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Social Policy Beyond Neoliberalism: From Conditional Cash Transfers to Pro-Poor Growth*

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Abstract: This article offers a political economy critique of the fastest-growing modality of social policy in the world: conditional cash transfer programs (CCTs). CCTs allocate small conditional tax-funded sums to the "deserving destitute" as part of a strategy of moderation of inequality, poverty management and containment of dissent. This article argues that, while this modality of social policy can improve the circumstances of the poorest in the short-term, it also subsidizes low wages and supports the reproduction of poverty. CCTs are, then, the social policies naturally associated ("best fit") with neoliberalism. A pro-poor alternative is outlined that can lead to faster improvements in living conditions, expand citizenship and break the reproduction of poverty and inequality under neoliberalism.

Keywords: Neoliberalism, Poverty, Inequality, Social policy, Conditional Cash Transfers

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This article has two complementary goals. First, it offers a political economy analysis of the achievements, limitations and alternatives to conditional cash transfer programs (CCTs). Second, it contributes to the evolving dialogue between heterodox economists and scholars working on and around social policy, in order to support the development of analytical as well as practical alternatives to neoliberalism.

CCTs are among the most significant innovations in social policy in the last two decades, especially in developing countries. These programs currently reach tens of millions of families in several continents. In what follows, the origins, conceptual foundations, key features, impact and limitations of CCTs are examined. The article recognizes the contribution of CCTs to the amelioration of poverty and the reduction of extreme inequality. However, these achievements are limited by the neoliberal context in which CCTs have emerged and must operate. Several of these limitations can be addressed through the implementation of pro-poor universal social policies as key component parts of a broader pro-poor development strategy. The combination of pro-poor macroeconomic policies and universal and strongly distributional social policies can deliver faster and more significant gains against poverty and inequality than neoliberal policies in general, or CCTs specifically.

The article includes this introduction and five substantive sections. The first departs from a critical review of the dominant mainstream (neoclassical or neoliberal) approach, which presumes that poverty is caused by exclusion from labor or commodity markets, and that market-led growth spontaneously tends to eliminate poverty; distributional outcomes are merely incidental. In contrast, political economy analyses of poverty and distribution suggest that capital accumulation simultaneously creates and eliminates poverty, and it generates as well as reduces inequality. The overall impact of growth on poverty and inequality depends on the structure of the growth process and the mediations of social policy.

The second section reviews the principles underpinning CCTs and their rise to global prominence since the mid-1990s. Examination of

CCTs suggests that they are the typical social policy for neoliberalism, since the provision of public goods and services tends to become individualized and take place either through private markets (education, transport) or private insurance (health), supported, if necessary, by private loans and capital markets. The state steps in—typically through CCTs—only in the last instance, to support the destitute.

The third outlines the limitations of CCTs. These programs bring the very poor into the market as residual buyers of commodities and as borrowers. However, CCTs are limited for cost, efficiency and equity reasons. Even though they can assist the target groups at the margin, they are, by design, insufficient to transform the economic, social and political structures perpetuating poverty. CCTs also introduce commercial mediations and arbitrary limitations to the rights of citizens, manage poverty only within narrow limits, and provide subsidies to capital that, ultimately, reproduce poverty rather than supporting its elimination.

The fourth outlines a pro-poor policy alternative. This approach draws upon heterodox economics traditions in order to offer a compelling case for economic policies focusing on the basic needs of the poor and the improvement of the distribution of income, wealth and power. These policies and their outcomes can contribute to the achievement of democratic and distributive economic outcomes in many countries. This can be done optimally through the combination of rapid, sustainable and employment-intensive growth with the distribution of income and assets. The concluding section summarizes the main findings and their implications.

Poverty and Distribution under Neoliberalism

In the mainstream (orthodox, neoclassical or neoliberal) economics tradition, market integration is the driving force of economic growth, for example, through entrepreneurship, employment or consumption, funded by profits, wages, (micro-)credit or transfers. Conversely, poverty derives from exclusion from labor, commodity or financial markets because of (generally arbitrary) limitations to voluntary exchange.[1] In this literature, poverty is both defined and measured by the inability to reach arbitrary income or expenditure lines, for example, the World Bank's US$1.90 per day. Distribution is incidental, since it presumably reflects each agent's contribution to social wealth; consequently, deteriorations in the distribution of income or wealth are either self-correcting or market responses to productivity or other structural economic shifts. In either case, policies aiming to reduce inequality would likely be futile and might create inefficiency-generating distortions.[2] It follows that the "trickle down" effect of growth can eliminate poverty in the long term; in the short term, targeted social programs can supplement incomes, create the "correct" incentives, and support the reduction of poverty at low cost. Social protection, then, is either a temporary safety net to assist the poor while they seek permanent insertion into the market, or a response to random shocks creating temporary vulnerabilities to some households.

