax injustice and inequity, namely, evasion and fraud, especially on the part of those who should be the largest contributors” (paragraph 50).

The non-implementation identified above could be argued to be the result of a lack of concrete goals assigned to them in the agreement. Yet, governments have failed even in realizing the concrete goals of the agreement that are related to redistribution. For instance, the governments still have not complied with the stipulated goal of taxation revenues at 12 percent of GDP, scheduled to be achieved already in 2000 (paragraph 49). This has undermined the realisation of the goal of fiscal policy being the “key tool enabling the State to comply with its constitutional commitments, particularly those relating to social development” (paragraph 45). Similarly, governments have yet to reach the stipulated goals of allocating 2.49 percent of GDP in public spending on education (paragraph 22) and 1.32 percent of GDP on health (paragraph 23). These goals were also to be achieved by 2000.

The Agreement on the Identity and Rights of Indigenous Peoples is wide-ranging without concrete and stipulated goals. The implementation of the promised rights in the agreement would require numerous reforms and extensive funding. These have shown to be difficult to achieve as many of the aspects threaten established economic and political interests, particularly those of the hegemonic power elite. The agreement has made little impact on the highly unequal land distribution and prevailing definitions of private property are not being

challenged. As discussed above regarding land reforms, although the accords acknowledge the historical ‘robbery’ of indigenous peoples’ land, it fails to detail specific mechanisms of restitution. The governments in the Post-Peace Accords era have failed to “pursue the effective realisation of the constitutional right to education to which the entire population is entitled” (paragraph 2). While recognizing that Guatemala is indeed a multi-ethnic, multi-cultural, and multi-lingual nation, the classification of ethnic discrimination as a criminal offence has not been enforced by governments. For instance, ethnic discrimination in wages and labour rights are rarely prosecuted. Critics have claimed that the agreement was doomed from the beginning as Mayan activists’ request for direct representation at the negotiating table was outright rejected by the Government. Instead, Mayan organisations could only contribute to the negotiations by participating in the Civil Society Assembly (ASC). The alleged reason, the characterisation of some 40 percent of Guatemala’s population as a ‘sector of civil society’, reveals the lack of insight on the part of the Government and the hegemonic elite as to the seriousness of the exclusion and discrimination of indigenous peoples. It certainly reveals the hegemonic elite’s lack of commitment for a true inclusion and integration of indigenous peoples that has heavily characterized government actions since the signing of the accords. This study argues that the primary reason for paying but lip service to the ethnic issue is the perceived clash with its supreme goal of retaining the unequal structures that ensure oligarchic power in a weak State easily manipulated to further its interests. While the agreement does address serious issues of the rights of the indigenous peoples, it fails to concretely deal with and correct the structures that reproduce poverty and exclusion of the majority of the indigenous peoples. These underlying structures remain unresolved by the accords, partly due to the lack of concrete and stipulated goals and the failure to solve the land issue, and partly in the Guatemalan government’s lack of a genuine interest in radically changing existing power structures while striving to reproduce the existing order.²⁰

‘Vamos Guatemala!’ Development Strategy

The supremacy of the interests of the hegemonic elite of large landholders and business oligarchs provides the basis of the ‘Vamos Guatemala!’ strategy. It was launched by then President Berger in August of 2004 largely as an effort to activate the economy. A critical analysis of the ‘Vamos Guatemala!’ strategy reveals the real powers of the business elite that promoted and financed Berger’s presidential campaign – the strategy is essentially a private sector manifest. The ‘participative’ component of the strategy amounts to increased space for business oligarchs and major private sector actors to steer the economy and development of

Guatemala. It fails in correcting the institutionalised structures that reproduce inequality, poverty, exclusion and inadequate welfare.

All rhetoric with regards to social spending amount to a residual, means-tested and targeted social policy to increase the productive capacities of the rural population in the country's 41 most needy, and 71 next most needy municipalities. The strategy excludes land redistribution reforms and major tax reforms that would significantly increase fiscal revenues and make the taxation structure progressive. It also lacks reforms or actions to increase enforcement of the Labour Code and strengthening of social insurances such as social security coverage. It is designed as a strategy to be carried out by alliances between the Government and the private sector business groups in the realm of politics and economics, and between the Government, NGOs and international donors in the social-political realm. The first alliance assures a free-market, laissez-a-faire and business-friendly investment climate with a minimal State reduced to providing macroeconomic stability, fiscal prudence and tight monetary policy. The second alliance in effect delegates major responsibilities for social policy to non-state actors, thereby assuring that universal social policies are not being pursued. Instead, social policy is residualised to targeting in selective projects that do not interfere with the disembedded market. A major factor of the strategy's feasibility is the fact that the World Bank not only pledged to provide US\$780 million to finance the strategy in 2005-2008, but has also developed its Country Assistance Strategy (CAS) for Guatemala within the 'Vamos Guatemala!' strategy.²¹

An analysis of the strategy-document verifies the critical assessment above. The strategy consists of three strategic components designed to create social harmony, competitiveness and trust. First, 'GuateSolidaria' is supposed to promote social solidarity, decrease inequality and increase economic integration. Yet, as discussed above, it is largely a plan for means-tested targeting and the provision of basic social services (Gobierno de Guatemala 2004: 13). The primary goal of this social component is stated to be the "establishment of a social protection scheme for the groups that register the lowest socio-economic indices" (*ibid*: 11). Absent from 'GuateSolidaria' is the commitment to increase the fiscal budget, social expenditures and to strengthen the country's public social welfare system. It is essentially a social policy plan limited to targeted social assistance to the poorest which lacks any consideration for social protection through social insurances. Second, 'GuateCompite/Crece' is the component promoting accelerated economic growth. It is explained in the strategy document as a "necessary strategic component as the sustainability of economic activation should essentially be based on an increase in private investments". It further states that Guatemala should

“favour a business climate that attracts foreign and domestic investments” (*ibid*: 17). The strategy document states that “strategic alliances between the State and society that improve conditions for private investments are key in increasing competitiveness and assuring economic growth” (*ibid*: 11). Thus, it legitimizes the clientelist relationship between the business elite and the executive powers. There is no consideration of the socio-economic impact of the type of growth pattern to be pursued. This is remarkable considering the fact that the exclusionary and unequal growth pattern promoted in the strategy has a dismal track record. During the last 50 years, this type of growth has not only failed to reduce poverty, but has also produced stagnant growth around 3 percent per annum, an anti-thesis to the stated goal of accelerated growth. The third component ‘GuateVerde’ promotes sustainable development. The goal of reproduction of existing power structures and the preservation of the hegemonic position of the ruling elite is implicitly evident in the strategy document. In the introduction, severe limits are being put on the State by defining the focus of “intensifying efforts to improve the quality, transparency, effectiveness and efficiency of public expenditures” (*ibid*: 4). This focus is equivalent to downsizing of the already minimal State which explains the absence of any reference in the document to increased public expenditures.

The Power Bases of Guatemala’s Development Strategy

The basis of Guatemala’s exclusionary development strategy is complex and multidimensional. It is based on the interaction and reinforcement of three major powerful forces that together condition and largely determine the strategy and growth path. First, it is driven by the country’s large landholder and business elite intent on retaining its political and economic power. Second, it is influenced by the prevalent hegemonic agenda in the international development community. Third, it is driven by the intellectual elite, primarily the ideological position of the ‘Marroquin Mafia’ of the University of Francisco Marroquin.²² Thus, it would be erroneous to label Guatemala’s development strategy as either simply ideologically-based or as extensively being shaped by a domestic power struggle. Similarly, it would be an error to disregard the influence of international development discourses. The importance of the three forces resides in the fact that they have all pursued, directly or indirectly, in agreement and/or at times individually, the common objective of maintaining the exclusionary and stratified structures of the Guatemalan society.

Guatemala’s political, economic and social development is largely dictated by the business elite made up of large landholders and business oligarchs. The development strategy constitutes the main forum within which they have pursued this objective and the result is the

reproduction of the exclusionary strategy that leads to exclusionary growth paths and limited social welfare. In essence, the elite enjoys hegemonic power through three major channels. First, it largely controls the Guatemalan economy and labour market through the consolidation of some twenty powerful families in large corporate conglomerates. Second, it dictates the country's development strategy, governance, economic and social policies through the direct representation of the employers' organisation CACIF in State and governmental positions and its lobbying, and a clientelist relationship with the executive powers.²³ Third, it controls public opinion and frames political-economy and socio-economic discourses to the hegemony of neoliberal ideology through ownership control of the media and its close alliance with the University of Francisco Marroquin (UFM), the fortress of free-market neoliberalism and laissez-a-faire libertarianism.

A brief summary of the resurgence of hegemonic power of the business elite demonstrates its key role in shaping Guatemala's development strategy. This role became public in 1963 when the business elite provided the military government with a detailed development strategy (Solis & Solano 2006: 3). In the 1970s, three large corporate conglomerates initiated the foundation of the next 35 years of hegemonic economic power. Originally based on monopolies in industry and agro-exports, the three families of Castillo, Novella, and Herrera built business empires through consolidation and expansion. They initially enjoyed monopolies in the beer, cement and sugar industries, respectively (*ibid*: 4). While Castillo and Novella diversified into the banking and financial services sector, Herrera Ibarguén diversified primarily into construction and telecom. Their political influence was initially based on alliances with the military sector and the lobbying power and clientelist relationship with the executive powers through CACIF, their umbrella organisation. The business elite's expansion through consolidation was supported by the free-market and laissez-a-faire dogma of the UFM. These families were followed by the growing powers of three other powerful families; Botrán, Bosch-Gutiérrez, and Paiz, with monopolies in the liquor, meat, and supermarket industries, respectively. With the help of Manuel Ayau Cordón, founder of UFM and the guru of Guatemala's neoliberals, these six families used their alliance with the military sector and the power of CACIF to begin to reduce the State and its intervention in the economy. They initiated privatisation of State companies and assets from which the elite received major concessions and opposed whichever fiscal reform.

