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Right-wing vs. left-wing: comparative analysis of pension systems in Paraguay and Venezuela in the context of extreme political ideologies

Abstract

The pension systems in Latin America have experienced significant transformations influenced by political ideologies. Paraguay and Venezuela present contrasting cases, with right-wing and left-wing policies, respectively. This paper analyzes how these ideologies shaped pension reforms in both countries, focusing on their outcomes and sustainability.

This article aims to compare the pension systems of Paraguay and Venezuela to understand how extreme political ideologies impact social security policies. It identifies strengths and weaknesses of both systems, and evaluates broader implications for economic stability and social equity.

A comparative analysis is conducted using both qualitative and quantitative data from government reports, international organizations, and academic sources. The analysis includes case studies and historical data to highlight differences in the systems and the political contexts behind them.

Right-wing policies in Paraguay emphasize privatization, leading to inequality and potential financial instability, while Venezuela's left-wing policies focus on state control and redistribution, resulting in financial challenges and reduced public trust. This paper contributes to the understanding of how political ideologies affect social security systems, offering insights for policymakers and researchers.

Keywords: pension systems; political ideologies; Paraguay; Venezuela; comparative analysis.

Prawica kontra lewica: analiza porównawcza systemów emerytalnych w Paragwaju i Wenezueli w kontekście skrajnych ideologii politycznych

Abstrakt

Systemy emerytalne w Ameryce Łacińskiej przeszły znaczące transformacje, pod wpływem różnych ideologii politycznych. Przypadki Paragwaju i Wenezueli stanowią kontrastujące przykłady, z od-

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powiednio prawicowymi i lewicowymi politykami. Niniejszy artykuł analizuje, jak te ideologie wpłynęły na reformy emerytalne w obu krajach, koncentrując się na ich wynikach i zrównoważonym rozwoju.

Celem artykułu jest porównanie systemów emerytalnych Paragwaju i Wenezueli w celu zrozumienia, w jaki sposób skrajne ideologie polityczne wpływają na polityki zabezpieczenia społecznego. Identyfikuje mocne i słabe strony obu systemów oraz ocenia szersze implikacje dla stabilności ekonomicznej i sprawiedliwości społecznej.

Przeprowadzono analizę porównawczą z wykorzystaniem zarówno danych jakościowych, jak i ilościowych pochodzących z raportów rządowych, organizacji międzynarodowych oraz badań naukowych. Analiza obejmuje studia przypadków i dane historyczne, które ukazują różnice w systemach oraz konteksty polityczne, które je kształtowały.

Polityki prawicowe w Paragwaju kładą nacisk na prywatyzację, co prowadzi do nierówności i potencjalnej niestabilności finansowej, podczas gdy lewicowe polityki w Wenezueli koncentrują się na kontroli państwa i redystrybucji, co skutkuje wyzwaniem finansowym i spadkiem zaufania publicznego. Artykuł wnosi wkład w zrozumienie wpływu ideologii politycznych na systemy zabezpieczenia społecznego, oferując cenne wnioski dla decydentów i badaczy.

Keywords: systemy emerytalne; ideologie polityczne; Paragwaj; Wenezuela; analiza porównawcza.

JEL: H55; P16; O57.

INTRODUCTION

Contemporary pension systems in Latin American countries constitute a crucial element of social policy, reflecting both historical conditions and current political trends. Particularly interesting for analysis are the pension systems of Paraguay and Venezuela, which differ not only structurally but also ideologically. Paraguay, dominated by extreme right-wing political influences, and Venezuela, under the rule of extreme left-wing politics, offer a unique opportunity for a comparative analysis of the impact of different ideologies on the shaping of pension policy (Datz, 2012; Madrid, 2003).

The purpose of this article is to examine how extreme political ideologies, both right-wing and left-wing, have influenced the development and functioning of pension systems in Paraguay and Venezuela. Through a comparative analysis, the article seeks to understand how these ideologies shape political decisions and what consequences they have for the stability and efficiency of pension systems (Kay, 2011).

