

MEASURING THE INDIVIDUAL-LEVEL  
DETERMINANTS OF SOCIAL  
INSURANCE PREFERENCES

Survey Evidence from the 2008 Argentine  
Pension Nationalization

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*Abstract: This study employs an original, nationally representative survey of citizens in Argentina to understand the economic and political factors that shape individual-level preferences for social insurance. In the past two decades, Latin American democracies have undergone significant changes in their social welfare institutions, in some cases dramatically reversing course from previous policies. We develop a theoretical framework to explain how and when citizens shift their preferences for competing social policy proposals. We emphasize the role of dissatisfaction with prevailing policies in creating political opportunities for the introduction of sweeping reforms. Our survey capitalizes on the 2008 pension reform in Argentina to test competing hypotheses regarding preferences for different policies of old-age insurance. We find that stakeholder dissatisfaction increases individual-level support for policy reform across all citizens, whereas partisanship has a more restricted effect, shaping preferences only among middle- and low-income respondents.*

Old-age insurance, one of the most foundational social policy programs, has undergone striking transformations and reversals in recent years in Latin America (Mares and Carnes 2009; Mesa-Lago 2009b; Rofman, Fajnzylber, and Herrera 2008; Alonso and Di Costa 2011; Massa and Fernández Pastor 2007; Bertranou, Calvo, and Bertranou 2009). Argentina presents an extreme example of this process. In 1994, the nation joined the privatizing wave of the region by adopting a mixed private-public system. Yet in 2008, it reversed course and renationalized its pension funds. The first reform eventually enjoyed the support of all major stakeholders, including unionized workers and high-income individuals who preferred the non-redistributive nature of private pension savings. A decade later, those same stakeholders endorsed the second reform. What accounts for this change in preferences that allowed the nationalizing reform to pass with relative ease? More generally, how do individuals evaluate differences in contributory insurance programs and private social policies? What factors determine their preferences for proposed changes?

In this article, we show that individual stakeholders in private insurance are

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particularly sensitive to the performance of the funds to which they have contributed and that they will support change when their returns decline or when they face greater uncertainty. Because stakeholders' risk is not pooled, they bear all the costs of market losses individually; a shift to public social insurance promises to provide a predetermined return, guaranteed by the state, thus better protecting them in times of crisis. In the case of Argentina's pension nationalization, an increase in the volatility of returns to the private pension funds following the financial crisis of 2007 and 2008 led individuals who had contributed to the funds to turn against them. Thus, those individuals supported the proposal of President Cristina Fernández de Kirchner to nationalize the pension funds, thereby making the state the underwriter of future pension benefits.

We support this claim with two kinds of data. First, we provide qualitative evidence that Kirchner herself, and other politicians of the ruling Peronist party, sought to capitalize on widespread dissatisfaction of private fund contributors with the introduction of the reform measure. They saw the renationalization as an opportunity to broaden their political coalition, attracting the support of high-income Argentines, who were the most dissatisfied with the poor performance of the pension funds. Second, we directly test the preferences of individual citizens through an original survey. Ours is the first study (of which we are aware) to employ survey evidence to examine choices between competing social insurance programs. We find that, among pension-fund contributors, the degree of dissatisfaction with the performance of the private accounts is a strong predictor of support of nationalization.

This analysis differs from other studies that examine individual-level preferences for competing social policy programs, which typically compare universalistic programs with contributory programs (Cruz Saco and Mesa-Lago 1998; Goldberg and Lo Vuolo 2006) or examine variations in several key dimensions, including levels of coverage, redistribution, and other specific policy measures (Haggard and Kaufman 2008; Brooks 2009; Madrid 2003; Murillo 2001; Rudra 2008). In this article, we narrow our focus to consider a single, yet crucial, dimension of policy design: the choice between private and public insurance programs in a context in which the policy status quo is largely a private pension pillar. Both programs are forms of insurance that rely on the contributions of employed individuals and their employers to underwrite future retirement benefits, but with divergent mechanisms for investing contributions and achieving returns. We find that when market conditions make the private-fund returns volatile, contributors prefer to move to the security of public-administered (and implicitly, public-insured) funds.

Taking a preference-driven, microfoundational approach brings individual citizens front and center in the process of policy reform. It suggests that ordinary citizens (1) are capable of critically evaluating differences in policy design and performance, (2) will adapt their preferences on the basis of program performance, and (3) can thus open a space for reforming previously locked-in policies. At the same time, this approach provides a theoretical explanation for elite behavior in instituting reforms. Capitalizing on changes in individual-level preferences, astute politicians will try to engineer reform packages that appeal to a

new coalition of citizens made up of the newly dissatisfied and their core supporters. In the context of Argentina, the ruling Partido Justicialista (Justicialist Party, or PJ), and especially its Kirchner-led faction, Frente para la Victoria (Front for Victory, or FPV), capitalized on shifts in preferences to enact an otherwise controversial reform and to reconstitute its core political alliances, and opposition parties have modified their strategies in an effort to maintain support from higher-income constituents.

#### INDIVIDUAL-LEVEL PREFERENCE FORMATION REGARDING SOCIAL POLICY REFORM

How do individuals choose between competing social policy programs? How do they form preferences for different kinds of insurance, and when can those preferences lead to reversals or changes in opinion? Specifically, how can we explain the support that the Argentine pension nationalization enjoyed, just fourteen years after privatization met with the strong support of stakeholders in the long-standing public system? The initial support for the reform was overwhelming. *Latinobarómetro* reported 89.5 percent support for state control of pensions at the end of 2008. Even eight months later, at the time of the survey we report here, 51 percent of Argentines supported the nationalization, against only 21 percent who were opposed.<sup>1</sup>

The case of Argentina presents something of an ideal test case for asking these questions. The choice—both with privatization and with nationalization—was between competing insurance programs. Both are contributory programs; they are financed by contributions from individuals (and their employers) rather than by general tax revenues.<sup>2</sup> The private old-age insurance is effectively an individual savings program with “defined contributions”; benefits are tied to the returns made on private accounts. The private insurance involves no solidarism and no redistribution across individuals, occupations, or income categories. The public contributory old-age insurance, in contrast, is a “defined benefits” program, offering a guaranteed level of benefits for a given contribution history. Benefits are not tied to individual risks, and thus they effectively redistribute across risks and occupations and can favor lower-income groups.

