

***The Market and the Masses in Latin America:
Consumption and Policy Reform in Liberalizing Economies***

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PART I: INTRODUCTION AND THEORY

Chapter 1. Consuming the Washington Consensus

“A clear majority in all [Latin American] countries favour a market economy rather than a closed, state-directed one”

—*The Economist*, in the 5 November 2005 issue.

“There is disillusion [among Latin Americans] with free-market reforms that are seen as having been sponsored by the United States”

—*The Economist*, in the same issue.¹

¹ The citation for the first quotation is *Economist* (2005a: 11). The citation for the second quotation is *Economist* (2005b: 41).

On October 27th, 2002, Luiz Inácio Lula da Silva became the first candidate from a left-wing party to be elected Brazil's president. Lula's poor, working-class upbringing was also a first for a Brazilian president and made him a rarity in Latin America's political history. His personal victory after three failed attempts and the ascendancy of the Brazilian Workers' Party (PT) to the presidency marked in the minds of many observers an electorate's repudiation of the free-market policies implemented during the previous decade by his predecessor, Fernando Henrique Cardoso (1995-2002). Cardoso had initiated and overseen eight years of newfound price stability and expanded consumption, but in the 2002 election the increase in unemployment and deindustrialization that occurred during his two terms seemed to weigh more heavily in voters' minds. Opponents of the incumbent party received 76% of the presidential vote.

The election in Latin America's largest country of a left-leaning president seemed the high point of a region-wide trend that began during the recessionary "lost half-decade" of 1998 to 2002. During and after these difficult five years, voters in several Latin American countries—Argentina, Bolivia, Chile, Ecuador, Guatemala, Nicaragua, Peru, Uruguay, Venezuela—either elected presidents from leftist parties or chose ones that openly criticized the market orthodoxy of the "Washington Consensus." Well into its second decade as the region's development strategy, journalists, scholars, and politicians alike spoke of mass fatigue with the various elements of the market reform package: privatization, trade and capital account liberalization, and fiscal discipline. Market advocates feared that election mandates would translate into policy reversals: a re-nationalization of privatized enterprises, higher protectionist barriers, and fiscal profligacy. Socialists and other opponents of market liberalization felt vindicated in their belief that voters had finally figured out the hazards of "neoliberalism."

This seemingly straightforward interpretation of voter beliefs about economic reform, however, is overly simplistic. Consider Lula's election victory. Lula and the PT did emerge on the national scene as committed socialists in the 1980s with roots in some of the country's most radical labor and social movements. In his first presidential bid in 1989, the party's platform proposed a nationalization of the financial sector and a suspension of foreign debt payments. By 2002, however, Lula had moderated his views on economic policy, calling himself "Little Peace and Love Lula" (Samuels 2004; Hunter 2007). The PT platform did not contain the word "socialism." Lula promised not to reverse any major privatizations. He criticized developed countries not for trading too much with Brazil but for trading too little. The most well-publicized line from his "Letter to the Brazilian People" released near the start of the campaign was the commitment to honor standing contracts with foreign creditors. In short, voters did not elect an outspoken, anti-market candidate in 2002.

Moreover, after his inauguration Lula pursued many fiscal and macroeconomic measures that largely matched those of his predecessor. He implemented an austere reform of the state-provided pension system, maintained a tight monetary policy, and sustained a large budgetary surplus. These were all policies that the PT had strictly opposed for the preceding eight years. By the end of his first year, many observers were referring to Lula's administration as "Fernando Henrique's third term." Rather than expressing widespread betrayal at Lula and the PT's pro-market about-face, however, Brazilians rewarded him with high presidential approval ratings and eventually a second term.

Lula's steady move to the ideological center thus raises a series of crucial questions about his mandate and mass beliefs about economic reform. Was the victory of a leftist in Brazil a popular mandate for reversing market reform, an "unraveling of the so-called Washington

consensus” (Samuelson 2002)? Or was Lula’s necessitated moderation a mandate for continuing the current economic model? In other words, did Brazilians choose a leftist in 2002 because they were experiencing “reform fatigue”? Or did they choose a *former* leftist because of his promises to keep the market in place? In short, did most voters in Brazil want to see the continuation or reversal of market reforms?