During the 1980s, the powerful business elite strengthened their clientelist relationship with the executive powers and at the end of the decade it openly entered politics as a joint force. The Pirámide Group was founded by the Novella, Castillo, Herrera, Bosch-Gutierrez

and Botrán oligarchs for the sole purpose of supporting a presidential candidate that would further their interests. The close ties with the neoliberal dogma of the 'Marroquin Mafia' became publicly evident as the elite pushed for Manuel Ayau Cordón to be Jorge Carpio Nicolle's Vice-President. Furthermore, Ayau Cordón and a group of technocrats in the 'Marroquin Mafia' designed the proposed economic program for the presidential candidate Nicolle within the Plan of Government prepared for the 1990s election (*ibid*: 6).

The business elite's direct and publicly manifested entrance into politics has been found to coincide with two major Guatemalan processes. First, it was enabled by the increase in private universities in the country and the penetration of neoliberalism as the hegemonic ideology. Second, it was enabled by the growing interest in modernising and occupying the country's media communication which came to heavily influence political thinking of the urban and intellectual population (*ibid*: 5). These two processes equipped the business elite with political power and the means to manufacture consent for the hegemonic, neoliberal discourse by controlling knowledge, information and public opinion.

Throughout the 1990s, the powerful families enlarged their business empires through consolidation and diversification, enabled by minimal State intervention, the government's consent to monopolistic and oligarchic power, and through concessions resulting from privatisation reforms.²⁴ The pinnacle of hegemonic power of the business elite was a desperate response to what the elite perceived as a major threat to their dominance, namely President Portillo's opposition during the first years of the new millennium to the clientelist relationship and the elite's oligarchic power. The oligarchic elite began to wield their tremendous power through destabilizing actions, such as fiscal boycotts and refusal to pay taxes (*ibid*: 11-12). In a calculated effort to retain the concentrated power within the elite, the different business groups consolidated their interests and created the political constellation La Gran Alianza Nacional (GANAN) which won the elections in 2003. Thus, the business elite succeeding in retaining oligarchic power by consolidating their forces in the executive powers which assured the country's pursuit of a development strategy based on their interests (*ibid*: 13). President Berger was put in office specifically to further the political, economic and social interests of the oligarchic business elite. This relation is most evident in the design and implementation of the current development strategy 'Vamos Guatemala!'.

The intellectual elite is certainly not only made up of the 'Marroquin Mafia' of the private University of Francisco Marroquin (UFM) in Guatemala City. Yet, this particular university has become the hegemonic force in the country's intellectual community primarily due to its intimate connections with the business elite and the political establishment. It has been

considered the bastion of free-market and laissez-a-faire ideology by Milton Friedman himself.²⁵ Proponents of the free-market liberalism of Friedrich A. Hayek, considered by many to be the father of anti-Keynesian monetarism and liberalism, and Milton Friedman, UFM openly promotes its neoliberal and libertarian position.²⁶ Founded in 1971 by Manuel Ayau, rector of the university between 1971-1988, as an extension of the neoliberal think-tank Center for the Studies of Socio-economics (CEES), UFM's dedication to free-market and laissez-a-faire neoliberalism is evident throughout the university.²⁷ The political power of the business elite, of whom many are graduates from UFM, and its unconditional support of the university's neoliberal doctrine have provided the technocrats of the 'Marroquin Mafia' with open access to the media and the executive powers. Via the business elite's control of written media, the 'Marroquin Mafia' has been able to frame political thought and manufacture consent in public opinion for its ideology. Similarly, via the business elite's direct access to the government, the 'Marroquin Mafia' has been the chief architects of the country's development strategy, economic and social policies, and structural reforms. The relationship between the business elite and the 'Marroquin Mafia' is best described as one of mutual dependence. The business elite depends on the intellectual foundation of the 'Marroquin Mafia' for two major reasons. First, it has since its early days of empire-building, diversification and consolidation depended on the 'Marroquin Mafia' for theoretical and strategic advice on the construction of their optimal society. Second, the neoliberal and laissez-a-faire hegemonic ideology of the 'Marroquin Mafia' legitimizes the elite's project of reproduction of the country's unequal structures, thereby disarming opposition to its policies. To reinforce this mutual dependency and to assure the beneficial outcomes of the same, the UFM educates and prepares the elite's youth for business and political careers that are secured by the elite's hegemonic power.

The international development community, led by the World Bank and the IMF, has played and continues to play a major role in Guatemala's development strategy. Participation and influence of these actors in development agendas of developing countries is common practise. Yet, their great role in Guatemala's development strategy has followed a different path than in other developing countries. While many developing countries in debt have endured structural adjustment policies (SAPs) and loan conditions tied to Poverty Reduction Strategy Papers (PRSPs), Guatemala's low level of foreign debt has provided a comparatively large degree of independence from forced external policy requirements. The great influence of IFIs in the country's development strategy and growth path has been the result of the Guatemalan government's largely delegating technical assistance, analytical work, planning

and policy design to the World Bank and the IMF. Of great importance in the analysis of the bases of power in Guatemala's development strategy is the recognition of the IFIs' legitimisation of the business elite's hegemonic power and reproduction of unequal and exclusionary structures. This legitimisation is in most aspects unintentional. Rather than some conspiracy with the business elite to reproduce inequalities and exclusion in Guatemala, the IFIs have indirectly legitimized the oligarchic and exclusionary structures through its development policies and agenda.²⁸ Structural reforms have been requested by the Guatemalan government and the most plausible explanation for this is that they have been perceived as a policy-making force for minimal State intervention and redistribution by the hegemonic elite. This study does not view the IFIs as homogenous organisations with a single, dogmatic neoliberal development ideology or policy agenda. In contrast, these organisations, particularly the World Bank, entail quite fierce internal competition between different development positions and their agendas have in some aspects shifted during the last five years. Nevertheless, this study identifies at least three reasons for the analytical use of the IFIs as champions of the structural adjustment agenda. First, any historic review of these organisations shows the undisputed fact that they pushed the structural reforms and a neoliberal policy agenda in the 1980s and 1990s, culminating in the Washington Consensus discussed above. Second, in certain areas of particular interest in this study, such as governance, economic and social policies, these organisations remain conservatively opposed to State intervention, universal social policies, redistribution through high and progressive taxes, and land expropriation. Third, the intensified collaboration with the World Bank and the IMF coincides not only with the non-implementation of the Peace Accords, but also with a pronounced liberalisation of the Guatemalan economy and further marginalisation of the State. While the World Bank is heavily involved in all major aspects of Guatemalan development strategy and policies, the IMF has played a minor yet important role in the country's development strategy, primarily through technical assistance.²⁹