Peronist president Carlos Menem introduced the privatizing reforms of 1994 as a solution to the looming bankruptcy of the chronically underfunded public pension system. The reforms established a mixed system, requiring individuals to participate in private pension funds (called *Administradoras de Fondos de Pensiones y Jubilaciones*, or *Administrators of Pension and Retirement Funds*, AFJPs), but allowing them the option to remain in the public contributory pillar (Berstein J. 1996). This reform gained the support of two critical groups in soci-

1. *Latinobarómetro* Corporation, “*Latinobarómetro/Latinobarometer Data Files*,” 2008, <http://www.latinobarometro.org/latino/LATDatos.jsp>.

2. However, over time, and especially since 2003, the state came to provide considerable financing to both programs in order to make up for insufficient savings and to ensure that individuals would have minimal pension benefits.

ety. First, unionized workers in the dominant Confederación General del Trabajo (General Confederation of Labor, or CGT) acquiesced after obtaining a number of concessions, including the preservation of the public system in the “mixed” arrangement, a double guarantee of pension funds in both dollars and pesos (as a hedge against inflation), and the right for unions to administer their own private pension funds (Murillo 2001). Second, high-income individuals, for whom the redistribution in the public social-insurance system resulted in net losses, supported the shift to private savings. Over the following nine years, the mixed system came to be dominated by its private component. By 2003, 84 percent of Argentines with pension savings were in the private funds, and their 9.5 million accounts held US\$30 billion.<sup>3</sup>

Another Peronist president, Néstor Kirchner, introduced changes that shifted the balance between the public and private models of old-age insurance in the other direction. In 2003, the minimum pension was nearly doubled, from 150 pesos to 350 pesos per month (Alonso and Di Costa 2011). In subsequent years, Kirchner radically expanded pension system coverage through the Plan de Inclusión Previsional (Plan for Social Security Inclusion). This scheme used a series of moratoriums (for individuals with incomplete contribution histories) to dramatically increase pension system coverage. Between 2005 and 2007, 1.7 million new affiliates were added to the system (Alonso and Di Costa 2011). Finally, in 2008, President Cristina Kirchner completed the cycle by renationalizing the private pension funds. In seizing all the assets of the private pension funds and transferring them to the state’s National Administration of Social Security (Administración Nacional de Seguro Social, or ANSES), she ended Argentina’s experiment with a mixed pension system.

Thus, Argentina’s shifts—from a public social security system until 1993 to a mixed (and eventually majority-private) system by the early 2000s and finally to a public system in 2008—provide a unique opportunity to study individual-level preferences regarding different pension insurance designs. Individuals had a meaningful experience in both systems and could form opinions over a protracted period of time, all in a context in which discussions of the pension system were regular and well publicized.

However, there are important reasons to exercise caution in imputing and interpreting preferences at the individual level, especially in a policy area that is as complex and difficult to understand as pensions. Individuals tend to be myopic and to frequently underestimate the need to save for retirement; they may simply be uninterested or unmotivated about pension programs. Alternatively, individuals may not understand the specific details of alternative pension proposals or lack adequate information from which to form opinions; for example, a recent reform in Chile revealed widespread ignorance about competing proposals and their comparative impact. In addition, individuals are hampered by the inherent uncertainty of future retirement benefits, which depend on one’s present and fu-

3. “Cristina’s Looking-Glass World: A Short-Sighted Plan to Nationalise Private-Pension Funds in Argentina,” *Economist*, October 23, 2008.

ture employment states, salary levels, savings, and returns in financial markets. Finally, even when individuals have developed an opinion about competing policies, they may not take the “costly” step of acting on that preference by changing their enrollment from one system to another.

Indeed, in the case of Argentina, all of these challenges to the formation of preferences are present. Perhaps the clearest sign of this lack of clarity about old-age insurance is that a large proportion of the population effectively opted out of both systems. Across the public and private systems, less than half of the labor force in September 2008 made regular contributions to social security (Kay 2009). Of those who were regular contributors, most were placed in their respective systems not by personal choice but by the design of the system, which considered them *indecisos* (undecided). Under the mixed plan, workers who did not explicitly register with the public pension system in the first months of their first job ever were assigned to an AFJP. And under the post-2007 Kirchner plans, workers who did not express a preference were assigned to the public system.

However, we contend that this passivity does not indicate a lack of preferences. Auguste and Urbiztondo (2007) argue that remaining *indeciso* (for new job-market entrants) had become a rational option. The government had shifted over time from its initial strategy of assigning undecided individuals to AFJPs according to market share to equal random assignment across AFJPs and then to assignment based on the lowest commission. Thus, over time individuals learned that the assignment process would likely evolve to work in their favor. Current pension contributors (and those who were behind on their contributions) learned to expect a similar pattern, as the governments of both Néstor and Cristina Kirchner undertook successive reforms to the system that favored nonswitching as much as switching (and gave even spotty contributors access to minimal pension benefits).

For these reasons, we believe that inertia among pension contributors in Argentina does not reflect a lack of information or of meaningful preferences. Rather, it indicates that, because switching pension programs was not likely to change perceived benefits in the short run (and indeed, the programs might be subject to further modifications), individuals rationally chose not to undertake the costly (in terms of time and effort) administrative process of switching. However, they could still form evaluations about the performance of the AFJPs and the competing policy proposals, and they were more likely to express their preferences through voting and public protests and manifestations (and in some cases, by remaining silent) than through switching programs.

In short, then, we believe that individuals can and do have preferences, and that even when they do not express those preferences in some form of costly action (e.g., registering for, or switching to, an alternative pension system), they are rational and can shape the political space in which reforms are undertaken. Moreover, politicians take this preference-based action into account when designing and reforming policies. Thus, we believe that the process of individual preference formation must be taken seriously. And we believe that the best way to test individuals’ preferences is with data, as we do here.

*Individual-Level Preference Formation*

We draw on several strands of recent research to formulate a series of four hypotheses concerning social policy preferences and their application to the case of Argentina. First, income levels can play a strong role in shaping preferences (Alesina and Giuliano 2009). Income has two principal effects: an increase in income raises demand for insurance but lowers demand for the redistributive components of a policy (either tax or eligibility rules that weaken the link between contributions and benefits for lower-income citizens). Therefore, we expect that income is positively associated with greater demand for private insurance funds. Private funds avoid redistribution and provide a level of insurance tailored to the individual's own risk profile and savings level (Mares 2003).