Similar questions surround interpretations of leftist victories and reform reversal elsewhere in the region. Besides the election of left-of-center candidates, privatizations have been blocked or reversed at the behest of demonstrators in numerous countries, including Bolivia (water), Colombia (telecommunications), Costa Rica (electricity and telecommunications), Dominican Republic (electricity), El Salvador (hospitals), Guatemala (water), Mexico (electricity and petrochemicals), and Peru (electricity) (Harris et al 2003). Few Latin American countries have *not* seen such movements, with some pro-privatization observers bemoaning “mob rule” in countries where protest has been successful in changing policy (*Economist* 2005c). Some reversals have even occurred at the behest of broader public opinion, as evidenced by the results of national referenda in Bolivia and Uruguay that blocked privatizations or foreign investment in their energy sectors.

Despite these events and the oft-touted leftward swing in voters’ preferences after 1998, some observers have spoken of “ideological pruning” (Colburn 2002) and a “diminishing latitude for economic policy choice” (Weyland 2004) because large-scale reform reversal has not appeared to be a viable political option (Domínguez 1998). Successful presidential candidates from a variety of party types and political backgrounds—from Nicanor Duarte (Paraguay, 2003) to Néstor Kirchner (Argentina, 2003) to, of course, Hugo Chávez (Venezuela)—have railed against “neoliberalism” during their campaigns, yet only limited policy change has occurred in

this direction (Castañeda and Navia 2007; Lora and Panizza 2003). Most “reversals” have been mere tweaks, especially when compared to the state-led policies predominating before reform implementation: “The greatest achievement of the right is that it no longer matters who governs. Yesterday’s revolutionaries have ended up administering the model that best suits the right” (Castañeda 2006; see also *Economist* 2005d).

As in Brazil, the implications of these conflicting tendencies for election mandates and in particular mass preferences are fraught with ambivalence. In Chile, the 2000 victory of Socialist President Ricardo Lagos (2001-2006) may have been a sign of popular discontent with the incumbent liberal economic policies. His party’s re-election to the presidency in 2005, however, may have indicated widespread approval of the free trade agreement he signed with the United States and his unwillingness to reverse the country’s new market orthodoxy. In Bolivia, Evo Morales’s (2006 to present) victory in 2005 may have represented widespread approval of his platform to nationalize the country’s natural gas sector, yet his high approval ratings even as he pushed for enhanced commercial ties with the European Union may have suggested that voters wanted ever freer trade. In Venezuela, the many electoral affirmations of Hugo Chávez (1999 to present) may signify the electorate’s wholehearted embrace of his fiery socialist and anti-imperialist rhetoric as well as his strict rules on foreign ownership in the petroleum sector. Alternatively, they may have represented an endorsement of Venezuela’s relative openness to world trade and its growing import volumes from the United States and Europe.

In short, amidst the “left wave,” leaders have largely kept market reforms intact. Does this indicate that voters would consider undesirable a spate of re-nationalizations and increased tariff barriers? Or have voters used their discretion to grant statist mandates to their governments, only to be betrayed not by moderate leaders but by the economic policy

straightjackets imposed by international financial institutions, global market competition, and budgetary constraints? Existing answers to these questions are almost completely speculative. It remains extremely unclear what Latin America's citizens actually think of the nearly two-decade-old experiment with market orthodoxy.

Scholarly Dissensus over the Washington Consensus

These ambiguities make it difficult to reach any clear conclusions about the nature of the left's mandate and the overall reasons for the "left turn." Reading the election-result tea leaves is a highly imperfect science. Voting behavior and the issue preferences of candidates expressed during campaigns are at best ambivalent proxies for the balance of citizen attitudes, so "imputing" mass beliefs about market reforms using the ideological stance of election victors can be misleading (Roberts and Arce 1998; Armijo and Faucher 2002; Dore 2003; Stokes 2001a).² Consider that, while conventional wisdom in the early 2000s interpreted the success of left-of-center parties as a sign of voters' statism, some observers by 2006 claimed that the re-election of these same parties was an electoral affirmation of the market-oriented status quo (Castañeda and Navia 2007).³ Overall, the election mandates of recent years have provided enough imprecision

² For example, elections may not always be contested on the grounds of economic policies, as other issues such as candidate personalities, democratization, or corruption may dominate. Alternatively, the leftward shift in leadership after 1998 may have been the natural result of anti-incumbent, not anti-market, voting in the midst of tough times.