Guatemala's Development & Growth Path

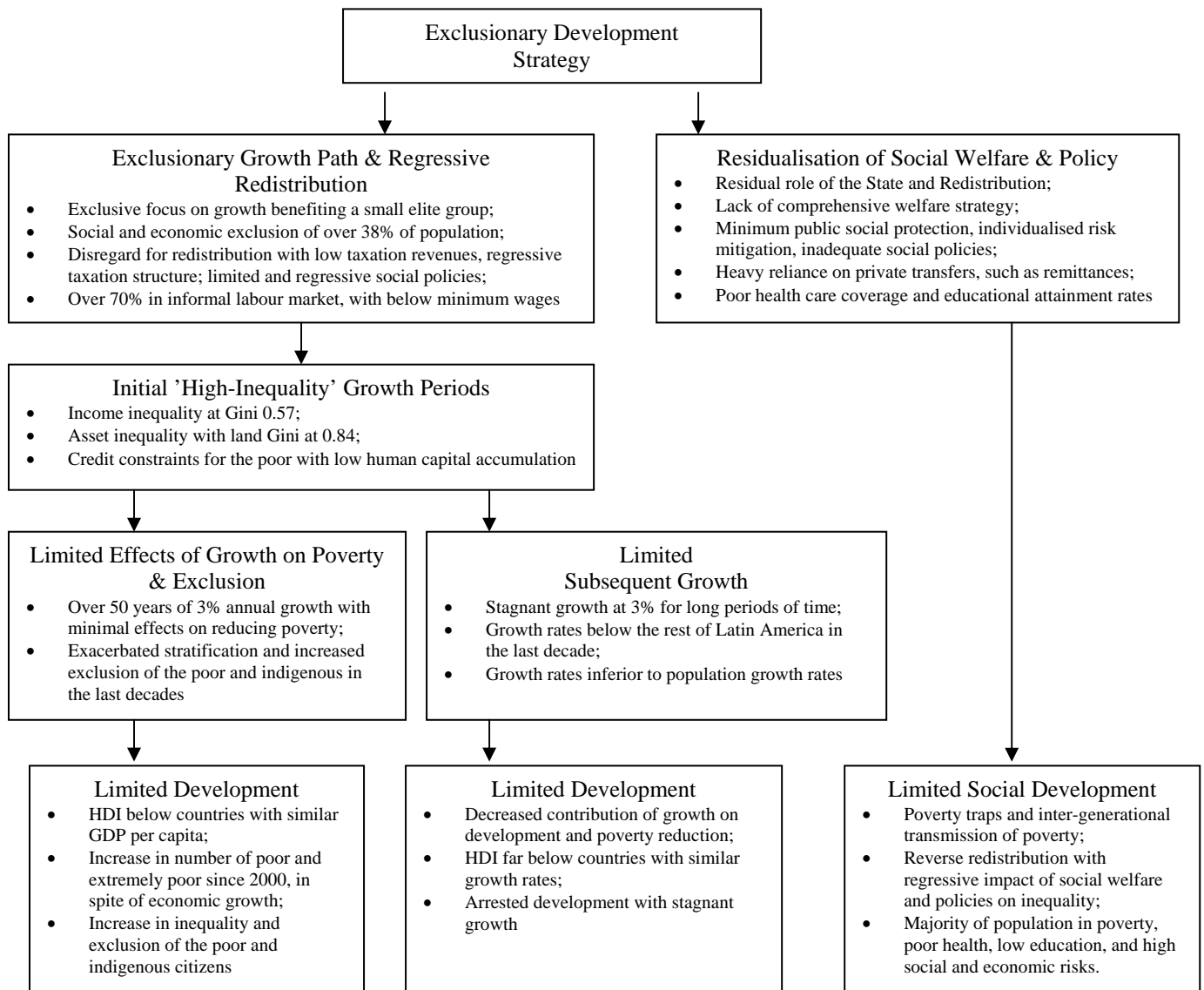


Figure 3

As is evident in the framework above, Guatemala's exclusionary growth path reproduces the country's poverty, structural inequalities, exclusion, and social welfare deficit. The result is stagnant growth with decreased pro-poor effects and limited social development that in turn inhibits future accelerated growth and welfare. Whereas marginalisation of redistribution and residualisation of social policy are theoretically constructed already in the design of Guatemala's development strategy, they are being practically implemented through the specific growth path outlined above.

Guatemalan Redistribution from Social Welfare, Tax & Social Policies

Redistribution in Guatemala from social welfare, tax and social policies is insufficient, limiting the country's development, poverty reduction and growth. While the structural deficit of redistribution is disadvantageous to development, growth and the reduction of poverty and inequality, this study has demonstrated above that this deficit is neither accidental, nor is it a mere coincidence that it is inherent in each of the different variables. Rather, it is a logical consequence of the implementation of a development strategy and a growth path that neglect redistribution. Guatemala is in fact employing a reverse, regressive redistribution strategy whereby funds are being transferred from the poor, through indirect taxes such as VAT, to the non-poor through regressive social protection and policies. Redistribution has empirically been found to play a key role in reducing a country's poverty and inequalities, while enhancing growth and development. Through the practice of reverse redistribution, Guatemala foregoes the opportunity to effectively combat poverty, achieve higher growth rates, and correct the exclusion of its poor and indigenous citizens.

Public Social Welfare System

Social welfare and policies in Guatemala are conditioned by their assigned minimal and residual role in the country's development strategy and exclusionary growth path. Publicly funded and provided social welfare is insufficient, fragmented and regressive. It is difficult to qualify the current social welfare protection, assistance and policies as pertaining to a comprehensive system. The comparatively low public spending, minimal State involvement in social protection and policies, and low degree of collectivisation of welfare risk mitigation in the exclusionary and regressive social insurance programs, could hardly qualify as a social welfare state. Guatemala recording the lowest social spending of all Central American countries is a major factor in the country's welfare indicators and the reproduction of poverty, inequalities and exclusion. According to calculations by the IMF, social spending in Guatemala has averaged 5.28 percent of GDP annually in the period between 2000 and 2005 (IMF 2005). In 2005, the country still had not met the goals for social spending in the Peace Accords. The goal of social spending on health and social assistance at 1.32 percent of GDP had not been met as total social spending on this category reached 1.02 percent of GDP. Guatemala registered a total social spending on education, science and culture of 2.11 percent of GDP, compared to the stipulated goal of 2.49 percent of GDP. For housing, the goal of 1.5

percent of GDP in total spending had not been reached as it totalled 1.18 percent of GDP (ASIES 2005).

Social insurance makes up 26 percent of all public and private transfers to Guatemalan households (Tesliuc & Lindert 2002). Social insurance programs cover 16 percent of the population which is exclusively working in the formal economy, predominantly in non-agricultural employment. As a result, social insurance programs cover only non-poor, non-indigenous, primarily urban households. This creates a structural limitation to social welfare in a country where over 70 percent of its economically active population is working in the informal economy, particularly as those most in need of social protection and assistance are working in the informal economy and in agriculture. Social insurance programs in Guatemala do not provide unemployment benefits or mandatory severance pay and the country lacks legal mandatory coverage of health insurance schemes for agricultural labourers and the self-employed (Mesa-Lago 2007: 8). Net pensions are even more regressive and unequal than is the overall pre-transfer income inequality in the country (Lindert et al. 2006: 43). Regressivity of social insurance programs is not caused by marketisation or privatisation as a total of 2 percent of the population has any type of private insurance. Rather, it resides in the publicly funded and provided social insurance system. In essence, the problem with Guatemalan public social insurance is twofold. Its coverage and State provision is minimal and its structure is regressive. The former reproduces existing inequality and exclusion of the country's poor and indigenous citizens, and the latter increases them.

Social Assistance programs make up 29 percent of all public and private transfers to Guatemalan households. There are many social assistance programs in Guatemala but all are of minimum size together benefiting some 17 percent of the population (Tesliuc & Lindert 2002). For instance, the budget assigned for housing in 2007 was 0.7 percent of GDP (Ministerio de Finanzas Públicas 2007). None of the social assistance programs have been found to be targeted effectively to those in greatest need and their benefits are regressive with many overlaps and shortages. For instance, scholarships in education come from 7 different programs but cover a total of 3,500 students nationwide of whom very few are poor. While school feeding programs and school materials assistance are less regressive with comparatively high coverage rates, programs such as school transport and electricity subsidies do not reach the extremely poor at all (Tesliuc & Lindert 2002). Thus, while some social assistance programs manage to reach those targeted; the overall regressive nature of benefits produces similar results in terms of redistribution as the social insurance programs discussed above. However, there is a comparative difference underlining regressive nature: it is expected in

social insurance under its exclusionary structure; in contrast, regressivity in social assistance is the result of poor implementation of targeted programs. While social insurance covers only those it is intended to cover, social assistance covers predominantly those it is not intended to cover.

Social Policies of Health & Education

As demonstrated above on welfare outcomes, Guatemalan health is highly unequal. It varies in terms of regional, ethnic and socioeconomic status with worse health outcomes among the poor, rural and indigenous groups. The main reason for the health inequalities resides in the fact that access to adequate health care is closely related to pre-transfer income and purchasing power. As a result, public health care in Guatemala is highly insufficient both in terms of health services and outcomes, as well as in terms of its capacity as a redistributive social policy. At approximately 1 percent of GDP, Guatemala's public expenditure on health is one of the lowest in the Americas (WHO 2007: 1), and the lowest in Central America. In fact, public spending on health has in 12 years still not been able to reach the comparatively low target of 1.3 percent of GDP stipulated in the Peace Accords of 1996. In terms of per capita spending, Guatemala scored the second lowest in Latin America in 2000 (Grangolati & Marini 2003: 3), and this trend is fairly stable with a stagnant 1.2 percent of GDP assigned to public health in the budget for 2007 (Ministerio de Finanzas Públicas 2007). Health is neither perceived as a public service, nor is it considered to be the primary responsibility of the State to ensure adequate health care provision for all its citizens.

The major actors in Guatemala's health sector include the Ministry of Public Health and Social Assistance (MPSAS); the Guatemalan Social Security Institute (IGSS); private for-profit organisations; and private not-for-profit voluntary organisations. The public health system is regressive where the poorest 40 percent receive 35 percent of health subsidies, while the richest 40 percent receive 42 percent. Health regressivity is most prevalent in the public hospital sector where the poorest receive some 13 percent of total public subsidies (Grangolati & Marini 2003: 37). Thus, in spite of increased marketisation and privatisation of health care provision, which has not taken place in social insurance, regressivity is similar to that in social insurance in that it is prevalent in the publicly funded and provided areas. The regressive redistributive effects of Guatemalan social policy of health exacerbate existing inequalities and the exclusion of the poor and the indigenous citizens. Logically, the lack of appropriate health spending by the State and the regressive structure of the public health system constitute significant barriers to overall development and welfare in the country. In addition, as reported

by Romero (2006: 93), the WHO has found a significant correlation between health indicators and economic growth, whereby differences in health has been found to play a major role in explaining different growth rates of different countries. Mesa-Lago (2007: 21) refers to the Pan-American Health Organization (PAHO) and their stressing the importance of Latin American countries to provide universal basic health protection, guaranteed regardless of income and purchasing power, as the key strategy to reduce inequalities in health. Along similar lines, ECLAC (2006) recommends mandatory universal health coverage, independent of work status and contributory capacities, as the key strategy to avoid health inequalities based on individual affordability of health care.