Political economy traditions, including the Marxist, Kaleckian, Post-Keynesian, evolutionary and other schools of thought, argue that the mainstream approach is misleading because it decontextualizes poverty, vulnerability and inequality, and obscures their sources and structures of reproduction. Recognition of these limitations can help to explain the tendency of mainstream economics to have over-optimistic expectations about the impact of growth on poverty.

Radical political economy approaches, centered around Marxist political economy, claim that capital accumulation and economic growth

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1 See Voitchovsky (2009) for a detailed review of the mainstream literature on poverty and inequality. The relationship between inequality and growth is examined by Dollar, Kleineberg and Kraay (2013); for a critical review, see Therborn (2013).

2 For a mainstream analysis of the relationship between growth, poverty and political settlements, see the POUM (prospect of upward mobility) hypothesis presented by Bénabou and Ok (2001). For a detailed examination, including empirical estimates, see Checchi and Filippin (2004) and Graham and Pettinato (2000).

both create and eliminate poverty, and they drive processes that can reduce *as well as* generate inequality. This richer understanding of poverty and inequality departs from the recognition that the patterns of growth, the dynamics of poverty and the forms of reproduction of inequality are determined by key social, political and economic relationships. They include the ownership of land, capital and financial assets, the composition of output and employment, the social and institutional framework, the structures of competition and the labor markets, the modalities of international integration and access to basic goods (e.g., education, food, health, housing and transport), and how the social impact of growth is mediated by social policy. In order to capture these complex determinants, their interactions and the ensuing outcomes, it is useful to distinguish between absolute poverty and market-generated poverty (Dagdeviren et al. 2002).

Absolute poverty is due to a country's low levels of income and productivity, and it tends to decline as the economy grows ("a rising tide lifts all boats"). Growth creates new jobs and income generating opportunities, and it produces scarcities that lift wages and other forms of income. Growth also expands markets, sales revenue and consumption possibilities, offers incentives to improvements in productivity and skills, and boosts the demand for foodstuffs and raw materials produced by the poor. Growth can also support poverty reduction indirectly by generating savings that can support further investment, and creating resources that can finance public goods and welfare programs.

Market-generated poverty can derive from the loss of access to productive assets by the poor as the economy develops, or from the form of integration of poor households into capitalist markets. The former can include eviction from the land because of changes in property or user rights; changes in technologies or in the composition of output; environmental shifts undermining livelihoods and productive capabilities; labor market or demand shifts destroying jobs, devaluing skills, reducing the scope for informal occupations or curtailing access to credit or markets, and so on. The latter can include precarious modalities of commodity production or (self-)employment and degrading forms of labor, such as child labor or indentured labor, that are normally associated with low productivity, low incomes and precarious living standards. In sum, the spread of market relations can drive wealth creation, poverty *and* social exclusion simultaneously.

If poverty is due both to insufficient development and to the structural inequalities constituting the economic system, it may not be eliminated by economic growth. For example, rapid growth in Brazil and Mexico between the 1950s and the 1970s, in the Gulf economies between the early-1970s and the mid-1980s, and in China since the 1980s, has been associated with rising inequality and, not entirely unrelated, the persistence of absolute poverty. In contrast, even lower growth rates, if appropriately targeted, can reduce poverty and inequality significantly, as in Western Europe during the postwar "golden age" or in most Latin American countries in the 2000s. However, low and erratic economic growth generally fosters the stagnation or deterioration of welfare standards, as in most Middle Eastern, African and Latin American countries in the 1980s and in the former Soviet countries in the 1990s.

The political economy approach also suggests that market-based growth strategies tend to intensify the asymmetries that create poverty and inequality even as the economy expands. Since market relations and growth can create poverty as well as wealth, they must be nurtured as well as directed. The elimination of poverty can also be supported by reforms addressing structural inequalities of access to, and control over, labor, economic assets and political power. In other words, improvements in poverty and inequality are closely inter-related, and they require specific policies rather than "growth" in general, or social policy interventions merely at the margin.