³ Consider the following interpretation of the region's spate of elections in 2006: "...incumbency strength should ... be considered as an endorsement of the policies implemented by the outgoing leaders—for the most part committed to free trade" (Castañeda and Navia 2007)

and leeway for ideological observers to find what they are looking for in citizen sentiment: Socialists see mass outrage at continued market liberalization while capitalists see a diffuse acceptance of a market model.

Similarly, imputing mass beliefs from the preferences of small but vocal civil society organizations and protestors can be equally misleading (Walton and Ragin 1990; Petras 2001; SAPRIN 2004; Johnson 2004; Forero 2002, 2005; Sadir 2005; Wise, Salazar, and Carlsen 2003). Privatizations have often been greeted with protests, and many have turned violent. Arequipa, Caracas, Cochabamba, and San Salvador have been among the sites of violent anti-privatization or anti-globalization protests in recent years, with those in Bolivia overthrowing a president. While it is tempting to conclude that these protests represent widespread distaste for market liberalization, they may be misleading measures of the entire electorate's pulse. The impact of economic reforms sometimes feature concentrated costs for relatively small but highly vocal groups and diffuse gains for a silent majority (Haggard and Kaufman 1995). As a result, relying too heavily on the preferences of protestors may lead scholars and other observers to over-predict opposition to the Washington Consensus.

Moreover, many observers assume that any given citizen holds equivalent opinions about each of the varied policy elements of the Washington Consensus. In other words, attitudes toward potentially different issues—such as privatization, trade liberalization, and pension reform—are presumed to be “unidimensional,” as exemplified in the conclusion that Latin Americans in the new millennium have expressed a “massive rejection of the I.M.F. and the Washington Consensus” (Rohter 2005). These policies, however, were often implemented separately and have each exerted very different effects on citizens' livelihoods. Assuming that

citizens evaluate them as a monolithic whole may oversimplify and mislead. Some reforms may be more popular than others.

Even scholarly accounts that rely on survey or other kinds of data have added to the confusion. After more than a decade of research, a persistent division in perceptions among scholars remains. On one side is the “reform-is-popular” school:

There has ... been a conversion to free market open economy policies among ordinary people (Hojman 1994: 210).

Public opinion surveys ... generally show that a majority of Latin Americans prefer markets and the private enterprise system to government control (Rodrik 2001: 12).

... [T]here is still broad-based support for the market economy in general (Graham and Sukhtankar 2004: 365).

Latin Americans show few signs of being eager to abandon the market economy (Shifter and Jawahar 2005: 52).

Many Latin American voters—in some cases solid majorities—continue to support neoliberal economic policies (Castañeda and Navia 2007).

In contrast, consider the “reform-is-unpopular” school:

... [O]rdinary citizens and social movements were taking fervent issue with free-market dogma and its inequitable outcomes (Smith 2000: 345).

... [W]e should not equate the recent neoliberal era in Latin America with a groundswell of mass support for rapid market reforms (Stokes 2001a: 55).

Across the region only [a small minority] of the people believe that the state should leave economic activity to the private sector (Mahon 2003: 61).

In general, Latin American public opinion on the reforms has not been favorable (IDB 2003: 137).

If neoliberal policies are not causally responsible for Latin America's economic problems, the political fact remains that they have become associated with them in the popular mind (Kurtz 2004: 287)

A large political backlash to privatization has been brewing for some time, and public opinion and policymakers in Latin America ... have now turned against privatization (Chong and López-de-Silanes 2005).

Ambivalence also abounds over the contours of group-level differences in opinion, especially regarding the extent to which the poor are disproportionately harmed by and thus the most vehemently opposed to market reforms. The prevailing opinion is that wealth is the most important correlate of attitudes: The poor are less pro-market than the rich (Castañeda 2006; SAPRIN 2004). Many observers have greeted the victories of left-leaning candidates as a political triumph for the poor and their demands to overturn such exploitative policies. However, many leftists were elected by broad, cross-class coalitions (Dix 1989; Roberts 2002). In fact, several reform-implementing presidents were elected and reelected with disproportionately high support from the poor (Singer 1990; Roberts and Arce 1998). Moreover, not the poor but rather well-heeled rent-seeking groups, such as public-sector workers or subsidized business owners, were often the main beneficiaries of state intervention (Weyland 1996).

Consider the contrasting scholarly findings on wealth and economic attitudes. The prevailing opinion has some empirical support:

... [P]rivate ownership was supported by 77 per cent of the upper class, but by only 49 per cent of the lower class (Turner and Elordi 1995: p. 484).