Education is arguably the one social policy which has received and continues to receive the most attention in development and social welfare studies. It is widely acclaimed to be a major variable in development and poverty reduction, a primary engine for growth, with major redistributive and inclusive potential. Yet, this study argues that in the absence of a progressive, redistributive and inclusive public education system, most of its potential benefits remain unrealized. An exclusionary and regressive education system is here argued to drive inequalities and exclusion. Guatemala's education system is an example of such a system. Similar to the case of the public health system discussed above, Guatemala's education system is insufficient and the degree of public spending at 2.5 percent of GDP is far below that of other Latin American countries (Ministerio de Finanzas Públicas 2007). In fact, analyses on historical spending levels on education indicate the institutionalised neglect of public education and its development. According to Sánchez (2003: 59), there was but a 3.9 percent increase in public spending on education during the 16-year period between 1980 and 1996. From primary enrolment rates of approximately 80 percent, total secondary enrolment rates drop below 30 percent (Edwards 2002). The underlying cause of the vast drop in enrolment rates between the primary and secondary levels is the exclusion of the poor and indigenous children at the secondary level. According to the ENCOVI 2006, only 8.5 percent of all Guatemalans with completed secondary school are poor, compared to 39 percent of those having completed primary school (INE 2007). Approximately 75 percent of the students at the secondary level come from households situated in the two highest quintiles, with some 2 percent coming from households in the lowest quintile. The main reason for the exclusion of the poor and the indigenous at the secondary level is the sharp increase in contributory payments required. The secondary school system involves costs for the students which are 5 times those required at the primary level. For student in compensatory programs, the difference in costs between the primary and secondary levels is 16-fold. The average cost of

secondary school has been found to be equivalent to 70 percent of the income required for one person to stay above the poverty line for one year, or for three years above the extreme poverty line (Edwards 2002). The high rate of return on education, where a person with a half-completed education earns 5 times more in salaries than a person without education, exacerbates overall income inequality (Alejos 2003: 3; UNDP 2005). Furthermore, education has been found to be negatively correlated with informal sector employment.

Typology of Guatemala's Social Welfare Regime

The following analysis on the typology of Guatemala's social welfare regime uses a hybrid approach in which two existing, explanatory typologies considered relevant to Guatemala, i.e. the ones put forth by Wood & Gough (2006) and Barrientos (2004), are further extended towards an alternative typology. Most typology models presented in social welfare and policy literature are based on the framework provided by Esping-Andersen (1990) whereby welfare state regimes are being categorized as Liberal, Conservative Corporatist, and Social-democratic regimes. Whereas the typologies presented by Wood & Gough and Barrientos are in essence extensions of Esping-Andersen's traditional framework, the alternative typology presented in this study involves a more complex relationship to that framework. Recognizing the fact that Esping-Andersen's framework is less applicable to developing countries than to developed ones, and thereby agreeing with the assumptions on which Wood & Gough are basing their model, the alternative typology re-focuses the typology-analysis on one of Esping-Andersen's key themes: the welfare system as a system of stratification. The resulting typology, in this paper referred to as 'Informal-Residual-Regressive Welfare Regime' is argued to be more closely aligned with the particular role of social welfare and policies in Guatemala's development strategy.

Wood and Gough (2006) utilize the 'classic' framework of social welfare regimes put forth by Esping-Andersen as their starting point. As such, they critically re-assess his theoretical perspective on comparative social welfare by enlarging the original framework with additional welfare regime types. Their primary argument for the need to reconstruct Esping-Andersen's framework is based on the assumption that in most developing countries there is either a severely insufficient, or a lack of institutional frameworks for the provision of welfare security. Therefore, they have developed the new framework to also include informal forms of social welfare, or non-state based social welfare (*ibid*:1698).³⁰ Instead of dismissing Esping-Andersen's framework, they identify two additional, meta-regimes: 'informal security regimes' and 'insecurity regimes' that capture those welfare regimes in social development

(*ibid*: 1697). In essence, the new meta-regimes are designed to capture the strategy of de-clientelization as the preferred path toward de-commodifying welfare state regimes. Thus, they are expanding Esping-Andersen's framework with a type of 'pre-framework' perspective that retains the idea of 'welfare regime'.

'Informal security regimes' refer to institutional arrangements that focus heavily on family and community to satisfy welfare needs, where asymmetrical and hierarchical relationships provide informal rights and some degree of informal welfare security (*ibid*: 1699). Wood & Gough place Guatemala within this typology in the cluster of 'More effective informal security regimes'. These are characterized by comparatively low state social spending (*ibid*: 1704). Highly applicable to the Guatemalan case is their notion of informalised security in a dualized economy that leaves the majority of informal sector labourers unprotected in deregulated and exploitative labour markets, left with only residual social assistance programs and their own resources. Equally applicable to Guatemala is their finding that social relationships in this type of regime are forms of exploitation, exclusion and domination (*ibid*: 1700-1705). Applicable to Guatemala is also their finding that governance in this type of regime is characterized by institutional structures with severe inequalities of power where the State is working for the dominant elite that quite effectively uses the State for their efforts in reproducing existing inequalities (Gough & Wood 2004: 50). Thus, the typology 'informal security regime' is in major aspects applicable to the case of Guatemalan social welfare. Yet, it lacks an emphasis on the liberal aspects that are entailed in the country's social welfare regime. These aspects could be included by combining Wood & Gough's typology with Barrientos' which is discussed below.

To extend Esping-Andersen's framework beyond its original focus on developed and industrialised countries, Barrientos (2004: 123) argues that Latin American countries' welfare is shifting from Conservative-Informal to Liberal-Informal regimes. Barrientos follows a similar approach as Wood & Gough in that he bases his approach on Esping-Andersen's original framework while also recognizing the informality-aspect. Barrientos finds that Latin American informal welfare regimes have in common with Esping-Andersen's liberal welfare regime the narrow identification of social risks. Similar to the findings by Wood & Gough, Barrientos recognizes that the household constitutes the primary means of social protection in Latin American countries. For the large segment of informal labourers in Latin America, the sources of insurance and social protection are restricted to relatives, friends, employment and informal networks of social assistance linked to NGOs (*ibid*: 124; 140). Barrientos' typology of 'liberal-informal regime' is most useful in a hybrid approach combining it with Wood &

Gough's 'informal security regime'. Such a hybrid approach presents the most comprehensive typology of Guatemala's social welfare regime, highlighting the country's large degree of informality and liberal aspects of welfare, its residual social welfare/policies system, and its predominantly informal labour market. Yet, such a hybrid approach lacks the direct connection to Guatemala's exclusionary development strategy and growth path that has been proven above to condition social welfare and policies.

The typology definition of Guatemala's social welfare regime as 'informal-residual-regressive' extends the hybrid approach outlined above. It arrives at one where Guatemala's particularly important redistribution and labour market features are more accurately reflected. This alternative typology is based on Esping-Andersen's notion of the welfare state being a system of stratification rather than simply a redistributive mechanism, and that social policy is not merely supposed to tackle problems of stratification, it also produces it (Esping-Andersen 1990: 3; 23). This aspect is often neglected in social welfare and policy studies (*ibid*: 55). Yet, for a country like Guatemala, any analysis of social welfare must acknowledge the fact that the social welfare system or regime is first and foremost a mechanism for managing and reproducing stratification and exclusion. This study does not propose that the residualisation of social welfare and policies, and the regressive redistribution of social welfare, tax and policies are part of some hidden agenda. Instead, it argues that detailed analyses on the different variables of redistribution and the labour market reveal the quite open and explicit goal of reproduction of the country's social and economic stratification and exclusion, whereby the elite is using an exclusionary development strategy to retain hegemonic powers.

Taxation System

Guatemalan taxation revenues reached 11.8 percent of GDP in 2006. This is an increase from the 2005 level of 11.2 percent but still below the modest goal of 12 percent of GDP stipulated in the Peace Accords of 1996 (Banco de Guatemala 2007). The country's tax revenues are low by all international and regional comparisons, and are in fact the lowest in Latin America (Krznaric 2005; IDB 2004; Perry et al. 2006; Fuentes & Cabrera 2006; ECLAC 2006).³¹ The immediate consequences are cutbacks in public expenditures, particularly in social spending. Without considering the regressive structure of the Guatemalan tax system, the low revenues provide a double blow to progressive redistribution and efforts to reduce inequalities in the country. They constitute on their own merit a failure in progressive redistribution, and they indirectly limit enhancements of welfare by limiting the funds from which public social spending is drawn. IMF (2005: 7) confirms these negative effects by reporting that most of

the increase in social spending that took place in the 1990s has been reversed since 2001 as a result of low taxation revenues.

Although the structure of the Guatemalan tax system resembles that of most modern tax systems with four different taxes (value-added tax; income tax; special temporary tax to support the Peace Accords; and selective consumption tax), it is primarily the increased dependence on indirect taxes that makes the tax system regressive. Some 71.9 percent of total tax revenues in 2006 stem from indirect taxes, such as value-added tax (VAT), while 28.1 percent stem from direct taxes (Banco de Guatemala 2007). According to Krznaric (2005), more than 90 percent of tax revenue increases since the Peace Accords stem from VAT which disproportionately burdens the poor and are thus regressive. IDB (2004: 5) further reports that apart from the high dependence on VAT in taxation revenues, the excessive tax exemptions and deductions in personal income taxes make the system regressive. Fuentes & Cabrera (2006) present a detailed study on the history of tax reforms in Guatemala in which they trace different governments' efforts to reform the tax structure to enhance public finances. They find that every initiative to reform the insufficient tax structure has been blocked by the powerful business organisation CACIF (*ibid*: 154). The final watered-down version of the Pacto Fiscal included only incomplete taxation reforms that generated but a half of the resources of the initial version of the pact. Tax evasion and exempt is particularly prevalent since any taxation legislation negotiated and approved in Congress is easily modified by the Constitutional Court. This arrangement, whereby any citizen or enterprise in company of three lawyers has the constitutional right to appeal to the Constitutional Court to suspend a taxation law which is deemed to be in violation of any constitutional law, undermines any political and legislative basis of taxation laws in Guatemala. It hinders any tax reform towards a more progressively redistributive taxation structure (*ibid*: 154). This in turn undermines the capacity for social development and foregoes enhanced social outcomes that have shown to tend to result from progressive tax systems (Ortiz 2007).