Although there is extensive literature on the impact of political ideologies on social policy, there is a lack of detailed analyses comparing specific cases of countries with vastly different political orientations. This study aims to fill this gap by offering a new perspective on understanding the role of ideology in shaping pension systems (Mesa-Lago, 2008; Müller, 2003).

The research methodology is based on a comparative analysis of available data concerning the pension systems in Paraguay and Venezuela. The methods employed include both qualitative and quantitative approaches, allowing for a comprehensive evaluation of the subject matter (Barrientos, 2004).

The article is organized as follows: After the introduction and literature review, where previous research on the topic is discussed, the methodology section presents the details of the research methods used. The next part of the article contains the research findings, which are thoroughly discussed and compared in the context of the impact of extreme political ideologies. The article concludes with a discussion of the findings and recommendations for future social policy and further research in this area.

LITERATURE REVIEW

LITERATURE REVIEW ON PENSION SYSTEMS IN LATIN AMERICA

The literature on pension systems in Latin America reveals significant differences in approaches to pension reforms, particularly in the context of the impact of political ideologies on the shaping of these systems. There is broad consensus in the literature that political conditions and the ideological preferences of the ruling parties play a crucial role in the direction of pension reforms in the region (Madrid, 2003; Kay, 2011).

PENSION REFORMS IN LATIN AMERICA

During the 1980s and 1990s, many Latin American countries underwent substantial pension system reforms, which were partially driven by the influence of neoliberal policies promoted by international financial institutions such as the International Monetary Fund (IMF) and the World Bank (Kay, 2011). These reforms often involved the privatization of pension systems, aimed at increasing the efficiency of pension fund management as well as reducing fiscal burdens on the state (Madrid, 2003).

In this context, Paraguay became an example of a country that adopted a pension model strongly inspired by neoliberal ideology, resulting in the creation of a system based on private pension accounts managed by private investment funds (Barrientos, 2004). On the other hand, Venezuela, under the leadership of Hugo Chávez, took the opposite direction, aiming for the renationalization of the pension sector and the creation of a state-run pension system that would reflect the values of the extreme left, such as social justice and income redistribution (Müller, 2003).

THE IMPACT OF POLITICAL IDEOLOGIES ON PENSION SYSTEMS

The ideological differences between the right and the left have a significant impact on the shaping of pension policy. The right, with its emphasis on the free

market, private property, and a limited role for the state, leans towards pension models that promote individual responsibility and private savings for retirement (Madrid, 2003). In practice, this translates into the privatization of pension systems, as observed in Paraguay, where neoliberal reforms have found fertile ground (Kay, 2011).

Conversely, left-wing governments, as in the case of Venezuela, strive to strengthen the state's role in providing social security, which translates into highly centralized pension systems. The goal of such systems is to ensure universal access to pension benefits, regardless of individual savings ability, in line with left-wing values of social justice and redistribution (Mesa-Lago, 2008).

CLASH OF IDEOLOGIES: PARAGUAY VS VENEZUELA

Paraguay and Venezuela represent two extreme cases in the context of pension reforms, influenced by diametrically opposed political ideologies. Paraguay, where the extreme right dominates, introduced reforms aimed at privatizing the pension system and limiting the role of the state. In contrast, Venezuela, dominated by the extreme left, sought to centralize the pension system and increase state control over pension funds (Datz, 2012).

Comparing these two cases allows for an understanding of how extreme political ideologies can influence the shaping of pension systems and what consequences these changes may have for society. The literature highlights that while privatization can increase the efficiency of pension systems, it can also lead to social inequalities. On the other hand, centralization can provide greater social justice but often at the expense of economic efficiency (Barrientos, 2004; Müller, 2003).

RESEARCH METHODS

METHODOLOGY

The methodology of this study is based on a comparative analysis of the pension systems in Paraguay and Venezuela, considering the impact of extreme political ideologies on the shaping of these systems. Both qualitative and quantitative approaches were employed to provide a comprehensive view of the issue under examination.

DESCRIPTION OF RESEARCH MATERIALS

The study is based on the analysis of secondary data, including government documents, reports from international organizations such as the International

Monetary Fund (IMF) and the World Bank, as well as academic literature on pension systems in Latin America. Specifically, reports and publications on pension reforms in Paraguay and Venezuela were utilized, which constitute the primary data sources for this research (Kay, 2011; Madrid, 2003).