... [S]upport for pro-market positions declined monotonically with social class (Stokes 2001a: 148).

Not surprisingly, wealth levels ... had positive and significant effects on pro-market attitudes (Graham and Pettinato 2002: p. 85).

Yet the countervailing claim also has adherents:

[Neoliberalism] appeals to unorganized, largely poor people in the informal sector. ... Better off groups offer the most powerful resistance to neoliberal reforms (Weyland 1996: 10, 13).

In much of Latin America, the lower classes have given their electoral consent ... to neoliberal projects (Roberts and Arce 1998: 218).

... [T]he staunchest foes of privatization tend to be found among the middle class (Lora and Panizza 2003: 124).

Educated people are ... less likely to be satisfied with how the market is working. ... Wealth is *negatively* correlated with favouring lower taxes, as are years of education (Graham and Sukhtankar 2004: p. 364, 367 [emphasis in the original]).

Needless to say, the confusion over *whether* Latin Americans are neoliberals—that is, whether market reforms are largely popular or unpopular throughout the region—and *which* Latin Americans are neoliberals—that is, how wealth and other group-level characteristics relate to mass beliefs about market reforms—has muddled the picture about *why* Latin Americans think the way they do about the Washington Consensus. Because labor-markets have tightened in the new market era, scholars who think reforms are unpopular presume that citizens evaluate them by considering their impact on job opportunities and nominal wages: “Undoubtedly, the widely held perception that the reforms were detrimental to workers is behind the opposition of the

public to the so-called neoliberal agenda” (Lora, Panizza, and Quispe-Agnoli 2004: 14). In contrast, because the market-friendly era has been one of relatively low inflation, scholars who believe markets are popular often presume that citizens evaluate them by thinking more about their consequences for consumers: “... the biggest reason for popular support of reformist politicians ... is that market reforms have ended inflation” (Armijo and Faucher 2002: 29; also see Gervasoni 1995). Still others claim that concrete economic consequences matter less than the long-standing political biases that color citizens’ perceptions of economics or the rhetorical efforts of elites to shape these mass beliefs (Kaufman and Zuckerman 1998; Przeworski 1993; Stokes 2001b).

Main Findings and Theoretical Arguments

Descriptive Findings

This book moves beyond these vague and contested impressions of public opinion in Latin America by taking a microscope to citizens’ beliefs about the policies that have transformed their economies in recent decades. To provide a more empirically sound basis for understanding Latin Americans’ attitudes, I analyze existing cross-national survey datasets collected in 17 nations between 1990 and 2005 and conduct an in-depth case study using original polling data from Brazil. A central task of the book is thus descriptive, with the interest of setting the record straight on two seemingly straightforward but to date poorly answered sets of questions.

First, what is the balance of aggregate opinion about various elements of the market-oriented development strategy? In other words, are Latin Americans neoliberals? Or, more precisely, *how many* Latin Americans are neoliberals? This question remains a hotly debated

topic, typically because so little public opinion data are consulted when answering it. Even in instances when such data are used, inappropriately worded questions and a failure to recognize that Latin Americans do not evaluate all policy elements of the Washington Consensus as a unidimensional set have led to confusing and contradictory findings.

Figure 1.1 provides a preliminary answer to the “how many” question by demonstrating that most Latin Americans are enthusiastic about globalizing policies while being unenthusiastic about privatization. The figure reports some exemplary results from the cross-national survey datasets used throughout this book. The four diamonds in the figure (ignoring temporarily the curved horizontal lines) represent the percentage of respondents in 18 Latin American countries that supported each of four different market policies between 1996 and 2001. (Questions wordings for these and all other survey items are reported in the Survey Data Appendix at the end of this book.) From left to right, they are trade liberalization, enticements to foreign investors, privatization in general, and pension privatization. The two leftmost diamonds are much higher than are the two rightmost diamonds, which points to the first central finding: Majorities supported free trade and foreign investment while far fewer citizens supported privatization in general and pension privatization. In other words, a “popularity gap” existed between globalization and privatization. Moreover, this implies that a certain degree of “unpacking” took place when citizens evaluated various market reforms. They did not evaluate the market reform package as a monolithic whole but rather discriminated among its various elements, supporting some more than they did others.