Labour Market Structure, Institutions & Policies

Informalisation of Labour

According to INE, the economically active population (EAP) reached 3,479,621 in May 2007 which represent some 26.8 percent of the total population as reported in the ENCOVI 2006. A major feature of the Guatemalan labour market structure is the prevalence of the informal economy where between 70-75 percent of the EAP are working. The ENCOVI 2006 finds that 71.2 percent of the total workforce works in the informal economy, while the National Centre for Economic Research (CIEN) puts the figure at 74.4 percent of the EAP.³² The considerable dominance of informal employment over formal employment is of great importance in Guatemala's development and welfare outcomes. There are of course several disadvantages involved in such reliance on the informal economy for economic activities and employment. On an aggregate level, it involves large amounts of lost revenue for the State in the form of forgone taxation revenues, as income taxes and employers' social fees are uncollectible in the informal economy under the current taxation system. There is also the problem of non-applicability of labour market strategies and policies, as well as non-enforcement of labour regulations. Active labour market policies have but marginal effects in the current labour market structure, further limiting the State's role in the same. On an individual level, an informal worker forfeits social insurance, benefits and labour rights such as minimum wages, as these do not apply to the informal economy. As a result, the current labour market structure in Guatemala prohibits any progressive redistribution through social welfare, tax and social policies, thus reproducing poverty, inequalities and exclusion.

Van Hoegen (2000: 27) defines formal economy workers as those working in public and private companies that are affiliated with the IGSS. There are without a doubt numerous plausible causes for the vast degree of informalisation in the Guatemalan labour market, such as the privatisation of public companies and the country's minimal public sector employing 5 percent of the total number of employed in Guatemala, almost none of which are poor. This study focuses on the strong and positive correlations between informalisation and poverty; and informalisation and ethnic exclusion. It finds that informalisation is both the cause and the result of the inequalities and exclusion that are prevalent in the country's political and socio-economic structures. Without secure and formal labour, Guatemala's poor and indigenous citizens continue to live on subsistence-level wages without social benefits and labour rights, while the country foregoes the opportunity for progressive redistribution with two-thirds of

the EAP being excluded from taxation, social fees and social policies. The dimensions of poverty and ethnicity in the informalisation of Guatemala's labour market are evident in a sector-analysis on who works where in the economy. The ENCOVI 2006 reveals that only 3.8 percent of the extremely poor and 19.1 percent of the poor are working in the formal economy. Some 77.1 percent of all formal workers are non-poor, confirming the sharp divide in informal vs. formal labour in terms of poverty. Furthermore, some 18.8 percent of all employment in Guatemala involves unpaid work, of which 63.7 percent are performed by poor workers. The majority of Guatemala's poor and indigenous are working in the informal economy in rural areas, either as informal agricultural labourers or as subsistence farmers. Adams (2005: 30) finds that in 2002, 81 percent of indigenous workers worked in the informal economy, with over 67 percent of those working for themselves primarily in subsistence farming. The ENCOVI 2006 finds that 44 percent of the EAP work in Commerce & Services, 33.2 percent in Agriculture, and 22.8 percent in Industry. In Commerce & Services only 25.1 percent are poor. In contrast, out of the total number of 1,155,234 workers in Agriculture, some 74.4 percent are poor (INE 2007).

Labour Exploitation & Limited Labour Movement

Labour exploitation in Guatemala is widespread and not merely linked to the country's non-existent decommodification of labour. It is a direct result of the historical marginalisation of the labour force and the concentrated power of the hegemonic elite that have suppressed the creation of a labour movement. The first instance of exploitation in the employer-employee interaction is the lack of job security; only 12 percent of all employed and 4 percent of the poor workers in Guatemala had labour contracts in 2000, the majority of which had but temporary ones (Vakis 2003). This type of 'flexibilisation' enables employers to disregard and circumvent labour laws, codes and regulations such as the minimum wage. It also enables them to forfeit payments of social fees and benefits. The numbers above show the lax compliance by the Government and employers with the labour code which clearly restricts the use of labour without employment contracts.³³ The next instance of labour exploitation in Guatemala concerns salaries and wages. These are often below subsistence levels and in violation of legislated minimum wage requirements.³⁴ According to the ENCOVI 2006, employers are in many cases not complying with the stipulated minimum salary. Indigenous workers in the bottom two quintiles received average monthly salaries at 32.9 percent and 77.3 percent respectively of the minimum monthly salary for agricultural work. Krznaric (2005) reports that 62 percent of poor workers receive less than the legal minimum wage. The

figures are even worse for agricultural workers among which 78 percent of the extremely poor agricultural workers are being paid less than the legal minimum wage.³⁵ Apart from aggregate suppression of decent wages, there is a systematic discrimination of indigenous workers in the Guatemalan labour market which is perhaps most evident in the marked wage discrimination. According to the ENCOVI 2006, average monthly salary of non-indigenous workers (Q1,859 or US\$251) is 75.5 percent higher than that of indigenous workers (Q1,059 or US\$143) (INE 2007). UNDP (2005) calculates that about 47.5 percent of differences in salaries between the different ethnic groups are attributed to human capital differences, with over half (52.5 percent) of the differences being the direct result of discrimination against the indigenous workers.

The systematic and generalised suppression of wages and salaries in Guatemala constitute a significant barrier to poverty reduction efforts and economic growth. It drives the poor into vicious circles of chronic poverty while obstructing economic growth by depressing demand for goods and services which limits the development of Guatemala's domestic market, which in turn limits economic growth (Romero 2006: 92). Together with non-compliance and disregard for the legislated and mandatory social security coverage under IGSS (set at 15.5 percent of the employee's total salary), severe underpayment of wages provides a double blow to the poor and the indigenous workers in the informal economy. Economic benefits are required by law and must be paid out to labourers.³⁶ Yet, most employers continuously circumvent these legislated, fundamental labour rights through the use of informal and temporary employment without contracts. The Government of Guatemala fails to supervise and enforce stipulated labour laws and regulations. ILO has reported on considerable and systematic labour code non-compliance in Guatemala, including repression and persecution of labour leaders, violations of the rights to union organisation and to strike, as well as failure to provide regulated and legislated economic and social benefits (Goldín 2005: 59). Apart from the historic marginalisation of the labour force under the prevailing power of the hegemonic elite, continued labour exploitation has been made possible through the suppression of labour unions.³⁷ According to the Statistics Department at the Ministry of Labour, some 10 percent of all workers in Guatemala are members of a labour union.³⁸ Goldín (2005: 59) estimates this figure to be as low as 5 percent and COVERCO & ILRF (2005: 32) find that in some industries, such as the Guatemalan sugar industry, there are no unions representing the field workers. Due to reported harassment of union members, ILO is evaluating the country's degree of compliance with Convention 98 which refers to the freedom of association of workers.

CONCLUSIONS

This study on social welfare in Guatemala is based on the assumption that welfare outcomes are only partially explained by structural analyses on a country's redistribution systems. While certainly being shaped directly by the structures of the social welfare, tax and social policy systems and programs, as well as the labour market, welfare outcomes are ultimately caused by the overall development strategy. This causality resides in the finding that a country's redistribution systems are conditioned by the role assigned to redistribution and social welfare in the development strategy, and by the specific type of growth path along which that strategy is being implemented. To ensure a proper account of the causality between social welfare and development strategies, this study applies an embedded approach to the case of Guatemala. It begins with an analysis of the country's welfare and development outcomes. Largely based on the 2006 Guatemalan Living Standards Measurement Study (ENCOVI 2006), the analysis identifies welfare deficiencies such as chronic poverty and socio-economic exclusion of the majority of Guatemalans. These deficiencies are found to be the direct result of structural inequalities and stratification. The assumption of social welfare being nested in the development strategy is shown to be true in the case of Guatemala. Through direct analyses of the Peace Accords of 1996, the subsequent disregard for implementation of the accords during the ten years that have passed, and the 'Vamos Guatemala!' development plan, this study reveals an exclusionary development strategy. By linking the development strategy to structural analyses on the country's redistribution systems, it concludes that the strategy reproduces the unequal and exclusionary structures that produce chronic poverty, exclusion and insufficient welfare. The strategy is also shown to produce a growth path that is neither inclusive nor pro-poor, largely focused on economic growth without proper account for inequality and the type of growth pattern. Further analyses on the exclusionary strategy expose the hegemonic powers of Guatemala's elite. For large landholders, business oligarchs and the free-market and laissez-a-faire intellectuals of the University of Francisco Marroquin, the development strategy constitutes the primary means through which they retain hegemony. Through the exclusionary strategy the country's elite ensures the reproduction of inequalities and exclusion that is arguably most evident in the strategy's minimal role for redistribution and social welfare. Structural analyses on Guatemala's redistribution systems do not merely show a residualisation of social welfare and an overall lack of redistribution that inevitably reproduce structural inequalities and exclusion.