Finally, since poverty is more complex than the inability to reach an arbitrary level of income, it follows that monetary measures of poverty are deficient. They can distort the perception of poverty especially at the borders of commercial society and in the poorest countries, where the degree of commodification of social provision tends to be lower than in the advanced capitalist economies. Political economy approaches also suggest that the poverty-alleviating impact of "trickle down" can be small, and that the adverse distributional and employment implications of mainstream development strategies can overwhelm marginal compensatory programs. In this case, social policy can become merely a tool of poverty management, instead of supporting the elimination of poverty and promoting the distribution of the gains from growth. For example, Heintz and Razavi (2013:1-3) rightly argue that:

> under neoliberalism, macroeconomic policies are detached from their social moorings...such as protecting people's incomes, creating sufficient employment, or eradicating poverty...[focusing instead] on containing public debt and inflation. Social policies remain a palliative afterthought to address the worst social fallouts of economic policies. Employment and social policies...must be reconnected in policy design in order to frame solutions to the crisis grounded in long-term, sustainable, employment-centered growth.

Deeply ingrained structures of reproduction of poverty can best be addressed through the combination of faster growth and policies securing disproportionate gains to the worse-off (that is, pro-poor growth), wide-ranging social and economic reforms, and universal social policies (see section "Pro-Poor Alternatives"). In contrast, under neoliberalism poverty alleviation has focused on extreme forms of (absolute) poverty, to be addressed through (conditional) cash transfers.

CCTs and Social Policy under Neoliberalism

Conditional cash transfers (CCTs) are the most significant innovation in social policy in the last two decades, especially in developing countries. This section examines their main features, and highlights the close relationship between the hegemony of neoliberal economic policies and the emergence and diffusion of CCTs.[3]

CCTs are conditional safety nets comprising small non-contributory transfers to households that are either extremely poor or highly vulnerable to deprivation, especially those with children. Benefits are almost invariably paid to the mothers, both to empower women and because it is assumed that their behaviors are better aligned with the intended use of the funds. Essentially, CCTs aim to interrupt the intergenerational transmission of poverty by, simultaneously, supporting families and nudging parents to make better choices, especially higher investment in their children's human capital. The conditionalities may include school attendance, preventative health care, and community work, typically cleaning or rubbish clearance. Lack of compliance with these conditionalities could lead to the suspension of benefits, fines and, eventually, exclusion from the CCT (Barrientos 2007: 67; Hall 2008; Molyneux 2007).

These basic principles encompass potentially very different programs across goals and conditionalities that, in turn, may be implemented more or less harshly. For example, the Mexican *Oportunidades* program is notoriously coercive, while the Argentine *Asignación Universal por Hijo* (AUH), the Brazilian *Programa Bolsa Família* and the Ecuadorian *Bono de Desarrollo Humano* are comparatively lenient in case of violation of the conditionalities (Cecchini & Madariaga 2011: 89-92).

The notion of conditionalities for households mirrors the macroeconomic conditionalities traditionally imposed by IMF- and World Bank-led adjustment programs. Just as the latter are meant to push countries to implement "correct" (neoliberal) economic policies, the conditionalities in CCTs are meant to support the reproduction of neoliberalism by inducing individuals to internalize neoliberal norms of behavior that, presumably, can help to reduce poverty and promote long-term economic growth. These include "good" behaviors, such as

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[3] For a detailed empirical analysis of CCTs, focusing on the Brazilian case, see Saad-Filho (2015).

stable wage employment or micro-entrepreneurship, and higher investment in human capital, including education, health and avoidance of child labor, while penalizing "bad" behaviors like leisure, begging, drinking or prostitution. In turn, the conditionalities should help to secure broad political support to the transfer programs through the reassurance that no one is given too much money, too easily, or indefinitely. Finally, in contrast with an earlier generation of social policies, that were often perceived to be imposed by foreign institutions, CCTs have allegedly emerged in the Global South in response to these countries' own needs and financial and administrative limitations that, ultimately, would prevent the implementation of universal policies.

CCTs have spread rapidly especially in Latin America, with 19 out of 23 countries implementing such programs in 2013; they have also been deployed in Bangladesh, Cambodia, Kenya, Pakistan, South Africa and many other countries.[4] Around the world, at least 45 countries implemented CCTs in 2010, reaching 110 million families, with numbers continuing to grow.[5]

CCTs were generally introduced gradually, often starting as limited programs addressing specific needs or gaps in provision. They subsequently expanded and became alternatives to existing (presumably flawed or insufficient) universal programs and, eventually, CCTs either became or were presented as the most important social policy in several countries (Fagnani 2005: 537). Their expansion was strongly encouraged

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4 CCTs are reviewed by Ballard (2012), Barrientos (2007; 2013), de Janvry and Sadoulet (2004), Fine (2012), Garcia and Moore (2012), Heintz and Lund (2012) and IDEAs (2011). Their economic impact is examined by Kabeer, Piza and Taylor (2012).