[Figure 1.1 here]

Second, which groups or types of individuals in Latin America are enthusiastic about market reforms and which are not? In other words, *which* Latin Americans are neoliberals?

Figure 1.1 again exemplifies some of this book's main claims regarding this question by showing that (1) the rich are only slightly more supportive of market policies than are the poor and that (2) elites have forged important group-level divergences in beliefs about the Washington Consensus. The solid and dotted lines (ignoring for now the white diamonds) show the percentage of Latin Americans supporting each policy at five different levels of wealth. For each policy, wealth is arrayed from the poorest respondents (the leftmost or starting point of each line) to the richest ones (the rightmost or ending point of each line). Lines with a sharp, upward slope would indicate that the wealthiest are far more favorable toward a particular market policy than are the poor. The two different lines for each policy represent individuals with very high (solid) and very low (dotted) levels of political awareness—that is, attentiveness to the discourse of political elites.⁴ At any point, the vertical distance between the two lines thus represents the impact of attention to elite rhetoric on market beliefs.

The upward sloping lines in three of the four policies demonstrate that wealth was typically associated with higher levels of support for market reforms. In other words, the rich were more pro-market than were the poor, yet the difference in attitudes between the two groups was only moderate in size. The rich were typically only about 10 percentage points more

⁴ The lines represent predicted percentages from four different ordered probit models (one for each policy). The dependent variable in each model is support for the market policy. The independent variables are income, income squared, and political awareness. I report these predicted percentages instead of the raw, observed percentages merely to aid visual interpretation: The predicted values smooth over some irregularities, or departures from the overall pattern, that exist because some groups are represented by a small sample size. More sophisticated and fully specified model results are the subject of chapter 5.

favorable toward reforms than were the very poor, and no such “wealth gap” existed at all in privatization attitudes. Moreover, the wealth gap was typically matched or exceeded in size by the gaps between those who were highly exposed to elite discourse—the most politically aware—and those who were not—the least politically aware. The former were more pro-market than were the latter. In other words, the “awareness gap” was just as large as was the wealth gap. In the 1990s, elite discourse was just as important as was wealth in forging group-level divergences in beliefs about the Washington Consensus. Elites’ ability to do so, however, had disappeared by 2001.

The most striking overall conclusion from these descriptive findings is that *the best predictor of support for the Washington Consensus is not wealth but the policy being evaluated*. The poor generally agreed with the rich that globalization has been a positive change and that privatization has been a negative one. Thus, the key to understanding mass responses to the market in Latin America is to start from the fact that there is far greater variation in beliefs across different issues than there is across groups on the same issue.

Theoretical Argument

While these descriptive findings are important, the primary goal of this book is to derive a theoretical explanation for them. They present numerous theoretical puzzles. Why is globalization so popular, especially when economic studies generally find that it has been detrimental to overall worker welfare? Why is privatization so unpopular, especially considering the widely accepted scholarly claim that it has had a negligible net impact on overall worker welfare? Why are the poor and unskilled workers only slightly less enthusiastic about globalization than are the wealthy and highly educated, despite the fact that freer trade and more

foreign investment have increased the disparity in wages between skilled and unskilled workers? Finally, what explains the gap in attitudes between less and more politically aware citizens? This book provides answers to these questions by reconsidering theories about politics and public opinion in Latin America in two crucial ways.

First, it recalibrates the widely used “bottom-up” public opinion approach, which assumes citizens have autonomous and economically self-interested preferences about economic policy. I orient a new bottom-up approach away from producer- and labor-market-oriented interests and toward more consumer-oriented ones. I claim that citizens’ interests as consumers, not workers or producers, have largely driven their beliefs about market policies because the impacts of these policies on consumption interests have been far more visible in everyday lives than have been their consequences for labor markets.

As a result, consumer, and not labor-market, interests explain why some policies are more popular than are others and why some groups are more supportive than are others of reforms. Latin Americans support globalizing policies because they have led to a wider availability of less expensive but higher-quality goods. Moreover, the rich have benefited from this “consumer revolution” more than have the poor because the former have been more likely than have the latter to consume the types of goods and services that have undergone the greatest cost- and quality-improvements. These wealth-related differences in consumption patterns, however, are actually relatively small. As a result, the discrepancy in attitudes between rich and poor is also small. In contrast, privatization is unpopular because it has raised prices for crucial utility services, such as potable water, electricity, and telecommunications. Again, citizens are largely united across wealth levels in opposition to these price hikes, although they have more

heavily burdened middle-income consumers than they have the poor or the rich because of wealth-related differences in consumption patterns. (See figure 1.1.)