Rather, these systems exacerbate such stratification by being regressive and employing a reverse redistribution from the poor to the rich. The reverse redistribution is here argued to be the logical result of the elite's pursuit of retaining hegemonic power and absolute privileges. Any attempt at redistributing wealth, land, income, economic opportunities and social welfare is being blocked by the powerful elite and the reproduction of existing structures makes such redistribution unlikely. A fragmented and targeted approach to public social welfare limits entitlements to social protection to a small group of non-poor Ladinos, while the poor and the indigenous citizens increasingly depend on private welfare such as remittances. In addition, the structures of productive social policies of health and education exclude the majority of Guatemalans that remain trapped in chronic poverty and support for inclusive social welfare and progressive redistribution are further suppressed through labour market informalisation.

This study offers plausible explanations to Guatemalan socio-economic paradoxes. First, absent welfare enhancement in spite of comparatively high per capita income and over 50 years of 3 percent average economic growth ceases to be paradoxical in light of the country's development strategy and growth path. The majority of Guatemalans do not benefit in any substantial manner from exclusionary growth, and regressive and reverse redistribution systems provide minimum improvements in welfare outcomes. The minimal role of social welfare in the overall development strategy and the structural insufficiency and regressiveness of the country's redistribution systems reproduce, and in some aspects even exacerbate, inequalities and exclusion. Second, it seems less paradoxical that Guatemala's economic growth and development remain largely stagnant in light of empirical evidence pertaining to the outcomes of reforms coherent with major development agendas and discourses. Empirical analyses have shown that structural adjustment policies reproduce inequalities, poverty and exclusion and the advocated focus on growth alone has sustained exclusionary development. Third, it is hardly paradoxical that the indigenous peoples continue to be socio-economically excluded as the elite managed to negotiate Peace Accords that failed to address structural exclusion, and has used its hegemonic power to ensure its reproduction in the post-Peace Accords era.

The embedded approach of social welfare analysis within Guatemala's development strategy should be applicable to future studies on welfare in other developing countries. Such wider applications of the approach could potentially contribute to reversing the residualisation of redistribution, welfare and social policies in developing countries. This would hopefully lead to enhanced welfare otherwise limited to only marginal improvements.

NOTES

¹ Throughout this paper, residualisation of social policy refers to on the one hand the diminished *role* of social policy in development theory and strategies, whereby since the 1980s it has been reduced to a minimal role of curing the most damaging effects of structural adjustment policies; and on the other hand the radical reduction of the *type* of social policy from efforts towards universal policies to selective and means-tested targeting of the few.

² In spite of the on-going debate on the continued relevance of ‘Washington Consensus’ as a discourse in today’s global political-economy, this paper argues that the neoliberal core of the discourse remains strong in the IGOs’ approach to social policy, and therefore remains an important and relevant object of research. See Held (2005; 2004); Jordan (2006); and Stiglitz (2005; 2003) for detailed discussions on the ‘Washington Consensus’.

³ Fougner (2006) argues that the constitution of states as such competitive and entrepreneurial entities, i.e. the commodification of states, has approximated a normative ideal in the hegemony of neoliberal ideology in global affairs in the 1990s.

⁴ Quite contrary to the discourse on ‘country competitiveness’ through minimal state intervention, OECD countries have been found to have done the direct opposite in their respective countries, by increasing social welfare systems, public sector employment, and taxation during the globalisation process (Navarro et al. 2004).

⁵ Mkandawire (2005: 17) finds that overall social policy has been universal in countries with enhanced welfare, with targeting as a mere instrument for making universalism more effective.

⁶ One instrumental explanation of this is found in Korpi and Palme’s (1998: 661-672) study on the paradox of redistribution which finds that the more we target benefits to the poor; the less likely we are to reduce poverty and inequality. This notion is based on the finding that the degree of redistribution finally depends on the size of the redistributive budget, and the greater the degree of low-income targeting, the smaller the redistributive budget tends to be.

⁷ Bourguignon (2004: 17) argues that a redistribution of capital to capital-poor and credit constrained people increases growth through the resulting growth in investments that could not be made in the absence of such a redistribution. Perry et. al (2006: 6) support this view in finding that the limited access to financial markets is essential to participation and contribution in the growth process, limiting growth through underinvestment.

⁸ That is, the limits used in the ENCOVI 2006 to classify poverty in terms of ‘Extreme Poverty’ and ‘Non-Extreme Poverty’, diverts only slightly from the traditional limits used in the international community, whereby ‘Absolute Poverty’ is measured as those living below US\$1.08/day and ‘Poverty’ is measured as those living below US\$2/day. If anything, INE’s classification could be argued to include more people in the respective categories as their limits are slightly higher (US\$0.06 higher for ‘Extreme Poverty’ compared to its counterpart ‘Absolute Poverty’, and US\$0.34 for ‘Non-Extreme Poverty’ compared to its counterpart ‘Poverty’ in the international community).

⁹ Guatemala ranks 136th out of 209 countries in the world in GDP per capita PPP, and 122 out of 209 countries in 2006 in GNI per capita (World Bank 2008).

¹⁰ Costa Rica recorded GDP per capita growth of 4.1 percent in 2005 and 4.9 percent in 2006; El Salvador recorded rates of 1.0 percent and 2.1 percent in 2005 and 2006 respectively; the rates recorded by Honduras were 1.6 percent and 3.2 percent respectively; and finally, Nicaragua recorded rates of 1.9 percent and 1.7 percent respectively (Banco de Guatemala 2007).

¹¹ This means that some 40 percent of Guatemalan children are being excluded from education, the majority of which work instead of going to school. This not only constitutes a violation of the universal right to education, as stipulated in UN’s Declaration of Universal Human Rights (Article 26), but it also excludes these children from obtaining an education which in adult life is a principal determinant of social welfare.

¹² Banco de Guatemala (2007) calculates that remittances have reached even higher than the figures above, to a record level of US\$3.6 billion in 2006 and US\$4.1 billion in 2007.

¹³ Analyses on the effects of remittances on inequality reveal mixed results. Adams (2004: 15) finds that inequality in terms of Gini remains fairly stable with receipts of domestic and international remittances. Others have found a positive impact on inequality. For instance, Fajnzylber & Lopez (2007: 29) estimate that inequality as measured by Gini in Guatemala would be approximately 2.9 percent higher in the absence of remittances. Similarly, Acosta et al. (2006: 980) calculate that Gini would have been 0.596 without remittances.

¹⁴ The 0.57 Gini score could be compared globally with Japan’s 0.25; Germany’s 0.28; India’s 0.33; France’s 0.33; UK 0.36; and China’s 0.46. Regionally, Costa Rica scores 0.46; El Salvador 0.52; Mexico 0.53; and Nicaragua 0.54. Among Latin American countries, generally characterized by high inequality rates, Guatemala’s uneven income distribution is in fact only surpassed by that recorded in Brazil (IDB 2004: 2).

¹⁵ The State budget in 2006 reached 13.6 percent of GDP, comparable to around 50 percent of GDP in OECD countries (e.g. Sweden’s State budget is 52 percent of GDP).

¹⁶ In 2006, Guatemala's social expenditure and investments reached 7.4 percent of GDP which is less than 50 percent the Central American average (Swedish Trade 2008).

¹⁷ Polanyi (1944: 60) finds that an economic system under the control of the market has enormous consequence to the organisation of society as a whole, as it means that societal organisation becomes an adjunct to the market. "Instead of economy being embedded in social relations, social relations are embedded in the economic system".

¹⁸ Polanyi (1944) argues that a countermovement to the laissez-a-faire movement that support the disembedding of the economy is bound to happen to prevent the disaster of a disembedded economy.

¹⁹ The failure to correct the unequal land distribution in the agreement was particularly devastating to the indigenous peoples as negotiation of the land issue in the Agreement on the Identity and Rights of Indigenous Peoples, signed already on March 31st 1995, was postponed in order to be dealt with in the Socio-Economic agreement.

²⁰ The implementation of the Peace Accords was dealt a major setback in the 1999 referendum where only 18.5 percent of the population participated and a total of 47 constitutional reforms stipulated in the accords were voted down.

²¹ The World Bank finances the strategy through Development Policy Loans (DPLs), provides significant analytical work, technical expertise and capacity-building. The analytical work and technical assistance include a Public Expenditure Review, a Country Fiduciary Assessment, and a Poverty Assessment (World Bank 2007: 1).

²² The term 'Marroquin Mafia' refers in this paper to the free-market, neoliberal and laissez-a-faire, intellectual elite of UFM that is largely the cradle of ideology for the Guatemalan business elite. Clearly, the term is associated with and based on the same logic as the description of the power and influence of the 'Chicago Boys' and the 'Berkely Mafia'. See Klein (2007) for an in-depth analysis on the role of the 'Chicago Boys' and the 'Berkely Mafia' in ideologically shaping and designing development strategies in developing countries.

²³ The elite has utilized coordinated power in CACIF's central role in Guatemalan policy-making. Founded in 1957, CACIF today includes more than 60,000 businessmen and employers, employing over 2 million Guatemalans (CACIF 2008). CACIF has constituted a primary channel through which the business elite has secured their interests in Guatemalan politics. The organisation is represented in various key governmental entities such as the Monetary Board, the IGSS, the National Commission on Salaries, and the Advisory on Urban and Rural Development. It participates in 27 state institutions and has been instrumental in blocking land reforms, and fiscal reforms such as taxation reforms. The organisation played a key role in shaping the Peace Accords and limited their ability to institutionalise a structural change in Guatemala's development strategy and growth path. Finally, CACIF has been successful in securing non-implementation of the accords by consecutive governments.