5 Ballard (2012: 564). The Latin American experience with CCTs is reviewed by Bertranou and Maurizio (2012), Campello and Neri (2013), Castro and Modesto (2010), Cecchini and Madariaga (2011), ECLAC-ILO (2014), Galiani and McEwan (2013), Gasparini, Cicowiez and Sosa Escudero (2012), Oosterbeek, Ponce and Schady (2008), Pena (2014), and Stampini and Tornarolli (2012).

by the international financial institutions and many organizations in the aid industry, including those that had supported earlier poverty-alleviating fads, for example the privatization of pensions in the 1980s, microfinance in the 1990s and, more recently, "security" (Ghosh 2011: 850-851; Seekings 2012: 14).

Those initiatives were invariably justified by resource limitations and the need to improve the market environment, optimize resource allocation, align incentives with the requirements of "economic efficiency" (i.e., neoliberalism), and compensate the poor for the asymmetric impact of the neoliberal reforms, particularly unemployment and loss of property, income, marketable skills and access to public services (see first section). The close relationship between the spread of CCTs and the diffusion of neoliberalism has been noted in the literature. For example:

> [N]eoliberalism has created *its own social policies*: they are essentially the outcome of the displacement of the matrix of universal social rights towards welfarist policies...targeting [only] extreme poverty.... [These policies provide] very limited and inconsistent compensation for inequality, and fail to...change the structural [features of] social injustice. (Coraggio 2007)

The close fit between neoliberalism and CCTs can be attributed to the (typically neoliberal) conflation between social welfare and self-improvement, leading to the transfer of responsibility for welfare from the state to the individual: "Cash transfers have...been enfolded within mainstream development approaches which locate responsibility for transcending poverty upon the poor themselves and use grants to alter the behaviour of the poor."[6]

The diffusion of CCTs has also responded to the perceived failure of previous social policy initiatives to achieve their stated objectives,

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6 Ballard (2012: 570). See also ECLAC-ILO (2014: 14), Sepúlveda Carmona (2009: 6, 15), Stampini and Tornarolli (2012: 2), and UNRISD (2010: 3).

including the Millennium Development Goals (MDGs) and its intermediate targets. CCTs can also be related to the expansion of citizens' rights in the wake of the democratization of several developing countries since the late-1970s. While democracy expanded economic and social entitlements and the duties of the state, the almost simultaneous spread of neoliberalism drastically reduced the means available to the state to satisfy those rights in many countries. The rollout of tiny grants to the desperately needy seemed to square this circle whilst, simultaneously, leaving untouched the causes of deprivation and inequality.

Evaluations of the impact of CCTs have led to conflicting results. Advocates claim that CCTs alleviate destitution in the short-run; in the longer-term, they strengthen the recipients' position in the labor market which, eventually, should obviate the need for transfers (Seekings 2012; see also World Bank 2009: 8-11). In the meantime, CCTs are cheap to run and easy to manage, as payments are low and targeting is based on centralized data systems allowing the accurate identification of beneficiaries, preventing multiple claims and limiting corruption (Molyneux 2007: 69; Seekings 2012; World Bank 2009: 8-11). Supporters of CCTs also claim that the conditionalities are correlated with significant improvements in the target variables (school attendance, vaccinations, pre-natal care, and so on),[7] especially in the poorest areas. However, it is also clear that unconditional programs are as effective as CCTs, and that economic growth, job creation and rising minimum wages have a much greater impact than CCTs on the welfare of the poor (see below).

Limitations of CCTs

The optimistic assessments of the impact of CCTs (outlined above) should be tempered by the recognition of seven systemic limitations of these programs. First, the rise of CCTs is symptomatic of the contradi-

[7] See Grosh (2011), World Bank (2009) and the information available at http://www.worldbank.org/en/topic/socialprotectionlabor

ction between the expansion of citizen's rights in a democracy, including the right to a minimum standard of living, and the transformation of social policies under neoliberalism (see above). CCTs accommodate these conflicting imperatives through the provision of limited assistance to narrowly targeted groups: for those with very little, anything extra—regardless of conditionalities—can help. In exchange, the beneficiaries must fulfill obligations springing from a combination of common sense, expert opinion, ideology and political expediency, which are presumably imposed "for their own good."