Second, this book finds a role for widely ignored “top-down” influences on public opinion. The mass politics of reform is not exclusively about the economics of consumption but also about elites’ sometimes-successful efforts to shape public opinion. Upon implementation, politicians had to rhetorically “sell” market reforms to electorates that had grown accustomed to decades of state-led development. By the mid-1990s such persuasive rhetoric flowed from a political elite that had reached a consensus in favor of market policies, so the balance of elite rhetoric throughout Latin America was favorable toward the Washington Consensus. This exerted a “hegemony effect” on mass attitudes (Gramsci 1971): Citizens who were highly aware of elite discourse were more likely to share these pro-market opinions than were citizens who consumed little elite discourse. By the late 1990s, however, this elite consensus started to break down. Many left-leaning parties, movements, and candidates levied sharp criticisms against the new economic orthodoxy. The revitalization of the left meant that elites grew more polarized as market reforms became issues of intense partisan contestation. As a result, high levels of political awareness no longer meant greater exposure to pro-market discourse by 2001. (See figure 1.1.) Instead, partisan divisions among elites lead to partisan divisions among the masses, but only among citizens that had enough political cognition and awareness to hear and accept the relevant arguments made by elites from their preferred political camp.

Implications

This book thus claims that citizens are “consuming the Washington Consensus” on two fronts. Most importantly, reforms have rendered material consequences for consumer welfare by

visibly shifting the affordability, availability, and quality of many goods and services, and these effects have been much more evident to citizens than have been the effects of reforms on wages and employment opportunities. In this sense, citizens consume the economic effects of reforms, and they do so in ways that lend heavily to how they evaluate market policies. But citizens are also political beings, selectively listening to the persuasive efforts of political elites and doing so with predispositions about their credibility and merit. In this sense, citizens also consume elite rhetoric, and they do so in ways that reflect the overall balance of elite efforts to “market” market reforms.

I conclude by describing the implications of these findings for the region’s politics. First, consumer interests unify citizens from contrasting wealth levels more than they divide them. Labor-market assets and interests differ far more markedly across individuals and especially income levels and classes than do consumer interests: Social classes are largely unified in their preferences for lower prices on goods and services. As a result, the rise of consumer interests and their predominant role in shaping opinions has contributed to the disappearance of wealth- and class-based cleavages in the region’s politics. While industrialization forged highly politicized class identities in the era of state-led development, market liberalism and the rise of consumerism, or *consumismo*, has eroded them. Second, *consumismo* has both empowered and constrained the region’s new left. While mass outrage over post-privatization price increases certainly contributed to the rise of the left, these leaders are constrained in their ability to resurrect protectionist barriers against imports and foreign investors because they would stoke inflationary pressures. In short, the average voter’s obsession with prices in Latin America created the left turn, but it has also constrained the left to moderate some of its goals while in power. Finally, I find that politicians’ appeals matter but in a rather limited way. Elites can

shape mass cleavages by dictating the extent to which citizens' attitudes divide along partisan or informational lines. The overall volume and balance of their rhetoric, however, plays only a minor role in influencing the aggregate level of popularity for market reforms. The objective economic consequences of reforms matter more for their mass popularity than do elites' beliefs about them.

Scope and Outline of the Book

The primary goal of this book is to describe and explain “specific” support among Latin American citizens for particular market policies that have either been implemented or were likely enough to be implemented that they were a matter of public debate (Easton 1965). It analyzes public opinion toward the kinds of policies that since the 1980s have had the most important economic consequences—by visibly affecting citizen welfare—and political consequences—by providing heated fodder for elite debate, partisan divisions, and candidate contestation. In particular, I focus on the set of “first-generation” Washington Consensus reforms. These have three central pillars: (1) privatization and deregulation, (2) globalizing policies, namely trade and capital account liberalization, and (3) fiscal adjustment and social welfare reform (Naím 1994; Navia and Velasco 2003).