Second, labor-market status can have an important effect on how individuals view insurance options (Carnes in press; Häusermann 2010; Mares 2003; Estévez-Abe, Iversen, and Soskice 2001; Thelen 2001). Investments in skills specific to a particular firm or industry may increase the demand for insurance, as the losses incurred through unemployment may be greater for individuals with specific skills than for those individuals with more general skills (Iversen and Soskice 2001). Also, individuals who anticipate a greater likelihood of interruptions in their employment histories may prefer public social insurance, especially if it provides a guaranteed minimum benefit. However, in the case of Argentina, the social insurance system did not provide a greater minimum benefit, so we expect labor market status to have a more muted effect on preferences for the two alternatives.<sup>4</sup>

Third, partisanship can shape individual assessments of policy choices (Huber and Stephens 2001; Alesina and Giuliano 2009). We distinguish theoretically between what might be called "material" and "informational" effects of partisanship. First, partisanship can signal the possibility of material gains, as core supporters expect that their party will follow its traditional platform (and historical practice) of using the state to promote their material interests. In the case of the Peronists in Argentina, their core constituency includes low-income individuals and unionized workers (Mora y Araujo 2011); we anticipate that this constituency will support the contributory social insurance program, expecting that it will result in net transfers to them.

Partisan informational effects, however, emerge because policy trade-offs are often difficult to understand. Individuals with less information turn to partisan cues to form their opinions (Kam 2005). Partisanship can also increase the valence of policy appraisals if an individual associates the policy strongly with a preferred politician or party (Malhotra and Margalit 2010). Such informational effects should be greater for citizens with low information—perhaps those with

4. Importantly, after 2003, and especially between 2005 and 2007, a growing number of noncontributory social programs were introduced, including the Plan Trabajar; the Plan Jefas y Jefes de Hogar; and after the 2008 nationalization, the Asignación Universal por Hijo. However, these did not function as alternatives to the contributory pension programs during the period in question. For this reason, consideration of them remains beyond the scope of this article.

less education or lower income—who are more likely to rely on party speeches or contacts with party affiliates when assessing competing policies. Again, given the Peronists' ties to low-income voters and to union members, and their recent periods in control of the presidency, we expect that they will see the greatest informational effects among their partisans. This informational effect should be less pronounced for parties—such as the opposition Unión Cívica Radical (Radical Civic Union, or UCR) and Propuesta Republicana (Pro)—that consist primarily of high-income adherents, who have access to independent sources of information.

Finally, and most important, we argue that individuals' experience of existing policies, and the risk those policies entail, can shape their preferences for proposed alternatives (Brooks 2009). Individuals facing greater risk—of income or employment volatility; or of greater sensitivity to macroeconomic volatility, which could limit their ability to adequately make contributions to social insurance; or of injury—prefer contributory pension programs that pool risks broadly, thereby ensuring a guaranteed minimum pension for all even in the face of interrupted contribution histories (Mares 2003; Giuliano and Spilimbergo 2008; Mares and Carnes 2009). Those facing little risk prefer not to pool risk and thus prefer private savings as insurance. However, once invested in private pension funds, individuals are especially sensitive to fluctuations in the returns to the programs in which they have invested. Without risk pooling and redistribution, they must bear all the losses of market reversals individually. At the time of the 2008 nationalization in Argentina, losses were mounting in the stock market in general, and in the pension funds in particular. Dissatisfaction rose to an all-time high as investors decried the private funds' commissions and their significant losses. In the face of such volatility and losses, we expect that individuals—especially high- and middle-income individuals, who had been most invested in the private funds—shift their preferences away from private funds and toward public, contributory insurance.

#### *Parties Respond to Changing Individual-Level Preferences*

The reorientation of individual-level preferences can open up a policy space in which politicians modify their strategies. Differences in core constituencies heavily influence the strategy that politicians pursue. Parties whose core constituency includes low-income, formal-sector, and unionized workers find it easier to take advantage of widespread dissatisfaction with private pension funds by introducing (or expanding) public, contributory insurance programs. Such reforms meet the needs of these parties' core constituency (the low-income employed) while also co-opting support from dissatisfied high-income private-fund contributors. Thus, such parties reach out beyond their core constituency without incurring electoral costs. In the case of Argentina, the traditional Peronist base comprises low-income workers and independents (small business owners), as well as union members; in the period from 2003 forward, Néstor and Cristina Kirchner made concerted efforts to strengthen their ties to this base (Carnes in press; Mora y Araujo 2011). In the pension nationalization, they saw the opportunity to benefit these core supporters and to gain support from disaffected high-income individuals.

However, parties whose core constituency includes high-income individuals face a starker dilemma when confronting dissatisfaction with private funds. On the one hand, they know that their core constituency's long-term preference is for private funds, because these do not pool risk or involve redistribution. But they face short-term dissatisfaction from many of these high-income voters, as well as from many middle-income voters to whom they might ordinarily appeal to win elections. They must make a choice: either to stay true to their core voters, and perhaps abandon any possibility of electoral victory, or support reforms that will appeal to a broad social policy coalition. In Argentina, the two principal opposition parties diverged in their response to the proposed nationalization in 2008. The UCR made an initial overture to support reform (albeit with significant modifications), seeking to reach out to a broad coalition of dissatisfied pension contributors. The Pro, in contrast, remained loyal to its higher-income supporters and roundly rejected the nationalization proposal.

Thus, we contend that changing preferences based on dissatisfaction with the volatility of private funds played a crucial role in the recent reforms in Argentina. Although we do not claim that other factors—fiscal constraints, poor macroeconomic performance, and international pressures, for example—did not also shape the process, we hold that the emergence of an underlying coalition supportive of change created a political opportunity for the Kirchnerist Peronist faction to renationalize pension funds. The following two sections trace how changing preferences made possible this opportunity. We first examine the statements of public actors and leaders, and we then turn to a nationally representative survey carried out several months after the reforms.

#### THE RENATIONALIZATION OF ARGENTINE PENSIONS

The 2008 financial crisis served as a springboard for Argentina's policy makers to redesign the private pension pillar. Citizens had long complained about the high commissions that private pension funds charged, which had risen from roughly 30 percent to nearly 60 percent in the period following the 2001–2002 crisis.<sup>5</sup> And the sharp volatility and decline in the performance of private pension funds in 2007–2008 greatly increased popular dissatisfaction. Cristina Kirchner's administration capitalized on this massive political discontent to reinstitute a single, public pay-as-you-go system as the sole framework providing old-age benefits to Argentines.