Second, CCTs are designed to be unobjectionably cheap, generally costing less than 0.5 per cent of GDP.[8] They are too small to support growth and macroeconomic stability, challenge the reproduction of poverty or transform the life chances of the poor by boosting their assets or improving their income-generating capacity—except in the long run, when the wage implications of marginally better schooling supposedly kick in (*if* a compatible job can be found). In other words, neoliberal states manage deprivation through the conditional apportionment of tax-funded transfers to the "deserving destitute." In doing this, the state assists the wretched while it subsidizes the worst modalities of employment by "conditionally" supplementing the lowest incomes. However, if mass poverty is due to the lack of jobs, precarious livelihoods and adverse modalities of economic integration (see the first section), it can be soothed but not resolved by such benefactions. Experience shows that exiguous safety nets and targeted interventions are generally unable to compensate the poverty-generating impact of neoliberal macroeconomic strategies.

Third, targeting undermines social cohesion, validates politically-driven limits on public provision and compels the poor to manage their own dispossession, while simultaneously threatening to deprive them of

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8 The only exception is Ecuador's Bono de Desarrollo Humano, which reaches 1.2 per cent of GDP and covers 44 per cent of the population (Lavinas 2013: 18-19).

their citizenship rights if they fail to meet extraneous conditions.[9] CCTs also circumvent collective action, since the transfers bypass the institutions of collective representation, and the claimants must comply individually instead of claiming, and demanding, as a group.[10] By design, CCTs exclude the non-poor, which are arbitrarily defined by extremely low poverty lines. Inevitably, these thresholds exclude potential claimants both at the margin and inside it because of the costs and difficulties of program inclusion,[11] and because poverty may be driven by the volatility as much as the low average income of the poor (see first section). Those thresholds can also alienate the non-poor politically. Their satisfaction with the good use of their taxes may be tempered by aggravation towards the "parasitical" destitute, regardless of the conditionalities. In sum, the limited number of beneficiaries of CCTs, given the stringent financial limitations of these programs, the political weakness of the extremely poor,[12] and the hostility of the non-poor can limit the scope, growth and potential impact of the CCTs.[13]

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9 Several studies suggest that poor people tend to prefer public provision of goods and services rather than cash transfers; in contrast, the latter tends to be preferred by the better-off (Ghosh 2011: 69).

10 Lavinas (2013: 40) suggests that "arguments in favour of conditionalities ...rest not only on their supposed efficacy but also on a logic of control over vulnerable groups."

11 For example, "a family in which one of the members is formally employed and paid a minimum wage, although its per capita income might fall below the poverty line, is likely to be ruled out [from the Brazilian *Bolsa Família* programme] for having some semblance of job security" (Lavinas 2013: 29). In the case of *Bolsa Família*, between 800,000 and 2.2 million qualifying families have not joined the programme (Lavinas 2013: 28).

12 As Sen (1995: 14) rightly put it, "[t]he beneficiaries of thoroughly targeted poverty-alleviation programs are often quite weak politically and may lack the clout to sustain the programs and maintain the quality of the services offered. Benefits meant exclusively for the poor often end up being poor benefits."

Fourth, CCTs include the poor primarily by bringing them to goods markets as consumers, while the transfers to their bank accounts draw them into financial markets as potential borrowers, cardholders or buyers of insurance policies, with a regular cash flow to offer as collateral (Lavinas 2013: 37). In doing this, CCTs support the privatization of basic goods and services and the financialization of social reproduction, while the welfare state is reduced to a threadbare backstop available only to the desperate.[14]

Fifth, the conditionalities in CCTs can be fulfilled only if public services are available, while the state becomes prosecutor, judge and jury of the "success" of the poor in satisfying the conditions imposed upon them in order to receive benefits. This program structure can obscure the failure of the state to provide basic services, while potentially punishing the poor for not accessing facilities that may be unavailable to them:

> [W]ithin countries, the areas typically inhabited by the most vulnerable groups are often those where health and education services are weakest, making them wholly unsuitable to this kind of approach [CCTs]. Similarly, it is typically the poorest and most vulnerable who will find it most costly to comply with any conditionalities, and are therefore the most likely to

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13 "As far as basic services are concerned, narrow targeting can have huge hidden costs...[because] it is often difficult to identify the poor and to reach them because the non-poor—most of whom remain 'near-poor'—seldom fail to capture a large part of subsidies destined for more destitute people. Also, administering narrowly targeted programs is at least twice as costly as running untargeted ones. In addition, the poor must frequently document eligibility—which involves expenses such as bus fares, apart from the social stigma they generate...Most importantly...once the non-poor cease to have a stake in narrowly targeted programs, the political commitment to sustain their scope and quality is at risk. The voice of the poor alone is usually too weak to maintain strong public support" (Vandemoortele 2004: 12).