Under the first pillar, broadly described as “privatization,” I consider attitudes toward (1) privatization in general, (2) privatization of utility sectors, (3) privatization of natural resource sectors, and (4) privatization of various service sectors. I broadly define the second pillar as “globalizing policies” or, for ease of exposition, merely “globalization.” I consider beliefs about (1) free trade in general; (2) the various South-South regional trade pacts such as Mercosul, the

Andean Pact, and the Central American Common Market;⁵ (3) the potential Free Trade Agreement of the Americas (FTAA); and (4) foreign investment. Finally, although I do on occasion consider citizens' general beliefs about the state's fiscal responsibilities, I focus on pension reform as the most pertinent case of the third pillar. Reform and privatization of

⁵ Are these regional trade agreements (RTAs) part of the market liberalization package? There is a general consensus among economists (the scholarly group most inclined to skepticism of RTAs) that the answer to this question is "yes"; Latin America's trade pacts are wholly compatible with and actually expand free trade and other market policies. First, Latin America's "new regionalism" contrasts markedly with the "old regionalism" of the ISI era, in which lower intra-RTA barriers were coupled with higher barriers to extra-RTA trade partners (Bulmer-Thomas 1994). New regional trade pacts have worked in tandem with lower barriers to imports from all countries. Indeed, extra-RTA partners must lower their prices on exports to Latin American countries in order to compete with intra-RTA trade (Chang and Winters 2002). Second, regional trade pacts have locked in and reinforced other market-friendly trends and reforms. For example, regional trade pacts have encouraged inward foreign investment, and their relative depth and permanency has signaled the region's commitment to trade liberalization (Blomstrom and Kokko 1997). Finally and most simply, regional pacts have increased trade volumes in Latin America (IDB 2002a). While some scholars express concerns that detrimental "trade diversion" effects—the substitution of exchange with inefficient intra-RTA partners for exchange with efficient extra-RTA partners—outrun beneficial "trade creating" effects (Kono 2007; Yeats 1998), most evidence suggests that the new regionalism in Latin America does not suffer from this problem (IDB 2002b). Moreover, even if trade diversion does occur, it is still "globalization" because it entails exchange with foreigners instead of compatriots.

retirement pensions is the only widespread example of fiscal retrenchment in the social area, as state spending on education, health care and even targeted anti-poverty programs actually increased after 1990 (Avelino, Brown and Hunter 2005; Kaufman and Segura-Ubiergo 2001).⁶ That said, the bulk of this book's findings and theoretical claims pertain to the first two pillars: privatization and globalization.

The following chapter (Chapter 2) builds the theoretical infrastructure for the book. It reorients the standard bottom-up approaches to public opinion formation in the Latin Americanist literature by stressing the role of consumption-based interests over more producer-oriented ones. It also describes a framework for understanding elite-based, top-down influences on public opinion. Chapter 2 also establishes the need to analyze market reforms in a disaggregated manner by focusing on individual policies and individual-level differences in beliefs rather than on the macro-level popularity of entire reform packages.

Part II of the book contains three chapters that seek to describe and explain regionwide public opinion patterns using cross-national opinion polls. Chapter 3 sets the context for the analysis of public opinion data by describing the two primary independent variables: the economic consequences of reforms (the key "bottom-up" variable) and the contours of elite opinion on market reforms ("top-down"). Chapter 4 considers questions of aggregate support for individual policies, establishing the basic descriptive facts regarding patterns and trends in the popularity of the various reforms and applying the consumption-based theory to explain

⁶ Many critical portrayals consider decreased social spending to be part and parcel of the market-reform era (Colburn 2002: 86). Less state involvement in the social sector, however, was not part of the original tenets of the Washington Consensus, and only rarely, except in the realm of old-age pensions, did it actually occur (Birdsall and Torre 2001; Williamson 1990).

differences in average beliefs across policies, countries, and time. Chapter 5 turns to explaining differences in beliefs across individuals, focusing especially on the role of wealth as it relates to consumer interests and differences in receptivity to elite rhetoric.

The cross-national survey data used in part II provide unparalleled measures of overall regional beliefs, but they sacrifice depth and at times measurement precision for geographical breadth. To allay some of these concerns and also provide new findings on public opinion in the region's largest country, part III contains a single-country case study of Brazil. Chapters 6, 7, and 8 are collectively organized to parallel the three chapters in part II. Chapter 6 sets the main independent variables by presenting an historical overview of Brazil's reform process, describing the economic consequences of market liberalization as well as the balance of elite efforts to rhetorically sell or oppose the new policies. Chapter 7 addresses the aggregate question for the Brazilian case, describing what proportion of Brazilians support and oppose each policy and supporting the consumption-based theory by analyzing how survey respondents rationalized their beliefs about different market policies. Chapter 8 explains variation in beliefs across different types of Brazilians, focusing again on wealth and the role of elite opinion leadership.