²⁴ See the Editorial in *El Observador* (2007: 36-37), issue No. 4 for a detailed overview of the holdings of each corporate conglomerate.

²⁵ Reported on UFM's Internet portal is Friedman's commentary on the university as "a first-rate university that is having a significant effect of the climate of opinion in Latin America".

²⁶ For instance, the historic overview of the Faculty of Social Sciences on UFM's Internet portal states that the department "does not negate the great influence of the Austrian school, primarily of Ludwig von Mises and Friedrich A. Hayek, in constituting the foundation of the contemporary neoliberalism with which we identify" (<http://escs.ufm.edu/interna.php?isbn=9>).

²⁷ For instance, the economics journal of the Department of Economics is called 'Laissez-a-faire'; Hayek and Friedman hold honorary degrees with large auditoriums bearing their names; the university library is called 'Biblioteca Ludwig von Mises' and all students in Social Sciences, regardless of the major of their choice, must take a course on the social philosophy of Hayek during their first year.

²⁸ The primary reason for this concurrence resides primarily in the time-specific compatibility between the main objective of the hegemonic elite and the development agenda of structural reforms that has dominated the IFIs in the last decades. While the business elite in Guatemala has explicitly implemented the reproduction of existing exclusionary development, the IFIs have implicitly accomplished the same in their pursuit of implementing their hegemonic development agenda. This concurrence is greatly responsible for the successful reproduction of existing structures in Guatemala through the framing of the country's development strategy.

²⁹ In October and December of 2000, IMF prepared draft legislation on Central Bank supervision in a joint project with the World Bank. In May of 2001, the IMF provided technical assistance on tax policy and tax administration. In February of 2002, it provided technical assistance on expenditure management. In September of 2004 and in March of 2005, it provided technical assistance on inflation targeting, and between January and March of 2005 it again provided technical assistance on expenditure management and tax administration (IMF 2005).

³⁰ Wood and Gough's theoretical framework of informal security and insecurity regimes comprises four components: the institutional conditions which include labour markets, state governance and position in global system; the institutional responsibility matrix which includes the domestic and supra-national providers of the

social welfare mix; the reproduction consequences which include inequality, exploitation and exclusion; and the welfare outcomes in terms of human development, needs satisfaction and subjective well-being (*ibid*: 1701).

³¹ Guatemalan tax revenues are well below those in countries like Honduras, Nicaragua, and Bolivia with revenues in excess of 20 percent of GDP, and even Paraguay with over 15 percent of GDP in tax revenues (ECLAC 2006).

³² Reported in Prensa Libre on 24th of May 2007.

³³ Article 27 of the Labour Code permits verbal contracts in agricultural work and temporary contracts of less than 60 days. Article 28 states that a written employment contract must be used in all other cases (Ministerio de Trabajo y Previsión Social de Guatemala 2008).

³⁴ The legislated minimum salary to be paid in all instances is set at Q47/day (US\$6.35/day) in agricultural industries and Q48.50/day (US\$6.55/day) in non-agricultural industries (Ministerio de Trabajo y Previsión Social de Guatemala 2008).

³⁵ The absence of overtime payment and the heavy non-compliance with Article 102 of the Guatemalan Constitution, which limits work to 8 hours per day and 48 hours per week, means that workers actually receive even less than the minimum wage which has been stipulated based on an 8-hour working day.

³⁶ These include the 'Aguinaldo' which is a month's salary Christmas bonus; 'Bono 14' which is an annual bonus equivalent to one month's salary; and an 'Incentive Bonus' of Q250 per month. Article 102 of the Constitution and Article 82 of the Labour Code also require indemnity to be paid to the worker in the event of his or her unfair dismissal, and Article 130 of the Labour Code requires by law vacations of 15 days paid annual leave (Ministerio de Trabajo y Previsión Social de Guatemala 2007).

³⁷ Articles 10 and 62 of the Labour Code recognize the rights to freedom of association and freedom to unionize, and expressly prohibit discrimination and dismissals.

³⁸ Reported in Prensa Libre on the 29th of April 2007.

BIBLIOGRAPHY

- Acosta, P. et al. (2006) 'Remittances and Development in Latin America', *The World Economy*, doi: 10.1111/j.
- Adams, R. H. (2004) *Remittances & Poverty in Guatemala*, World Bank Policy Research Working Paper, No. 3378.
- Adams, R. N. (2005) *Etnicidad e Igualdad en Guatemala*, 2002, CEPAL-SERIE Políticas Sociales, No. 107.
- Alejos, L.A. (2003) *Participación de los Determinantes de la Desigualdad de Ingresos*, Estudios Sociales No. 70, Instituto de Investigaciones Económicas y Sociales (IDIES), Universidad Rafael Landívar, Guatemala City.
- Alesina, A. & Perotti, R. (1996) 'Income Distribution, Market Size, and Industrialization', *The Quarterly Journal of Economics*, Vol. 104, No. 3.
- Alesina, A. & Rodrik, D. (1994) 'Distributive Politics and Economic Growth', *The Quarterly Journal of Economics*, Vol. 109, No. 2.
- Alwang, J. et al. (2005) 'Understanding the Drivers of Sustainable Rural Growth and Poverty Reduction in Guatemala', *En Breve*, IBRD, World Bank, No. 67
- ASIES (2005) *Análisis del Presupuesto General de Ingresos y Egresos del Estado Año 2006*, Asociación de Investigación y Estudios Sociales, Guatemala.
- Banco de Guatemala (2007) *Estudio de la Economía Nacional 2006*, Guatemala.
- Barrientos, A. (2004) 'Latin America: Towards a Liberal-Informal Welfare Regime' in ed. Wood & Gough et al. *Insecurity and Welfare Regimes in Asia, Africa and Latin America*, Cambridge University Press, Cambridge.
- Birdsall, N. & Londoño, J. L. (1997) *Asset Inequality Does Matter: Lessons from Latin America*, OCE Working Paper, Inter-American Development Bank.
- Bourguignon, F. (2004) *The Poverty-Growth-Inequality Triangle*, Paper presented at the

-
- Indian Council for International Economic Relations, New Delhi, February 4, 2004.
- CACIF (2008) <http://www.cacif.org.gt>.
- Carter, M.R. (2000) *Land Ownership Inequality and the Income Distribution of Economic Growth*, UNU / WIDER Working Papers No. 201, Helsinki.
- Conciliation Resources (2007) *Guatemalan Peace Accords 1996*, <http://www.c-r.org/our-work/accord/guatemala.php>.
- Cornia, A. C. & Court, J. (2001) *Inequality, Growth and Poverty in the Era of Liberalization and Globalization*, Policy Brief No. 4, UNU /WIDER.
- COVERCO & ILRF (2005) *Labour Conditions in the Guatemalan Sugar Industry*, International Labor Rights Fund.
- Dagdeviren, H. et al. (2001) *Redistribution Matters: Growth for Poverty Reduction*, Employment Paper 2001/10, ILO.
- Deacon, B. (2005) 'From Safety Nets Back to Universal Provision: Is the global tide turning', *Global Social Policy*, Vol. 5.
- (1997) *Global Social Policy*, SAGE Publications, London.
- Deininger, K. & Squire, L. (1998) 'New Ways of Looking at Old Issues: inequality and growth', *Journal of Development Economics*, Vol. 57.
- Easterly, W. (2002) *Inequality Does Cause Underdevelopment: New Evidence*, Working Paper No. 1, Center for Global Development.
- EC (2007) *Guatemala: Documento de Estrategia País 2007-2013*, E/2007/480, Brussels.
- ECLAC (2006) *Shaping the Future of Social Protection: Access, Financing and Solidarity*, 31st session of ECLAC, Montevideo, Uruguay, 20-24 March 2006.
- Edwards, J. (2002) *Education and Poverty in Guatemala*, Guatemala Poverty Assessment Program, Technical Paper No. 3, World Bank.
- Esping-Andersen, G. (1990) *Three Worlds of Welfare Capitalism*, Polity, Oxford.
- Fajnzylber, P. & López, J.H. (2007) *Close to Home: Development Impact of Remittances in Latin America*, World Bank, Washington, D.C.
- Fazio, M.V. (2007) *Economic Opportunities for Indigenous Peoples in Latin America and in Guatemala*, Paper presented at the conference Economic Opportunities for Indigenous Peoples in Latin America, Georgetown University, Washington, D.C. on February 9, 2007.
- Fougner, T. (2006) 'The State, International Competitiveness and Neoliberal Globalization: Is there a future beyond the 'Competition State'?', *Review of International Studies*, No. 32.
- Fuentes, R. (2005) *Poverty, Pro-Poor Growth and Simulated Inequality Reduction*, Background paper for the Human Development Report 2005, Human Development Report Office, UNDP.
- Fuentes, J.A. & Cabrera, M. (2006) 'Pacto Fiscal en Guatemala : lecciones de una negociación', *Revista de la CEPAL* 88, ECLAC.
- Garrett, G. (2004) 'Partisan Politics in the Global Economy' in Lechner, F.J. & Boli, J. eds. *The Globalization Reader*, Blackwell Publishing, Oxford.
- Gobierno de Guatemala (2004) *Vamos Guatemala! Unidos por un mejor país*, Programa de Reactivación Económica y Social 2004/2005, Plan de Gobierno 2004-2008, Guatemala.
- Goldín, L.R. (2005) 'Labor Ideologies in the international Factories of Rural Guatemala', *Latin American Perspectives*, Vol. 32, No. 59.
- Goodin, R.E. et al. (1999) *The Real Worlds of Welfare Capitalism*, Cambridge University Press, Cambridge.
- Gough, I. (2005) *European Welfare States: Explanations and Lessons for Developing Countries*, Paper presented at the Arusha Conference New Frontiers of Social Policy, December 12-15, 2005.

