BOOK REVIEW

'Evaluation of Four Decades of Pension Privatization in Latin America, 1980–2020: Promises and Reality'

By Carmelo Mesa-Lago

Rafael Rofman*

Director of Social Protection Program, CIPPEC, Argentina
*Corresponding author. Email: rafaelrofman@gmail.com

(First published online 26 May 2021)

This is, as the note about the author mentions, the ninety-fourth book that Carmelo Mesa-Lago has published, most of them on social security issues. From his groundbreaking 'Social Security in Latin America: Pressure Groups, Stratification and Inequality' published 43 years ago, Professor Mesa-Lago has been an unavoidable reference in any analysis of social security policies in Latin America and beyond. This background, by itself, should be enough to motivate interest on his most recent publication. However, the book deserves attention on itself. Mesa-Lago brings the spotlight to a debate that is very relevant for those interested in Latin America's history of social security and social protection in the last four decades, as well as of those who are trying to understand what should be expected from these policies in the future and what can we do about it.

The book mostly focuses on a topic that has been discussed at length in recent years: whether the 'structural reforms' introduced to pension systems in several Latin American countries since the 1980s can be considered successful or failures. To achieve this objective, Mesa-Lago looks at three different aspects: the policy-making process, the performance on five dimensions as compared with the 'promises' of those who promoted the reforms, and the performance of some of the systems after a re-reform was implemented.

On the first aspect (the policy-making process), Mesa-Lago points out that some of the reforms (particularly, the earlier ones in Chile and Peru) were implemented by authoritarian or dictatorial governments, with little or no space to discuss them. Also, in some of the more democratic countries the political process that resulted in the approval of the reform was far from being open and transparent. His main (and very strong) point on this topic is straightforward: while there are no guarantees; open, participatory discussion and transparent democratic approval should be a requisite to make structural changes to policies and institutions that are supposed to last for decades and provide income security to generations to come. In their absence, the risk of making poor technical choices is higher (as there are less instances of assessment of the proposed changes) but also policy choices with large impacts are taken without participation and commitment of those that will be affected.

The second aspects discussed in the book (the performance of the reformed systems) is more difficult but also the most interesting one. As Mesa-Lago correctly mentions several times in the document, data availability, quality and comparability are problematic in several countries, making this a challenging task. Moreover, there is one aspect that Mesa-Lago does not bring up but is even more challenging: defining a proper counterfactual to the reforms. As in any policy impacts assessment, the analysis requires a scenario to be compared with the actual results. The book is silent on this discussion, and Mesa-Lago opts to compare the systems' performance to the predictions made by those promoting these reforms before their approval. While this approach seems appropriate to judge policymakers, it is not obvious that is also appropriate to judge the system's performance. After all, if a car seller promises me that the car I am buying will consume less than 1 liter of gasoline per 100

kilometers and then I find out that my car is consuming 3 liters per 100 kilometers, I should denounce the seller as dishonest, but still be happy that my car consumes one third of what other cars available in the market would. In this sense, the discussion on performance of the pension systems reformed in the 1980s and 1990s seems to be more focused on whether those who promoted them were right than on whether the systems performed better or worse that they would have without the reforms. Unfortunately, the car example is hard to translate to public policy debates, as counterfactuals are not so straightforward, but we should still try to build some plausible scenarios (what would have been the coverage, sufficiency, sustainability, etcetera if no reform had been implemented or if a different type of reform had been approved?) to inform this debate.

The book makes a good work documenting and systematizing what it calls the 'e-reforms', which include a wide range of reforms implemented mostly in the 2000s, focused on expanding coverage and the role of the State in systems' management. As before, this is a challenging task, as some of these reforms resulted from a debate and approval of a single piece of legislation in a transparent process, but others were quite muddy, with multiple steps (some of them contradictory) and very limited public discussions. As examples of these extremes, the 2008 reform in Chile appears to be on the orderly and transparent side, while the process of moving back to a pay-as-you-go regime in Argentina took several years, multiple laws and decrees, several one-time exceptions that were then extended for more than 15 years, and the proliferation of exceptional regimes that exclude workers and beneficiaries from the supposedly unified national system. Mesa-Lago makes a successful effort to present the main aspects of these reforms in a concise and clear way that is very helpful for readers that cannot follow the step-by-step process in each country.

The final section of the book presents recommendations on 17 areas of social security policies (including institutional aspects such as transparency, policy-making processes and supervision strategies, as well as performance aspects, such as coverage, adequacy, efficiency, or equity). On those, Mesa-Lago offers what we should expect from somebody with his knowledge and experience: focusing on specific problems and challenges he poses common sense, feasible recommendations to chart policy strategies. Instead of revolving around large ideological principles or Reforms versus Counter-Reforms with a capital R, this section provides very useful guidance and will be certainly appreciated by those whose responsibility is to achieve the final goal of any social security system: to provide income security to the elderly in a sustainable, equitable and efficient way.