METHODS OF ANALYSIS

The research was conducted using comparative analysis and case study methods. Comparative analysis allows for the juxtaposition of two different approaches to pension policy – the neoliberal model adopted in Paraguay and the left-wing approach in Venezuela – and the assessment of their impact on the structures and efficiency of the pension systems.

- a. **Qualitative Analysis:** The qualitative analysis involved a detailed examination of the content of government documents, legislation, and political guidelines that shaped pension reforms in both countries. The focus was on understanding how political ideologies influenced decisions regarding the structure of the pension systems and identifying key differences between them.
- b. **Quantitative Analysis:** The quantitative analysis was based on processing statistical data concerning the level of pension security, the financing of pension systems, as well as demographic indicators affecting the efficiency of these systems. Data were analyzed regarding the number of people covered by the pension systems, the amount of benefits, the level of poverty among retirees, and the financial stability of the systems.

RESEARCH HYPOTHESES

The following hypotheses were proposed in the study:

- Hypothesis 1: A pension system based on neoliberal principles, such as in Paraguay, leads to greater financial efficiency but may increase social inequality.
- Hypothesis 2: A pension system based on left-wing principles, such as in Venezuela, increases social justice but at the expense of financial stability and system efficiency.

METHODOLOGICAL LIMITATIONS

It should be noted that the study relies primarily on available secondary data, which may limit the completeness of the analysis. Additionally, the lack of access to current and accurate data from Venezuela, due to the ongoing economic and political crisis, poses a significant challenge to accurately assessing the efficiency of the pension system in that country. Despite these limitations, the applied methodology allows for an insightful examination and comparison of the pension systems under study.

RESULTS

PENSION SYSTEM IN PARAGUAY (AS OF OCTOBER 1, 2024)

The pension system in Paraguay is characterized by a complex structure that has evolved over the years, adapting to changing demographic, economic, and political conditions. Paraguay has two main pension programs: the Mandatory Social Insurance (*Seguro Social Obligatorio*) and the Social Assistance System for the Elderly (*Pensión Alimentaria para Adultos Mayores*). The Paraguayan pension system also includes several special schemes for various professional groups, such as public sector employees, teachers, police, military personnel, railway workers, dockworkers, bank employees, and micro-entrepreneurs. These special schemes provide additional benefits and conditions tailored to the specific needs of these professional groups (Social Security Administration, 2020).

MANDATORY SOCIAL INSURANCE

The Mandatory Social Insurance covers public and private sector employees, including municipal workers, employees of state-owned enterprises, seasonal workers, and domestic workers. The program is also available to self-employed individuals on a voluntary basis. Pension contributions amount to 9% of gross monthly earnings paid by employees, 14% by employers, and 1.5% by the government, which also covers administrative costs and those related to healthcare and work accident benefits. Self-employed individuals pay 12.5% of the monthly minimum wage plus 0.5% for administrative fees (Social Security Administration, 2020).

The old-age pension amounts to 100% of the average monthly earnings from the last 36 months before retirement and is paid upon reaching the age of 60 and accumulating at least 1,250 weeks of contributions. A partial pension, amounting to 60% of the average monthly earnings plus 4% for each year of contributions beyond 15 years, is available to individuals aged 65 with at least 750 weeks of contributions. An early pension, amounting to 80% of the average monthly earnings plus 4% for each year beyond 55, is available to individuals aged 55 with at least 1,500 weeks of contributions. The minimum monthly pension is 33% of the monthly minimum wage, and the maximum is 300 times the daily minimum wage (OECD, 2014). As of October 2024, the minimum wage in Paraguay was 2,798,309 guaraníes, approximately equivalent to 385 US dollars (WageIndicator.org, 2024).

Retirement age and contribution requirements are the same for both genders, in line with Paraguay's gender equality policy (World Bank Gender Data Portal, 2024).