The arguments and findings made throughout this book have implications that illuminate and explain Latin America's new social and political cleavages as well as the recent electoral success of the left and its mandate. I summarize these interpretations in a concluding chapter in part IV.

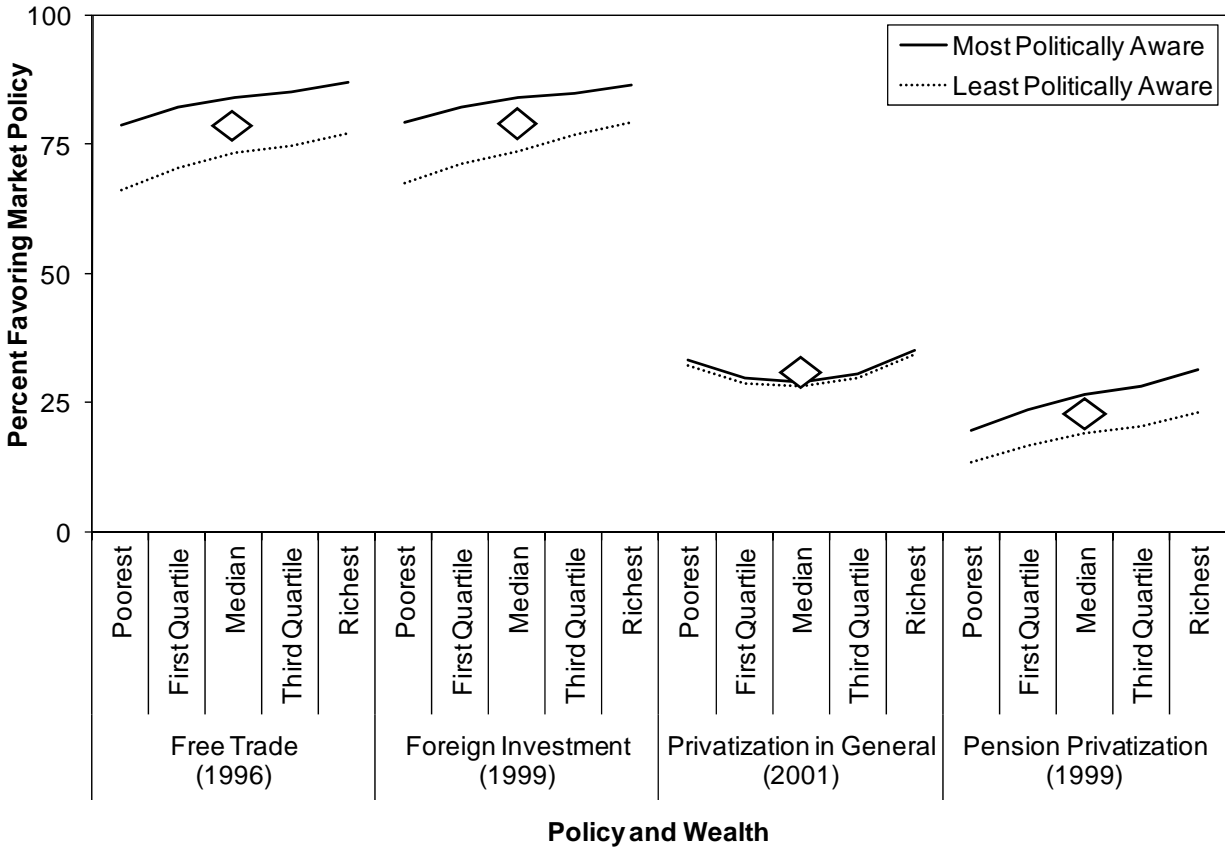


Figure 1.1. Support for Market Reforms in 18 Latin American Countries by Wealth and Political Awareness, 1996-2001

Notes: Lines are predicted values from four different ordered probit regressions with the following dependent variables: *Free trade helps country (LB)* in 1996, *Foreign investment should be encouraged (LB)* in 1999, *Privatization is good for country (LB)* in 2001, and *Privatization by sectors: Pensions (LB)* in 1999. Question wordings are in the Survey Data Appendix. “Poorest” are the 5th percentile of wealth, while “Richest” are the 95th percentile.