The financial crisis that originated in the US market spread rapidly to Argentina (Auguste and Urbiztondo 2007). Private pension funds—with great exposure to the Argentine stock market—were strongly affected by this decline. In 2007, all Argentine private pension funds experienced negative returns.<sup>6</sup> During the fall of 2008, the AFJPs experienced their sharpest decline in history. The Superintendencia de AFJP (Superintendent of the AFJP, or SAFJP) reported a decline of

5. *Las promesas incumplidas del régimen de capitalización*, government report cited in *Clarín*, October 20, 2008.

6. "Cristina defendió la eliminación de las AFJP," *La Nación*, October 30, 2008.

8.2 billion pesos in the value of the portfolio held by AFJPs during the month of October 2008, an 8.7 percent loss in value.<sup>7</sup> In real terms, losses ran to 20 percent of savings for most AFJP holders.<sup>8</sup>

In an astute political move, President Cristina Kirchner attempted to capitalize on growing popular dissatisfaction with the performance of local and global financial actors. On October 21, 2008, the government announced its decision to renationalize all assets of Argentina's private pension funds and to transfer their administration to the hands of the state. At the time, the assets held by the AFJPs stood at 98 billion pesos, or US\$30 billion.<sup>9</sup> In defense of this unprecedented political decision, Kirchner argued, "The crisis demonstrates the vulnerability of the private savings faced with the ups and down of the market. The state must come forth to rescue the future private-pension-fund retirees."<sup>10</sup>

The government offered two justifications for the nationalization proposal. First, it suggested that the AFJPs had pursued highly speculative investments, thus squandering the savings of Argentines. Former president Néstor Kirchner initiated this political offensive, arguing that the draft bill would ensure that the private pension funds would "no longer steal the resources from the elderly nor . . . speculate with the money of our grandmothers."<sup>11</sup> Other members of the cabinet, such as ANSES president Amado Boudou, argued that the AFJPs had failed to increase coverage, provide higher benefits, reduce their high financial commissions, and contribute to a reduction in the levels of public social spending. Instead, he claimed that they had "used their resources to speculate in the stock market."<sup>12</sup>

The second argument the government invoked was that private pension funds failed to provide adequate retirement benefits. Since 2003, the government had attempted to address this problem of insufficient protection during retirement by providing a public supplement to those retirees whose private pension was smaller than the minimal level of benefits provided by the public pillar (Massa and Fernández Pastor 2007). According to government estimates, more than 75 percent of retirees in the private pension pillar received this fiscal subsidy from the state, and by 2007, this topping-up cost the public purse four billion pesos.<sup>13</sup> Government officials estimated that these state expenditures would only increase in the future. As a result, Boudou argued, the state had no other option but to close off the private pension pillar and take upon itself all retirement obligations.<sup>14</sup>

Representatives of Argentina's private pension funds countered both of these justifications for the state's seizure of their assets.<sup>15</sup> The historical performance of

7. Ibid.

8. "El Gobierno anunciará mañana la eliminación de las AFJP y la estatización de las jubilaciones," *Clarín*, October 20, 2008.

9. "Usarán el dinero para pagar la deuda," *La Nación*, October 21, 2008.

10. Mariano Obarrio, "La decisión lleva la marca de Kirchner," *La Nación*, October 24, 2008.

11. "Cristina defendió la eliminación de las AFJP," *La Nación*, October 30, 2008.

12. Mariano Obarrio, "La decisión lleva la marca de Kirchner," *La Nación*, October 24, 2008.

13. Ibid.

14. He further explained, "The state will retain the accumulated savings and the future contributions made by the current private-pension affiliates, and will invest them in a manner similar to the AFJPs" (ibid.).

15. Silvia Stang, "Asombro y silencio entre las AFJP," *La Nación*, October 21, 2008.

the funds had been positive, recent events notwithstanding, they noted. It was misleading, they further argued, to place the entire blame for low returns on private actors. Since 2001, successive Argentine governments had forced AFJPs to invest more than half of their assets in government bonds, which had lowered the returns on those investments.<sup>16</sup> The chairman of the association representing the private insurance industry (Unión de Administradoras de Fondos de Jubilación y Pensiones, or Administrators of Pension and Retirement Funds Union) also disputed the claim that the presence of the private pillar was likely to increase the future burden on the state. The future of individual contributions to the private pillar was unknown, he claimed, and thus, it was difficult to estimate the size of the future fiscal burden that the private pillar imposed on the state.

A broad array of political forces opposed to the Peronist incumbents joined private pension funds in their opposition to the nationalization proposal. These included political parties (especially UCR and Pro, as we discuss later) as well as a wide array of social actors, such as the Association of Argentine Employers. These opponents characterized the draft bill as a “confiscation,” “legalized theft,” and as a violation of the property rights of more than three million Argentines. They expressed concerns that the individual contributions of those Argentines who had chosen to contribute to private pension funds would be “diluted” in the new, solidaristic policy.

Opponents to the draft bill also questioned whether the assets of the private pension funds were secure in the hands of the state. Long histories of default by the Argentine state on its obligations to foreign creditors and to its own citizens provided no credible guarantees that it would honor future pension obligations. During the initial stages of the deliberation, government officials did little to assuage those worries. Policy makers closely linked to the presidency admitted their intention to use the funds to pay off debt. In informal statements, PJ officials did not rule out the possibility of the use of the assets for political purposes during the upcoming election year.<sup>17</sup>

The urgency with which the Kirchners attempted to engineer the passage of the legislation reinforced opponents’ suspicions. Just three days after President Cristina Kirchner’s announcement of her intention to renationalize the assets of the private pension funds, the government submitted the draft bill for the nationalization to the deliberations of a commission of the lower chamber of Congress (Comisión de Previsión y de Presupuesto, or Commission of Social Security and Budget). In private meetings with Peronist party leaders, Néstor Kirchner conveyed the desire of the president to minimize political negotiations and enact this version of the bill with no modifications—in his words, “without changing a comma.”<sup>18</sup> At the same time, during early stages of the deliberations, Néstor Kirchner rejected proposals to establish institutions that would limit the ability of the state to use the funds for current expenditures.<sup>19</sup>

16. “Usarán el dinero para pagar la deuda,” *La Nación*, October 21, 2008.