MANAGEMENT OF THE PENSION SYSTEM

The Social Security Institute (*Instituto de Previsión Social*, IPS) is the main institution managing the Mandatory Social Insurance, responsible for collecting contributions, paying out pension benefits, and providing healthcare benefits to insured individuals. The IPS also operates its own clinics and hospitals, making it a central component of Paraguay's social security system (IPS, 2024).

SOCIAL ASSISTANCE SYSTEM FOR THE ELDERLY

The Social Assistance System for the Elderly (*Pensión Alimentaria para Adultos Mayores*) is aimed at Paraguayan citizens aged 65 and older who do not receive other pension or annuity benefits. This program is fully funded by the government. The benefit amounts to at least 25% of the monthly minimum wage and is granted based on a needs assessment using the Quality of Life Index for Older Adults (*Indice de Calidad de Vida para Adultos Mayores*, ICV-AM) (Ministerio de Desarrollo Social, 2024).

The Ministry of Social Development (*Ministerio de Desarrollo Social*, MDS) oversees and administers the social assistance program for the elderly, following its transfer from the Ministry of Economy and Finance under Law No. 7232/2024. This transfer aimed to increase the efficiency and transparency of the program. The MDS collaborates with local governments to ensure proper procedures for the registration and verification of beneficiaries (Ministerio de Desarrollo Social, 2024).

CHALLENGES AND REFORMS

The pension system in Paraguay faces numerous challenges, such as an aging population, insufficient funding, and political and administrative inconsistencies. In response to these challenges, Paraguay plans to implement structural reforms that may include raising the retirement age, adjusting contribution levels, and improving the efficiency of pension fund management. One of the main goals of the reforms is also to integrate the special pension systems for various professional groups, which could contribute to improving the efficiency and fairness of the system (OECD, 2014; LatinAmerican Post, 2023).

PENSION SYSTEM IN VENEZUELA (AS OF OCTOBER 1, 2024)

The Venezuelan pension system is a complex structure consisting of two main components: the Basic Component (*componente básico*) and the Income-Related Component based on defined benefits (*prestaciones definidas*). The system also includes special programs for workers in difficult conditions (*trabajadores en condiciones difíciles*), as well as programs for farmers (*agricultores*) and temporary workers (*trabajadores temporales*).

SOCIAL INSURANCE

The main pension program in Venezuela is Social Insurance (*Seguro Social*), which covers public and private sector employees, cooperative members, domestic workers, seasonal workers, and temporary workers. Self-employed individuals can join the system voluntarily. Pension contributions amount to 4% of an employee's monthly earnings, while the employer pays between 9% and 11% of the gross wage, depending on the level of occupational risk, and 4% for public sector employees. Self-employed individuals pay contributions equal to 13% of their declared monthly income. The government subsidizes the system by allocating at least 1.5% of total monthly wages to cover administrative costs and finance the deficit (SSA, 2024).

Benefits under the Social Insurance program include the old-age pension (*Pensión por Vejez*), which amounts to 100% of the legal monthly minimum wage. The minimum retirement age is 60 years for men and 55 years for women, with a minimum requirement of 750 weeks of contributions. As of July 2024, the minimum pension was 1,800,000 bolívares soberano, equivalent to approximately 0.05 USD (TimeCamp, 2024).

GRAN MISIÓN EN AMOR MAYOR SOCIAL PROGRAM

Gran Misión en Amor Mayor is a social program aimed at elderly individuals who do not meet the contribution requirements for social insurance. To qualify for this program, men must be at least 60 years old, and women must be at least 55 years old. Beneficiaries must have been residents of Venezuela for the past 10 years, and their household income must be below the legal monthly minimum wage. The program provides benefits equal to the monthly minimum wage, which is 1,800,000 bolívares soberano (TimeCamp, 2024).

Additionally, the Venezuelan government grants various allowances, such as War Bonds (*Bonos de Guerra*), aimed at compensating for the loss of purchasing power of pension benefits due to high inflation and economic crisis. In October 2024, the War Bonds amounted to 3,294 bolívares (approximately 90.7 USD) for public employees, 3,330 bolívares (approximately 91.7 USD) for retirees, and 1,640 bolívares (approximately 45.2 USD) for individuals receiving pensions from the IVSS (La República, 2024; Bloomberg Línea, 2024).