14 For a contrary view, see Ferguson (2015: 138).

> be deprived of benefits if they fail to do so—not the optimal model for a social protection programme. (Freeland 2007: 77; see also Slater 2008 & UNRISD 2010: 24).

Sixth, while targeting saves money by avoiding transfers to the "undeserving" poor and the better-off, these exclusions inevitably create administrative costs. Studies indicate that the initial screening represents 0.4%-29% of the value of CCTs, with 9% being a typical figure. In contrast, self-targeting programs cost around 6% to set up, and universal programs even less.[15] Once the poor have been identified, CCT management costs can reach 30% of transfers, in contrast with less than 15% for universal programs (Sepúlveda Carmona 2009: 11). For example, in the Mexican *Progresa* programme, "costs associated with targeting and identifying recipients as a proportion of total costs dropped from 61% in the year of its launch...to 3% three years later. At the same time, the cost of checking conditions rose from 8% to 24%" (Cecchini & Madariaga 2011: 120). Those costs are lower in the advanced economies, where state management and communications systems are already in place and most claimants are literate and already hold the required documents.

These limitations were illustrated by a World Bank study of 122 CCTs in 48 countries, which claims that targeting transfers 25% more to the poor than universal programs. However, this study also shows that 25% of targeted programs transfer *fewer* resources to the poor than the universal alternative, that the median CCT in sub-Saharan Africa transfers 8% *less* to the poor than a universal program, and that the efficiency of targeting is positively correlated with per capita GDP. This suggests that targeting may depend on institutional capacities that could be lacking in the poorer countries.

Seventh, CCTs may not empower women. While their partners' time and income are sheltered, women are normally expected to fulfill

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15 See Cecchini and Madariaga (2011: 120-121); Dutrey (2007: 8-9); IDEAs (2011); Rawlings (2004: 11) and, especially, Slater (2008: 16-19).

government-imposed conditionalities while continuing to service their households:

> [C]ompliance with conditionalities requires women to dedicate more time to filing the certificates of school attendance and health check-ups for their children, which can sometimes involve transportation expenses and long waits.... Women also have to spend time in other programme-related tasks (for example, they are required to participate in information sessions or training and awareness activities). (ECLAC-ILO 2014: 18n3)

There is no question that CCTs can alleviate critical deprivation and vulnerability and support the reduction of poverty and inequality. However, on their own, most CCTs are too small to provide more than minimum income security, and their initial impact is almost entirely due to the extremely low level of the incomes of their target group (Higgins 2012: 104-108; Stampini & Tornarolli 2012: 11). The contribution of CCTs also tends to decline over time as they cover the target population ("saturation"), and as incomes rise through economic growth. It follows that CCTs are *self-limiting*. Even though the immediate gains of these programs are immensely valuable, further improvements may not be sustained, and will not spontaneously follow. This raises the question of what should either supplement or replace the CCTs in order to secure faster and more decisive gains against persistent poverty.

Pro-Poor Alternatives

It would be utopian to aspire to eliminate poverty and reduce inequality significantly, efficiently or rapidly through social policy alone: the resources available for distribution are determined by macroeconomic outcomes, and the impact of household earned income upon poverty and inequality tends to dwarf the effect of transfers. Experience shows that transformative outcomes require macroeconomic policy changes and the elimination of the social and economic structures that reproduce poverty over time. The most effective arrangement for neutralizing market-generated poverty and inequality, and translating expanding production capabilities into poverty reduction, greater equality, human development and expanding citizenship, is the integration of universal protection systems and pro-poor economic growth (Grosse, Harttgen & Klasen 2005). The pro-poor development strategy that follows almost naturally from the political economy approach outlined above (see in first section) is based on five principles (Hadnes & Klump 2008; Klasen 2001; Maier 2004; Whitfield 2008).