17. *Ibid.*

18. “Fuerte preocupación en el gobierno,” *La Nación*, October 23, 2008.

19. *Ibid.*

In the Chamber of Deputies—where 129 votes were needed to ensure the passage of the legislation—the government could rely on the support of 125 (predominantly Kirchnerist) deputies, and that of 55 additional deputies, if additional provisions limiting the ability of the state to use the funds for current expenditures were put in place. In the Senate, the Kirchnerist majority had disintegrated in July during a long debate over agricultural taxes, a debate the presidency lost by a single vote. The pension nationalization bill thus provided the Kirchners with an opportunity to reassemble and reinvigorate their legislative coalition.

Among societal actors, trade unions expressed the strongest support for this policy initiative. The CGT's secretary-general Hugo Moyano denounced the private pension pillar as a "legalized swindle" and expressed his organization's support for the proposal.<sup>20</sup> "The state is the only actor that can provide the worker with a guarantee in case of retirement," he asserted. For the CGT, this unambiguous rejection of private insurance represented a change in strategy that contrasted with its support of the 1994 reforms. Dissident unions, such as the Central de Trabajadores de la Argentina (Argentine Workers Central, or CTA), also supported the nationalization proposal but demanded additional institutional safeguards for the use of the seized assets.

Opposition parties, especially those allied with high-income groups, faced a dilemma, as their main constituents had suffered the greatest losses in the private funds' decline in value. The Pro vigorously opposed the proposal on principal. But the more centrist UCR chose not to reject the nationalization outright. Instead, it introduced an alternative proposal in the lower house in an effort to capture the votes of legislators who distrusted both private pension funds and incumbent politicians.<sup>21</sup> Their draft bill—drafted by Eduardo Santín, a social policy expert—proposed transferring the funds then held by the AFJPs to the state but limiting the discretion of incumbent politicians over those resources by placing fund oversight in the hands of the central bank. The bill also recommended a raise in the benefit replacement rate to 70 percent, and it protected voluntary contributions by not transferring them to the state.<sup>22</sup> By injecting these additional dimensions into the debate, the UCR leadership sought to protect the interests of their higher-income supporters (who were the most likely to have made voluntary contributions) and to reach out to lower-income citizens affiliated with the public pillar who were only weakly tied to the president and the Peronist party.

However, the UCR counterproposal did not gather additional supporters from the opposition; several felt that it failed to adequately protect the property rights of Argentines enrolled in the private pension pillar. With the opposition thus divided, PJ parliamentary leaders on the floor of the Chamber of Deputies were able to forge a majority that included some previously "undecided" Peronist politicians and deputies representing smaller political parties, offering them a series of amendments that implied greater constraints on the ability of the state to use the

20. "Moyano fue al Congreso y calificó al régimen privado de 'estafa legal,'" *Clarín*, October 30, 2008.

21. "La UCR va con proyecto propio," *Clarín*, October 29, 2008.

22. "Los radicales hacen su juego," *Clarín*, October 29, 2008.

expropriated funds (including the “triple safety belt” demanded by Vice President Julio Cobos.<sup>23</sup> The resulting legislation included a provision to place all assets of the private pension funds in a reserve fund (*fondo de garantía*) and to establish additional institutions, including a commission to oversee the use of these financial resources (Mesa-Lago 2009a).<sup>24</sup> It also restricted the range of financial instruments that could serve as investments for the pension funds. Both the UCR and Pro ended up opposing the bill, but they could not prevent its passage.<sup>25</sup> Deliberations in the Senate remained a rhetorical exercise alone and introduced no additional modifications to the bill that had been adopted in the Chamber of Deputies.

The nationalization law passed the Senate on November 20, 2008, with forty-six votes in favor and eighteen against, and it entered into force on January 1, 2009, thereby ending Argentina’s fourteen-year interlude with private pension funds. The law established a unified retirement system for all retirees. It made a guarantee of “equal or better benefits than those that [pensioners] were entitled to” under the private system and prior to the reform (Mesa-Lago 2009a). In the nationalization, a distinction was made between workers’ mandatory contributions to their AFJPs and any other voluntary amount they had chosen to save above the mandatory minimum. Assets from mandatory contributions were transferred to ANSES, to be used to underwrite the benefits described previously, with shortfalls being compensated by the pay-as-you-go structure of the social insurance system. Voluntary contributions were held in escrow by ANSES until January 2010, when a judge ruled that they belonged to individual account holders, who were given the right to keep them under ANSES management or transfer them to an AFJP (US Social Security Administration 2010). Thus, investors in the private funds knew that they would receive the same benefits as their non-AFJP, public-pension counterparts; the only additional benefit they could expect would come from their voluntary contributions (whose legal status remained in limbo for more than a year after the nationalization).<sup>26</sup>

In summary, the Argentine pension nationalization in 2008 stands as a striking reversal in a politically sensitive social policy area. The considerable public approval it received is even more remarkable, given that much of the literature on social policy predicts “immobilism” and resistance to reform by groups entitled to existing benefits (Pierson 2001). Both the Kirchners and the opposition sought to capitalize on the changed perception of the private pension funds; the plummeting popularity of the AFJPs provided an opportunity for a sweeping policy change that would have been unthinkable just a few years earlier. However, our account thus far has concentrated on elite actors and partisan calculations; it has not explicitly tested the preferences of individual Argentine citizens. In the next section, we turn to survey evidence of individual-level evaluations of

23. “Cobos da un apoyo con condiciones,” *La Nación*, October 22, 2008.

24. These were, in fact, only minor concessions on institutional design, as the president retained the right to make appointments to the commission.

25. “Cobos da un apoyo con condiciones,” *La Nación*, October 22, 2008.

26. There were approximately 325,000 individuals with voluntary accounts, but most held fewer than 1000 pesos (US\$260), thus making the additional increment in monthly take-home benefits very small (US Social Security Administration 2010).

the pension nationalization. That evidence reveals that the UCR opposition was not misguided in initially supporting nationalization. Argentines who had made contributions to the AFJPs were highly sensitive to the funds' volatility and had become severely dissatisfied with them. Hence, the opposition parties (and dissident, non-Kirchnerist Peronists) had to espouse reform so as to not lose voters.