PENSION SYSTEM MANAGEMENT INSTITUTIONS

The Venezuelan pension system is managed by several institutions, the most important of which are the Venezuelan Institute of Social Insurance (*Instituto Venezolano de los Seguros Sociales*, IVSS), responsible for managing pension funds, registering insured individuals, collecting contributions, and paying benefits.

The Treasury of Social Security (*Tesorería de Seguridad Social*, TSS) manages the social insurance funds, ensuring financial stability and efficient management. The Superintendency of Banking Sector Institutions (*Superintendencia de las Instituciones del Sector Bancario*, SUDEBAN) oversees financial institutions, including pension funds, to ensure compliance with regulations and financial stability (SSA, 2024).

CHALLENGES AND ANTICIPATED CHANGES

The Venezuelan pension system faces serious problems, such as system financing, which is burdened by hyperinflation and declining oil revenues, a key issue for the country's economy (OECD, 2014). Inflation has drastically reduced the real value of pensions, forcing the government to regularly raise minimum wages and pensions, further straining the state budget. The aging population also increases the number of beneficiaries of the pension system, leading to greater financial strain (Orinoco Tribune, 2024).

Anticipated reforms include increasing contributions from workers and employers, introducing additional funding sources such as taxes dedicated to the pension system, and better integrating the system with the labor market to cover more workers, including the self-employed and informal workers (Iwry, John, Gale, 2024). Strengthening the institutions managing the pension system, such as the IVSS and TSS, will also be a key element of the reforms, aiming to improve management efficiency and oversight of pension funds (SSA, 2024).

COMPARATIVE ANALYSIS OF THE IMPACT OF IDEOLOGY: THE INFLUENCE OF EXTREME RIGHT AND EXTREME LEFT ON PENSION SYSTEMS IN PARAGUAY AND VENEZUELA

The pension systems in Paraguay and Venezuela reflect the ideological differences between the extreme right-wing and extreme left-wing governments that have influenced social policy in these countries. A comparative analysis of both systems reveals how these different approaches have affected the structure, efficiency, and financial stability of pension systems.

EXTREME RIGHT IN PARAGUAY: PRIVATIZATION AND INDIVIDUAL RESPONSIBILITY

Paraguay, dominated by extreme right-wing governments, particularly during the rule of the Colorado Party, implemented policies based on neoliberal principles that promote privatization and limit the role of the state. The Paraguayan pension system reflects these principles by strongly emphasizing private pension savings and individual responsibility for one's financial future.

As part of the reforms carried out in Paraguay in 2003, individual pension accounts were introduced, aimed at improving the financial stability of the system and reducing the risk of insolvency. Private pension funds have gained a key role in managing pension assets, with the goal of increasing efficiency and investment returns (OECD, 2014). The extreme right in Paraguay viewed these reforms as a way to limit state influence on the economy and encourage individual financial responsibility.

However, in later years, significant problems arose related to financial viability and political difficulties in implementing this reform. This resulted in a gradual shift away from individual pension accounts. The reform failed to achieve its intended goals, such as improving the financial stability of the pension system and increasing public trust in private pension funds (Calvo, Bertranou, Bertranou, 2010).

As a result of these problems, Paraguay decided to return to the pay-as-you-go (PAYG) system, which now dominates. The current system is primarily managed by the state-run *Instituto de Previsión Social* (IPS), which administers contributions and pays out pension benefits (LatinAmerican Post, 2023). Private pension funds still play a limited role, mainly in the context of voluntary pension savings, but they no longer have a key role in the mandatory pension system.

EXTREME LEFT IN VENEZUELA: STATE INTERVENTIONISM AND REDISTRIBUTION

In contrast, in Venezuela, extreme left-wing governments, starting with Hugo Chávez, implemented policies of strong state interventionism in the economy, aimed at wealth redistribution and ensuring universal access to social security. The Venezuelan pension system was organized around the idea of social solidarity, where the state plays a central role in providing minimum benefits for all citizens.

The *Gran Misión en Amor Mayor* program, created in 2011, reflects the extreme left's approach to pension policy. This program provides minimum pension benefits for individuals who were unable to meet the contribution requirements for social insurance. The goal was to guarantee a dignified life for the elderly, regardless of their previous income levels (Díaz, 2018).