First, mass poverty is the most important problem facing the developing countries, and its elimination should be their governments' main priority. This aim is not only important in itself; it is also mandated by the United Nations through the Universal Declaration of Human Rights, the Declaration on the Right to Development, and successive "Development Goals."

Second, pro-poor growth must benefit the poor more than the rich; alternatively, growth is pro-poor when it reduces relative as well as absolute poverty (McKinley 2004; Roy & Weeks 2003). The choice of pro-poor growth strategies is independent of the long-term relationship between equity and growth for, in the pro-poor framework, policies are not selected to maximize growth, and equity is not a tool leading to faster growth. The case for pro-poor policies is based on the intrinsic value of economic equity, and on their potential to deliver the fastest possible elimination of poverty and material deprivation.

Third, in order to maximize its redistributive and poverty-alleviating impact, growth should target the sectors that directly benefit the poor through their output and employment potential, and that can best support the growth of productivity and wages.

Fourth, improvements in distribution and social welfare should be pursued directly. These improvements should not be merely marginal or conditional on trickle-down, and they must be unambiguous across a broad spectrum of measures of welfare and distribution. Changes in the initial distribution of income and wealth (e.g., through land reform, universal basic education, training and pensions and other entitlements funded by progressive taxation) can promote pro-poor objectives. However, these outcomes depend on public policy, because "empirical evidence...consistently indicates that size distributions of income are quite stable, in the absence of radical changes in institutions and political power" (Rao 2002: 7). In addition to those *ex ante* shifts, the process of income generation also needs to change in order to benefit the poor disproportionately, for example, through the deployment of industrial policy to support strategic activities, employment generation programs, minimum wages and incentives for wage increases for low paid workers.

Fifth, the reduction of poverty must be accompanied by initiatives to promote equality, because:

> In contexts of high inequality, growth is often concentrated among sectors that benefit the elite [while] the poor...are likely to be excluded.... High levels of inequality make it harder to reduce poverty even when economies are growing.... Poverty and inequality must thus be considered as interconnected parts of the same problem. Poverty is closely related to various dimensions of inequality, including income status, gender, ethnicity and location. And inequalities are manifest across several dimensions, such as employment, earnings and access to social services. (UNRISD 2010: 5)

In contrast, neoliberal strategies expect that price stability, fiscal rectitude and improvements in static allocative efficiency will spontaneously trigger faster growth and poverty reduction. Experience shows that these expectations are misplaced, because the emphasis on short-term stabilization undercuts the sources of long-term growth and reduces the resources available to reduce poverty. Neoliberal policies also systematically ignore the need to shift the distribution of income and wealth in order to achieve distributional outcomes.[16] The systematic

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[16] Mainstream approaches to "broad-based" growth, that benefits most people regardless of distribution, are examined by Besley and Cord (2007),

failure of mainstream policies to achieve their stated objectives and their perverse social and economic implications suggest that these policies should be abandoned. Pro-poor policies offer a cogent alternative to those limited and regressive policies, and a viable avenue for the achievement of socially desirable outcomes (for detailed reviews of pro-poor policy experiences, see Cornia, 2006; Dagdeviren et al. 2002; UNRISD 2010; and Wignaraja, Sirivardana & Hussain 2009).

In the domain of social policy, pro-poor strategies are related to universal rather than targeted programs (Esping-Andersen 1990). Universal programs can comprise public education, training, health, housing, water and sanitation, transportation, parks and public amenities, environmental preservation and food security, affordable clothing and so on. These initiatives can have low managerial costs and they improve the standard of living of the poor directly:

> [Pro-poor] programs meet people's basic needs, contributing to the reduction of poverty and to the equalization of the income distribution.... Many of these programs...[also] contribute to people's productivity.... The expansion of social programs...can be undertaken mostly with domestic resources; it therefore does not excessively aggravate the foreign exchange problem.... Often these programs can be shaped in ways that directly and indirectly contribute to the development of democratic participation, which is valuable in itself and strengthens the foundation of change. (MacEwan 2003: 6-7)

In many countries, the administrative infrastructure required to implement universal public goods programs is already in place, including basic census data, local administrative structures and a banking

including empirical studies of Bangladesh, Brazil, Ghana, India, Indonesia, Tunisia, Uganda and Vietnam. These studies suggest that mainstream policies ("the successful implementation of macrostabilization reforms", p.6) are the most efficient strategy to deliver poverty reduction.