#### EXAMINING INDIVIDUAL-LEVEL PREFERENCES FOR SOCIAL POLICY

The October 2008 nationalization provides an excellent opportunity to test hypotheses about the determinants of individual preferences for different kinds of old-age insurance. Although announced suddenly by the government of Cristina Fernández de Kirchner, the nationalization actually followed a long period of discussion and reflection on the country's mixed pension system. In the two years before the nationalization, a series of moratoriums and disaffiliation provisions permitted shifts into the state-run pension system and greatly increased coverage. And the AFJPs' poor performance was widely covered in the news. Thus, in the lead-up to the nationalization, individuals had ample opportunities to form their preferences between the private and public pension systems. Further, the case of Argentina is one of the few in which individuals had a meaningful experience of both kinds of systems, and thus we expect them to have more informed preferences for the complex parameters of each kind of program than do individuals in other countries.

We deployed a study questionnaire as part of an omnibus survey carried out by IPSOS Mora y Araujo, one of most respected public-opinion firms in Argentina. The survey was placed in the field on August 11, 2009, and involved 1,200 interview subjects between the ages of eighteen and seventy, from all socioeconomic levels and geographically distributed among Argentina's cities in the following manner: 550 cases in the city of Buenos Aires and in the metropolitan area of Gran Buenos Aires; 125 cases each in Rosario and Córdoba; 110 cases each in Mendoza and Tucumán; 100 cases in Mar del Plata; and 80 cases in Neuquén. Because the survey timing was not immediately after the passage of the nationalization law, the preferences that respondents expressed are less likely to be affected by the media coverage and political posturing in the initial moments of the reform.

However, the survey did come just weeks after midterm elections, which were held on June 28, 2009. These elections were widely considered a referendum on Cristina Kirchner's government and on the political aspirations of her husband, former president Néstor Kirchner. The Peronist party splintered among several rival factions, with the Kirchner-led FPV experiencing serious losses in both houses of Congress.<sup>27</sup> Thus, results in our survey are likely to reflect the partisan divisions of the election, and respondents are likely to be heavily influenced by their support or opposition to the leadership of the Kirchners.

Our principal dependent variable derives from the question "Recently, the AFJP private pension funds were nationalized. Do you approve or disapprove of this

27. Rory Carroll, "Argentina's Kirchners Lose Political Ground in Mid-Term Elections." *Guardian*, June 29, 2009.

measure?<sup>28</sup> Respondents answered on a five-point Likert scale, with additional options to respond “don’t know” or “no opinion”; we subsequently normalized the responses to run from -1 to 1, with neutral and nonresponses coded as 0.<sup>29</sup>

### *Hypotheses*

Our analysis tests our key hypotheses regarding the formation of preferences for public and private old-age insurance programs. First, as outlined already, we expect individuals’ experience of the existing system to heavily influence their preferences regarding the design of pension programs. Thus, we asked a question about respondents’ degree of satisfaction with their AFJP. Over the twelve months prior to the nationalization, the funds had experienced serious losses in their value, thus providing individuals with significant time and information to form preferences. We expect that individuals who were dissatisfied with their AFJP are more likely to approve of the reform, whereas those with positive assessments of their AFJP are more likely to express greater disapproval of the pension nationalization.

Second, we examine the impact of socioeconomic status, expecting that it functions as a significant determinant of preferences for pension finance and program design, and thus of evaluations of the nationalization of pensions. Wealthier individuals benefit if risk is not pooled and if insurance is not redistributive; thus, in principal, they prefer private insurance funds. Middle- and low-income individuals, in contrast, are more likely to have interrupted employment histories, and so they may find their accumulated savings insufficient under the AFJP system. Thus, we expect them to have a favorable evaluation of the pension nationalization. In addition, they may expect the reform to result in a net transfer away from the rich toward them, as a result of the pooling of contributions. In keeping with the historical practice of IPSOS omnibus surveys (Franco et al. 2007), the survey defines three socioeconomic categories of respondents on the basis of three factors: educational attainment of the main breadwinner in the family, the occupation of the breadwinner, and major material possessions of the household. We label these categories as “high income,” “middle income,” and “low income” in the analyses that follow, but it is important to remember that they implicitly capture educational level and occupation as well.

Third, we test for the effects of partisanship. Rather than ask about party affiliation—a complicated matter, given Argentina’s weak party institutions and constantly changing array of opposition Peronist groupings and provincial-level parties—we ask directly about voting in the recent legislative elections.<sup>30</sup> Respondents were free to respond spontaneously, and we subsequently compiled the parties

28. The question read as follows: “Recientemente, se estatizaron las AFJP, los fondos privados de pensiones. ¿Está usted de acuerdo o desacuerdo con esta decisión?”

29. We coded “muy de acuerdo” as 1, “de acuerdo” as 0.5, “en desacuerdo” as -0.5 and “muy en desacuerdo” as -1. Alternative specifications, using a dichotomous dependent variable, did not substantively change the results reported here.

30. The question read “¿Por qué partido votó usted en las últimas elecciones legislativas?”

named.<sup>31</sup> We focus our analysis on the four parties that received the most support from our sample, two from the Peronist bloc (PJ and FJV) and two from the opposition (URC and Pro).<sup>32</sup> Our expectation is that partisanship forms preferences through both informational and material mechanisms. The choice to vote for a party is taken to imply some information (albeit imperfect) about the party's policy positions. Thus, Peronist (especially pro-Kirchner voters) may have gained information from party campaign materials or speeches that led them to support the nationalization; conversely, opposition voters may have formed their opinions based on information their parties provided. In addition, partisan voting can suggest material consequences, as parties typically deliver benefits to their core constituencies.<sup>33</sup>

Importantly, only 32 percent of our respondents had an experience of the AFJP funds on which to base their preferences.<sup>34</sup> In the preliminary analysis that follows, we therefore choose to divide the responses into two groups: those who had been in an AFJP (and thus could have an evaluation of it) and those who did not. We expect that AFJP participants will evaluate the nationalization primarily on the basis of their degree of satisfaction with their AFJP and will accord less importance to partisanship; however, we expect that those respondents who did not participate in the AFJPs are more likely to rely on partisanship in evaluating the pension nationalization.