However, the extreme left's approach to pension policy in Venezuela, based on extensive state interventionism, led to serious financial problems. The Venezuelan pension system suffers from chronic underfunding, caused by declining oil export revenues and hyperinflation. State control over the pension system failed to ensure its financial stability, and the value of pension benefits dramatically decreased, failing to cover even the basic living needs of retirees (Orinoco Tribune, 2024).

COMPARISON OF EFFICIENCY AND FINANCIAL STABILITY

Comparing the two systems, it is clear that the extreme right in Paraguay focused on financial efficiency and individual responsibility, leading to greater

system flexibility but at the cost of increasing social inequalities. On the other hand, the extreme left in Venezuela emphasized universal access to benefits and redistribution, aimed at reducing inequality but leading to financial destabilization of the system and a dramatic decline in pension value.

Both approaches had their strengths and weaknesses, but neither proved fully effective in ensuring the long-term stability and adequacy of pension systems. In Paraguay, privatization increased the pressure on individual savings, while in Venezuela, excessive centralization and state interventionism led to financial disaster. These extreme ideologies have shown that both excessive reliance on the market and excessive state control can lead to serious problems in managing pension systems.

INTERPRETATION OF RESULTS: POLITICAL DIFFERENCES AND THEIR IMPACT ON SOCIETY

The comparative analysis of the pension systems in Paraguay and Venezuela reveals how ideological differences between the extreme right and extreme left have influenced the shaping of pension policy and its consequences for society. The results of the study indicate significant differences in the approach to managing pension systems, which had a substantial impact on various aspects of social life, including financial stability, inequality levels, and the well-being of citizens.

FINANCIAL STABILITY AND SYSTEM EFFICIENCY

In Paraguay, extreme right-wing governments led to the implementation of pension reforms aimed at increasing system efficiency through privatization and enhancing individual responsibility. The introduction of individual pension accounts and the greater role of private pension funds were intended to improve the financial stability of the system. However, the results indicate that while this system proved more flexible and efficient from a fund management perspective, it also contributed to increased social inequalities. People with lower incomes had difficulty accumulating sufficient funds for retirement, leading to a situation where many lacked adequate financial security in old age.

In Venezuela, where extreme left-wing governments focused on state interventionism and redistribution, the pension system aimed to provide universal access to minimum pension benefits. This policy sought to reduce social inequalities by guaranteeing a minimum income for all citizens of retirement age. However, the results show that while this approach may have initially reduced inequality, it led to severe financial problems. Hyperinflation and declining oil export revenues significantly weakened the value of pension benefits, which in turn increased poverty among retirees and undermined the stability of the entire system.

IMPACT ON SOCIAL INEQUALITY

One of the key aspects of the differences between the extreme right and extreme left is their approach to social inequality. In Paraguay, the approach based on privatization and individual responsibility contributed to greater disparities in financial security among the elderly. Higher-income individuals had greater ability to save effectively for retirement, while lower-income individuals were at higher risk of insufficient funds in old age. This system favored the deepening of social inequalities, which can lead to long-term social problems such as the marginalization of lower-income groups and increased social tensions.

In Venezuela, where extreme left-wing policies focused on redistribution and universal access to pension benefits, the pension system aimed to reduce inequality by guaranteeing a minimum income for all retirees. While this approach theoretically should lead to greater social equality, in practice, it turned out that the system was unable to provide an adequate standard of living for retirees. Hyperinflation and economic inefficiency led to a situation where minimum pension benefits were insufficient to cover basic living needs, which increased poverty and worsened living conditions for a large portion of society.

CITIZEN WELL-BEING AND SOCIAL STABILITY

The differences in political ideology between Paraguay and Venezuela also had a direct impact on the well-being of citizens and social stability. In Paraguay, the emphasis on privatization and individual responsibility for pension savings may have led to greater motivation to save and manage personal finances. However, the lack of sufficient security for lower-income individuals increased the risk of poverty among retirees, which in turn could lead to social discontent and potential tensions.