-
- Gough, I. & Wood, G. et al. (2004) *Insecurity and Welfare Regimes in Asia, Africa and Latin America*, Cambridge University Press, Cambridge.
- Grangolati, M. & Marini, A. (2003) *Health and Poverty in Guatemala*, World Bank Policy Research Working Paper 2966.
- Hall, A. & Midgley, J. (2004) *Social Policy for Development*, SAGE, London.
- Held, D. (2005) 'Globalization: The Dangers and the Answers' in Held et al. *Debating Globalization*, Polity Press, Cambridge.
- (2004) *Global Covenant: The Social Democratic Alternative to the Washington Consensus*, Polity Press, Cambridge.
- Hirst, P. & Thompson, G. (1996) *Globalisation in Question: The International Economy and the Possibilities of Governance*, Polity Press, Cambridge.
- IDB (2004) *IDB Country Strategy with Guatemala 2004-2007*, Inter-American Development Bank, Washington, D.C.
- IMF (2005) *Guatemala: Staff Report for the 2005 Article IV Consultation*, Country Report No. 05/362, International Monetary Fund, Washington D.C.
- INE (2007) *ENCOVI 2006 – Guatemalan Living Standard Measurement Study*, Instituto Nacional de Estadísticas, Guatemala.
- IOM (2005) *Survey on Remittances 2005 and Microenterprises*, Working Notebooks on Migration 21, International Organization for Migration, Guatemala.
- Jordan, B. (2006) *Social Policy for the Twenty-First Century*, Polity Press, Cambridge.
- Kakwani, N. et al. (2004) *Pro-poor Growth: Concepts and Measurements with Country Case Studies*, Working Paper No. 1, International Poverty Centre, UNDP.
- Klein, N. (2007) *The Shock Doctrine: The Rise of Disaster Capitalism*, Metropolitan Books, New York.
- Korpi, W. & Palme, J. (1998) 'The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality, and Poverty in the Western Countries', *American Sociological Review*, Vol. 63, No. 5.
- Krznicaric, R. (2005) *The Limits on Pro-Poor Agricultural Trade in Guatemala: Land, Labour and Political Power*, Background paper for the Human Development Report 2005, Human Development Report Office, UNDP.
- Lindert, P. H. (2004) *Growing Public: Social Spending and Economic Growth Since the Eighteenth Century*, Cambridge University Press, Cambridge.
- Lindert, P. H. et al. (2006) *Redistributing Income to the Poor and the Rich: Public Transfers in Latin America and the Caribbean*, SP Discussion Paper, No. 0605, World Bank.
- Londoño, J.L. & Székely, M. (1997) *Persistent Poverty and Excess Inequality: Latin America, 1970-1995*, Office of the Chief Economist Working Paper 357, IDB, Washington, D.C.
- Marques, J.S. (2003) *Social Safety Net Assessments from Central America: Cross-country review of principal findings*, Social Protection Discussion Paper Series No. 0316, World Bank, Washington, D.C.
- Mesa-Lago, C. (2007) 'The Extension of Healthcare Coverage and Protection in Relation to the Labour Market: Problems and policies in Latin America', *International Social Security Review*, Vol. 60, 1/2007.
- Milanovic, B. (2006) *Global Income Inequality: What It Is and Why It Matters*, World Bank Policy Research Working Paper, No. 3865.
- (2003) 'The Two Faces of Globalization: Against globalization as we know it', *World Development*, Vol. 31, No. 4.
- Ministerio de Finanzas Públicas (2007) 'Aspectos relevantes de la situación financiera de la Administración Central al 31 de diciembre de 2006', Guatemala.

-
- Ministerio de Trabajo y Previsión Social de Guatemala (2007) 'Código Laboral', <http://www.mintrabajo.gob.gt>.
- Mkandawire, T. (2005) *Targeting and Universalism in Poverty Reduction*, Social Policy and Development Programme Paper, No. 23, UNRISD.
- Navarro, V. et al. (2004) 'Is Globalisation Undermining the Welfare State?', *Cambridge Journal of Economics*, Vol. 28, No. 1.
- Ortiz, I. (2007) *Social Policy*, National Development Strategies Policy Notes, UNDESA.
- Perry et. al, G. (2006) *Poverty Reduction and Growth: Virtuous and Vicious Circles*, World Bank, Washington, D.C.
- Persson, T. & Tabellini, G. (1994) 'Is Inequality Harmful for Growth?', *The American Economic Review*, Vol. 84, No. 3.
- Polanyi, K. (1944) *The Great Transformation: The Political and Economic Origins of Our Time*, Beacon Press, Boston.
- Ravallion, M. (2005) *Inequality Is Bad for the Poor*, World Bank Policy Research Working Paper, No. 3677.
- (2004) *Pro-Poor Growth: A Primer*, World Bank Policy Research Working Paper, No. 3242.
- (1997) *Can High-Inequality Developing Countries Escape Absolute Poverty?*, World Bank Policy Research Working Paper, No. 1775.
- Rodrik, D. (2004) 'Has Globalization Gone Too Far?' in Lechner, F.J. & Boli, J. eds. *The Globalization Reader*, Blackwell Publishing, Oxford.
- (1998) *Where Did All the Growth Go? External Shocks, Social Conflict, and Growth Collapses*, John F. Kennedy School of Government, Harvard University.
- Romero, W. (2006) 'Los Costos de la Discriminación étnica en Guatemala' in *Diagnóstico del Racismo en Guatemala*, Vicepresidencia de la República de Guatemala, Guatemala.
- Sánchez, M.A. (2003) *Factores Socioeconómicos que condicionan el Logro Educativo*, Estudios Sociales No. 64, Instituto de Investigaciones Económicas y Sociales (IDIES), Universidad Rafael Landívar, Guatemala.
- Seekings, J. (2005) *Prospects for Basic Income in Developing Countries: A comparative analysis of welfare regimes in the south*, CSSR Working Paper No. 104, Centre for Social Science Research, University of Cape Town.
- Siegel, P.B. (2005) *Using an Asset-based Approach to Identify Drivers of Sustainable Rural Growth and Poverty Reduction in Central America: a conceptual framework*, World Bank Policy Research Working Paper 3475.
- Solis, F. & Solano, L. (2006) 'El bloque histórico y el bloque hegemónico en Guatemala', *El Observador*, Year 1, No. 3.
- Stiglitz, J. E. (2005) 'The Overselling of Globalization' in Weinstein, M. M. ed. *Globalization: What's New*, Columbia University Press, New York.
- (2003) *Globalization and Its Discontent*, W&W Norton & Company, New York
- Swedish Trade (2008) *Guatemala*, Landrapporter, Swedish Trade Council.
- Tesliuc, E.D. & Lindert, K. (2002) *Social Protection, Private Transfers, and Poverty*, Technical Paper No. 3, Guatemala Poverty Assessment Program, World Bank.
- UNDESA (2005) 'The Inequality Predicament – Report on the World Situation 2005', UNDESA.
- UNDP (2005) 'Diversidad étnico-cultural: La ciudadanía en un Estado plural', *Informe Nacional de Desarrollo Humano*, United Nations Development Programme, Guatemala,
- (2007) 'Human Development Index 2005: Guatemala', *Country Fact Sheets*, UNDP.
- UNRISD (2006) *Transformative Social Policy: Lessons from UNRISD Research*, Research and Policy Brief No. 5, United Nations Research Institute on Social Development.

-
- Vakis, R. (2003) *Guatemala: Livelihoods, Labour Markets and Rural Poverty*, Technical Paper No. 1, Guatemala Poverty Assessment Program, World Bank.
- Van Hoegen, M. (2000) *Tres Retos para la Inclusión en Guatemala: la inversión pública, la educación formal y la ocupación en el sector formal*, Estudios Sociales No. 64, Instituto de Investigaciones Económicas y Sociales (IDIES), Universidad Rafael Landívar, Guatemala.
- (1999) *Los Pobres explican la Pobreza: El Caso de Guatemala*, IDIES, Universidad Rafael Landívar, Guatemala.
- WHO (2007) *Guatemala: Estrategia de Cooperación 2006-2013; Resumen*, World Health Organization, www.who.int/countryfocus/cooperation-strategy/ccsbrief_gtm_es.pdf.
- Wood, G. & Gough, I. (2006) 'A Comparative Welfare Regime Approach to Global Social Policy', *World Development*, Vol. 34, No. 10.
- World Bank (2008) Data Statistics, <http://siteresources.worldbank.org/DATASTATISTICS/Resources/GNIPC.pdf>
- (2007) *IBRD Progress Report on the Country Assistance Strategy for the Republic of Guatemala*, Report No. 38552, Central American Country Management Unit, IBRD.
- (2003) 'Poverty in Guatemala', *Guatemala Poverty Assessment*, Report No. 24221-GU, Washington, D.C.
- Wright-Mills, C. (1956) *The Power Elite*, Oxford Press, Oxford.
- Yeates, N. (2001) *Globalization & Social Policy*, SAGE Publications, London.