### *Results*

Table 1 presents a summary of responses regarding the nationalization of the AFJP pension funds. As table 1 shows, across the whole sample, approval was expressed by more than double the number of disapproving respondents. Fifty-one percent reported a positive appraisal of nationalization, and only 21 percent report a negative assessment. The neutral and not sure and/or no response (NS/NR) categories each comprised 14 percent of responses.

When we examine only AFJP participants, we find that overall support for the nationalization falls to 39 percent, and disapproval rises to 25 percent. However, the difference in support is still substantial (fourteen percentage points), and the number of neutral responses exceeds the number of negative ones. The striking difference in evaluation emerges once we consider levels of satisfaction with AFJP per-

31. Respondents were also allowed to respond that they had voted with a blank ballot, mutilated their ballot, did not vote, or could not remember or did not know how they had voted.

32. The *Coalición Cívica* (Civic Coalition, or CC) performed remarkably well in the 2009 elections but garnered the support of only 6 percent of respondents in our survey. Because we do not have theoretical predictions about how CC partisanship will affect evaluations of the nationalization, we omit it from the models we present here. However, we included it in additional tests (not reported here), and although its coefficient had a negative sign, it never approached conventional levels of statistical significance.

33. It may be objected that partisanship conditions evaluations of AFJP performance as well, thus making AFJP satisfaction endogenous to partisanship. To test for this effect, we examined the correlation between partisanship and AFJP satisfaction, and found the results to be extremely low (the closest correlation is for FPV at  $-0.095$ , and all others are less than 0.05).

34. Sixty-five percent of respondents claimed that they had not participated in the AFJPs, whereas another 5 percent responded that they did not know whether they had participated or not.

Table 1 Opinion of the nationalization of the AFJPs (percentages)

Response	All respondents	All AFJP participants	AFJP participants, by satisfaction level			
			Positive	Negative	Neutral	Not sure/no response
Positive	51	39	42	81	51	37
Negative	21	25	46	10	21	23
Neutral	14	31	11	6	21	3
Not sure/ no response	14	5	1	4	7	37

Source: IPSOS–Mora y Araujo survey conducted in August 2009.

formance. For individuals who were happy with their fund's performance, opinion is nearly evenly divided between support and disapproval of the nationalization, with disapproval narrowly predominating (46 percent to 42 percent). In contrast, for AFJP participants who were unhappy with their fund's performance, an overwhelming 81 percent expressed approval of the nationalization. Only 10 percent of these respondents opposed the measure. Even the neutral and NS/NR reporters (in terms of AFJP satisfaction) also expressed strong support for the nationalization; the NS/NR approval level of 37 percent far outstrips disapproval, at 23 percent.

Table 2 models the effects of existing policy satisfaction and partisanship on individual evaluations of the pension nationalization.<sup>35</sup> As model 1 shows, all the variables behave as we expected. First, respondents' satisfaction with their AFJP is negatively correlated with approval of the pension nationalization, and the effect is highly statistically significant; more dissatisfied respondents were more likely to support the measure. However, merely being in an AFJP has no statistically significant effect on approval. This suggests that opinions about nationalization are based on the evaluation of AFJP fund performance and not simply on having the state seize one's assets.

Next, partisanship for both lower- and middle-income affiliated parties—the PJ and FPV—is significantly, positively correlated with support for the nationalization measure. Supporters of Cristina Kirchner and of her party were more likely to support the reform. Finally, affiliation with the opposition parties is negatively correlated with approval of the nationalization, as our theoretical framework predicted, but does not achieve statistical significance. Only the coefficient for Pro comes close to conventional levels of statistical significance (at the 10 percent level), perhaps because the Pro chose to oppose the reform more stridently.

Model 2 adds a set of demographic controls, including gender, age, and education level. Of these, only gender reaches the 10 percent level of statistical significance. Its negative effect suggests that women were more likely to oppose nationalization. This is surprising, because they are also more likely to have interrupted

35. For ease of presentation and interpretation, we use ordinary-least-squares analysis, but the results from alternative models using both probit and ordered probit produced similar results.

Table 2 Dependent variable: Approval of nationalization of AFJPs

Variables	Model 1	Model 2
AFJP satisfaction	-0.384*** (0.0598)	-0.373*** (0.0600)
AFJP member	-0.00658 (0.0383)	-0.0137 (0.0390)
PJ	0.160** (0.0654)	0.139** (0.0658)
FPV	0.277*** (0.0512)	0.257*** (0.0516)
UCR	-0.0271 (0.0681)	-0.0349 (0.0682)
Pro	-0.0971* (0.0562)	-0.0965* (0.0562)
Female		-0.0719* (0.0370)
Age		0.00898 (0.0180)
Primary education		0.0704 (0.0760)
Secondary education		0.0180 (0.0768)
College		-0.0554 (0.0849)
Constant	0.208*** (0.0282)	0.203** (0.0879)
Observations	992	992
R <sup>2</sup>	0.087	0.096

Note: Ordinary-least-squares standard errors are in parentheses.

\* $p < .10$ ; \*\* $p < .05$ ; \*\*\* $p < .01$ .

employment histories. However, the effect is sensitive to model specification, so we dropped it from subsequent analyses.

In table 3, we categorized respondents into three groups based on their socioeconomic status.<sup>36</sup> As models 3–5 show, dissatisfaction with one's AFJP is strongly associated with approval of nationalization among all respondents; the result is statistically significant for all three socioeconomic levels.

Partisanship, in contrast, does not have any distinguishable effect for high-income individuals. In model 3, rich individuals base their opinions of nationalization only on evaluation of their fund; partisanship—and the information that it carries—does not sway their opinion. In contrast, models 4 and 5 show that partisan alliances influence middle- and low-income respondents: the coef-

36. In additional analyses, we included control variables for educational attainment, gender, and age; these never consistently reached conventional levels of statistical significance, nor did they change the substantive findings in table 3.

Table 3 Models based on subsets by socioeconomic status: Dependent variable, approval of nationalization of AFJPs

Variables	Model 3	Model 4	Model 5
	High income	Middle income	Low income
AFJP satisfaction	-0.411** (0.197)	-0.426*** (0.0888)	-0.317*** (0.0934)
AFJP member	-0.0113 (0.148)	0.0377 (0.0586)	-0.0364 (0.0562)
PJ	-0.0558 (0.434)	0.201* (0.110)	0.118 (0.0832)
FPV	0.250 (0.234)	0.335*** (0.0855)	0.219*** (0.0672)
UCR	-0.00374 (0.220)	0.0660 (0.106)	-0.113 (0.0984)
PRO	-0.165 (0.197)	-0.0558 (0.0929)	-0.130* (0.0761)
Constant	0.164 (0.111)	0.143*** (0.0447)	0.269*** (0.0389)
Observations	74	416	502
R <sup>2</sup>	0.106	0.108	0.069

Note: Ordinary-least-squares standard errors are in parentheses.