In Venezuela, universal access to pension benefits was seen as a way to guarantee a minimum level of well-being for all citizens. However, economic problems such as hyperinflation and declining oil revenues undermined the effectiveness of this system, leading to widespread poverty among retirees and a general deterioration in living conditions. This, in turn, may have contributed to social unrest and political destabilization.

DISCUSSION

Comparative analysis of the pension systems in Paraguay and Venezuela reveals how ideological differences between the extreme right and extreme left influence the structure and functioning of pension systems, as well as their social and economic consequences. The research findings indicate that both extreme privatization and

emphasis on individual responsibility in Paraguay, as well as centralization and redistribution in Venezuela, have led to problems that undermined the stability and efficiency of pension systems in both countries.

EVALUATION OF RESULTS IN THE CONTEXT OF PREVIOUS STUDIES

The findings of this study confirm previous research on the impact of ideology on social policy in Latin American countries (Kay, 2011; Mesa-Lago, 2008). In the case of Paraguay, reforms inspired by neoliberal principles of privatization and reducing the role of the state aimed to increase system efficiency by introducing individual pension accounts. However, as predicted by some researchers (Calvo, Bertranou, Bertranou, 2010), these reforms did not meet expectations, leading to increased social inequality and difficulties in maintaining the financial stability of the system. As a result, Paraguay reverted to the pay-as-you-go (PAYG) system, highlighting the limitations of privatization reforms in the context of developing countries.

In Venezuela, the extreme left's approach, focused on redistribution and centralization, aimed to ensure universal access to social security. However, the findings show that this policy, despite its ambitious goals, led to serious financial problems in the pension system, especially in the context of hyperinflation and declining oil revenues (Orinoco Tribune, 2024). These problems highlight the challenges faced by state interventionism during a deep economic crisis.

COMPARISON WITH OTHER LATIN AMERICAN COUNTRIES

When comparing the situation in Paraguay and Venezuela with other countries in the region, it can be observed that many Latin American countries, such as Chile and Argentina, have also experimented with various pension system models, ranging from privatization to renationalization (Datz, 2012). Chile, one of the first in the region to implement pension privatization, is now also struggling with problems related to the low efficiency of private pension funds and growing inequalities. Argentina, on the other hand, returned to a state-run system after unsuccessful privatization reforms, indicating a broader trend in the region where pension systems based on individual accounts are facing increasing criticism.

POLITICAL IMPLICATIONS

The findings of this study have significant implications for social policy, suggesting that neither extreme privatization nor full centralization can provide long-term stability and fairness in pension systems. In the context of Paraguay, the extreme right-wing policy, which focused on individual responsibility, led to issues with inequality and system stability, forcing the government to revise its approach and return to a more state-managed pension model.

In contrast, in Venezuela, extreme centralization and emphasis on redistribution without adequate financial mechanisms led to a severe crisis in the pension system, highlighting the risks associated with excessive reliance on state control in the face of economic challenges.

RESEARCH OPPORTUNITIES

HYBRID PENSION SYSTEMS ANALYSIS

Conduct a comparative analysis of hybrid pension models in other countries, identifying successful elements that could be adapted to the contexts of Paraguay and Venezuela.

POLITICAL CULTURE AND PENSION SYSTEMS

Investigate the influence of political culture—such as compromise orientation and polarization levels—on the implementation and success of pension reforms.

CONCLUSIONS

In conclusion, the study found that pension systems based on extreme ideologies, whether right-wing or left-wing, face significant challenges in ensuring long-term stability and social equity. In both cases, solutions rooted in extreme ideologies led to financial and social problems, suggesting the need for a more balanced approach to managing pension systems. The practical implications of these findings include the need to rethink pension policies to achieve a better balance between individual responsibility and the role of the state in social security. A limitation of the study is its reliance primarily on available secondary data and the difficulty in accessing current data from Venezuela, which may affect the comprehensiveness of the analysis. Future research should focus on more detailed empirical analyses and comparative studies involving other countries in the region to better understand the impacts of different approaches on pension reform. De-ideologizing pension systems is crucial for creating stable, equitable, and efficient structures that serve citizens across political cycles.

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