system (or, alternatively, minimally developed cellular telephony and mass access to the internet), or it can be built without undue expense. Public goods and social wage programs can also be rolled out gradually (e.g., one product or service at a time, or in selected regions), making them more cost-effective. In spite of their universal coverage, they can incorporate several advantages of targeted programs ("smart targeting"): they are *universal* because they are available to all, and they are *targeted* because distinct groups will be affected differently by each project or initiative. For example, India and Brazil have experimented with heavily subsidized food stores and "popular restaurants" open to all; yet, they target the poor through the selection of products for sale (staple foods only) and the limited availability of the outlets (in poor areas only). The non-poor exclude themselves: a middle-class Indian would not visit a slum to purchase ordinary rice, while her Brazilian counterpart would never eat pork and beans with her social inferiors, whatever the price of the meal.

Public provision can be supplemented by a universal basic grant (UBG), which can help to integrate the poor into sustainable economic activities, increase their self-reliance, reduce the poverty gap, promote social integration and citizenship, expand employment opportunities, increase the workers' bargaining power (securing further advances in distribution), and guarantee a minimum level of income, consumption and welfare across society. In doing this, social policy can help to empower the poor and overcome some of the most debilitating aspects of deprivation. It would also help to alleviate the dependency of the destitute upon the merely poor, through the latter's access to (precarious) employment, (meager) pensions and (conditional) cash transfers.[17]

Conclusion

This article has reviewed different approaches to poverty and

[17] For a detailed analysis of the South African case, see Coleman (2003).

poverty alleviation, focusing on the literature on CCTs and their limitations. It has also examined how social policy can contribute to a pro-poor development strategy delivering growth and equity simultaneously. This strategy offers more promising opportunities for translating expanding production capabilities into poverty reduction and human development than the neoliberal approach embodied in CCTs.

Mainstream (neoliberal) social policies are grounded on a narrow (monetary) conception of poverty, and they tend to rely on meager transfers—aid, micro-loans or CCTs—to support market integration through consumption or micro-entrepreneurship. These strategies lack the commitment to changing the distribution of assets, which would increase personal autonomy and improve the distribution of power, and they also lack a clear strategy for raising employment and improving wages, even though wage work is the most important source of income for the poor.

The article has also shown that CCTs are generally small, socially divisive and non-transformative; that is, they are fundamentally *conservative*. Despite these limitations, CCTs implicitly recognize that everyone is entitled to a minimum standard of living guaranteed by the state. Implementation of this principle suggests that CCT programs could be expanded through higher payments, the incremental removal of conditionalities, and their universalization.[18] Yet, in most countries there is limited ideological and institutional support for the transformation of existing CCTs into universal transfer programs and, more generally, for the deployment of social policy to support rapid reductions in poverty and inequality. In those countries, neoliberal policy constraints, including contractionary fiscal and monetary policies, liberalized capital flows, floating exchange rates and commitment to ultra-low inflation rates have narrowed drastically the space for social provision. In addition to this, there can be strong resistance by governments, the media and other established interests against (new) universal social programs, especially

18 For a similar argument and approach, see Ferguson (2015: 14, 60, 139).

in times of "austerity."

The continuing hegemony of neoliberal macroeconomic policies implies that social policy has only limited scope to address poverty and inequality. Paradoxically, then, even though CCTs are more or less universally seen as beneficial and the outcome of resistance against neoliberalism, in reality they are heavily constrained by the neoliberal conditions within which they have emerged.

Even if CCTs could be dramatically transformed, it is important to be aware of their limits: social policies and their impact are heavily constrained by macroeconomic outcomes, which condition the resources available and modulate the wealth—as well as poverty—generating structures of the system of accumulation. Consequently, social policies can play only a supporting role in pro-poor strategies aiming to remove the structures of reproduction of poverty and build more equitable societies, including the expansion of citizenship, the provision of universal public services, the transfer of assets to the poor and the improvement of their position in the labor markets.

The implementation of universal and pro-poor social policies is, then, to a large extent dependent upon the deployment of pro-poor macroeconomic policies. In turn, the latter depend upon the broader social and political balance of forces and the (transformation of the) country's institutional framework. In the meantime, CCTs have achieved some successes improving the conditions and life chances of the poor. In this sense, they ought to be supported primarily as component parts of a broader project of expansion of social provision towards universalization and the removal of conditionalities. These social programs could have great immediate significance for the poor, and could support the emergence of a more ambitious pro-poor development strategy in the country.

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