\* $p < .10$ ; \*\* $p < .05$ ; \*\*\* $p < .01$ .

ficient for the Kirchner-allied FPV exhibits a positive and statistically significant effect in both cases. These groups may be particularly responsive to the material and informational cues of partisanship we have highlighted earlier. First, they anticipate higher redistribution in their favor, as the reform seized the assets of (primarily) higher-income Argentines and promised an opportunity for redistribution. Second, being in a middle- or low-income position may also be a proxy for having less information about the policies. Given the complexity of any social policy reform, middle- and low-income individuals may choose to side with their preferred party if in doubt.<sup>37</sup> And it is not surprising that the FPV was the most successful in using this information mechanism, given its incumbent status and access to state resources in touting the benefits of the reform. Interestingly, middle-income respondents may also have been responding to the PJ (its coefficient is positive and nearly significant, at the 10 percent level). This fits well with the long-standing ties between organized labor, which makes up much of the middle-income sector in Argentina, and the PJ.

The opposition parties—UCR and Pro—do not have statistically significant

37. Low-income respondents were twice as likely to report NS/NR when asked their opinion of the nationalization (19 percent as compared to 10 percent for middle-income and 9 percent for high-income individuals), which provides at least some support for our claim that low-income respondents had less information (or felt that they had less information) in formulating their opinion.

effects, although their coefficients in general are negative, as we expected. Only lower-income individuals allied with the Pro—who made up 19 percent of low-income respondents—come close to displaying a significant effect (again, at only the 10 percent significance level). The lack of significance for the opposition parties may reflect their ambivalence on the issue of nationalization. As we saw earlier, their policy positions evolved over time, thus reducing their ability to provide their partisans with a clear informational message.

To summarize, this analysis has shown that for individuals who had participated in the AFJPs, their approval of the nationalization varies inversely with their level of satisfaction. Increased discontent with the AFJPs' performance led to greater support of the reform, thus providing a political opportunity for nationalization. Importantly, this effect holds across income levels and persists despite independent effects of partisanship (particularly with the FPV) for both middle- and low-income respondents. Stakeholder experiences in private pensions thus matter in shaping individual opinions regarding policy reforms.

#### CONCLUSION

This article has examined an understudied aspect of social policy reform. Although much attention has been paid to how macroeconomic constraints and partisanship shape program design and change, and alternatively to contrasts between contributory and noncontributory policies, we have focused on the individual-level preferences that underlie choices among competing forms of old-age insurance. We argue that stakeholders in private insurance programs are particularly sensitive to fund volatility. Bearing risks individually, they face the greatest losses to future welfare when markets decline. During crises, their dissatisfaction with poor private-fund performance can create a political opening for policy change. Indeed, their shifting preferences have the potential to reshape and reconstitute governing coalitions.

We have tested our claims about preferences by examining the 2008 pension nationalization in Argentina. We observed political appeals by the government of Cristina Kirchner through the lens of the dissatisfaction of private pension holders. This message resonated not only with her party's traditional base voters, drawn from middle- and lower-income groups, but also with higher-income individuals, who were the most heavily invested in—and sensitive to the fluctuations of—the private funds. This created, at least temporarily, the possibility of a coalition between non-Peronist high-income pension holders and traditional Peronist voters. Opposition parties were therefore forced to consider a positive position toward the nationalization, as they could not depend on the support of their base of better-off insiders in resisting change.

In our survey results, we found that respondents who had been invested in the private insurance funds formed their opinions on the renationalization based on their satisfaction with their funds' performance. This effect was particularly strong among the high-income group, which did not display any significant responsiveness to partisanship; in other words, they were less likely to swing between parties, responding only to their appraisal of fund performance. In contrast,

partisanship exerted a separate, independent effect for middle- and low-income private-fund holders but did not wash out the importance of experience in shaping preferences. Across the sample, individuals displayed performance-driven preferences regarding the nationalization.

We contend that taking a preference-driven, microfoundational approach is a significant enhancement to existing political science perspectives on social policy reform (Carnes and Mares 2007; Mares and Carnes 2009). It makes clear that even reforms that seem elite driven can emerge through a political opportunity opened up by changes in individual-level preferences. Further, this approach helps move beyond theoretical accounts in which policy is frozen as a result of resistance from policy beneficiaries. In this case, it was precisely the private-fund holders who were most dissatisfied and proved crucial to the passage of the reform. By examining preferences as they change on the basis of program performance, we can better explain how reforms have occurred. We see that politicians pursued reforms not simply because they fit with the politicians' ideological preferences but also because they offered the opportunity to add dissatisfied nonpartisans to their coalition.

One of the challenges of preference-driven accounts is collecting data that can adequately test their relevance. We employed original survey data to test our hypotheses and examined a particularly salient policy reform—Argentina's pension nationalization in 2008. Further research should examine other cases across time and countries to ensure that the Argentine case is not idiosyncratic. In addition, the mechanisms we have suggested to be at work need to be tested more explicitly. We asked only about satisfaction with the AFJPs; a battery of questions about individuals' savings gains or losses would allow testing of additional hypotheses. Alternatively, we have suggested that individuals assess the likelihood that they will transition among employment states. This mechanism ought to be explored directly through questions on both employment and history of participation in social policy, as well as questions that directly address respondents' assessment of their future contribution and benefit trajectory.

In the 1980s and 1990s, it seemed that social policy reform was headed in a single direction—toward privatization—and that invested fund contributors would become a powerful force bolstering the private system against additional change. However, the period from 2000 to the present has seen considerable movement in the opposite direction, with pressures for the return or expansion of state-run social policy programs. Private insurance stakeholders are crucial to understanding the political story of reform, as they are the crucial addition to a coalition promoting change. Dissatisfaction and vulnerability realign those stakeholders' preferences. To detect these changes, we must reorient our inquiry toward paying greater attention to individual-level preferences, just as evolving political parties already seem to be doing.

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