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PARTISAN CLEAVAGES, STATE RETRENCHMENT, AND FREE TRADE

Latin America in the 1990s*

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Abstract: This article accounts for the role that partisan divisions played in shaping variation in mass preferences for market-oriented policies in Latin America during the 1990s. Most of the existing studies on attitudes toward market reforms have focused on issues such as the timing of reforms, the presence of economic crises, and how economic performance shaped citizens' preferences. Fewer studies have investigated whether partisan cleavages translated into divergent preferences toward market reforms. Were there systematic differences between left- and right-wing voters in their preferences toward market reforms? Did left-wing voters oppose these policies and right-wing voters favor them? Which of these structural transformations—state retrenchment or trade liberalization—witnessed greater mass polarization along partisan lines? This article answers these questions with the use of a mass survey on public opinion about market reforms conducted by Mori International in eleven Latin American countries in 1998.

INTRODUCTION

Latin America experienced a profound economic transformation during the 1980s and 1990s. Most countries in the region abandoned import substitution industrialization (ISI) policies led by heavy state intervention for a set of market-oriented economic policies, including privatization, macroeconomic stabilization, and trade opening. Although the macroeconomic results of these economic policies varied considerably across the region, economic growth has remained elusive and poverty pervasive in

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most countries (Graham and Pettinato 2003; Lora, Panizza, and Quispe-Agnoli 2004).[1] Not surprisingly, in recent years left-wing politicians have run successful campaigns based on anti-neoliberal platforms, and many countries in Latin America are unmistakably turning toward the left (Seligson 2007).

Our main goal in this article is to account for the role that partisan divisions played in shaping variation in mass preferences for market-oriented policies during the 1990s. Most of the existing studies on attitudes toward market reforms have focused on issues such as the timing of reforms, the presence of economic crises, and how economic performance shaped citizens' preferences (Stokes 2001a; Weyland 1998). One of the central contributions of these studies is that they elucidate the reasons citizens supported economic policies that entailed significant transitory costs. Fewer studies have investigated whether partisan cleavages translated into divergent preferences toward market reforms. Were there systematic differences between left- and right-wing voters in their preferences for market reforms? Did left-wing voters oppose these policies and right-wing voters favor them? Which of these structural transformations—state retrenchment or trade liberalization—witnessed greater mass polarization along partisan lines? This article answers these questions with the use of a mass survey on public opinion about market reforms conducted by Mori International in eleven Latin American countries in 1998.[2]

The extent to which partisan cleavages translate into divergent preferences for economic policies has been widely studied in advanced economies (Boix 2000; Garrett 1995; Huber and Stephens 2001; Oatley 1999) but scarcely researched in Latin America. One of the few cross-sectional studies that assessed the extent to which left-right divisions shaped mass preferences toward market reforms in Latin America is that of Panizza and Yáñez (2005). They employed individuals' self-reported ideology and found no evidence that those individuals at the lower levels of a ten-point scale, from left to right, rejected market reforms.[3] A puzzling implication of this study is that left-wing voters appear not to oppose market reforms.

1. Some studies argue that market reforms in Latin America have had positive effects on growth, although they acknowledge that growth has been modest; see Loayza, Fajnzylber, and Calderón (2005); Shirley and Walsh (2000); Stallings and Peres (2000).

2. We are grateful to Miguel Basáñez, who generously shared the data with us. The survey considered fifteen nations, although our regression analysis is restricted to eleven countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Paraguay, Peru, and Venezuela ($N = 9{,}701$). We excluded Dominican Republic, Guatemala, and Panama because significant information on some of our dependent and independent variables, including basic demographics, was missing for these countries. The survey also included the United States.

3. The upper levels of a left-right ten-point scale were more likely to support market reforms.

Yet we know from elite studies that leftist politicians objected to the dismantling of ISI policies and the enactment of market reforms.

Zechmeister (2002) argues, however, that when Latin American voters are asked to place themselves on a left-right ten-point scale it is not clear what they interpret as right or left. She finds that in countries of recent democratization or transitioning toward democracy, self-reported ideological positions on the left-right scale are more a reflection of voters' positions along a regime dimension than of voters' divisions over economic policies. We thus need an alternative measure to explore voters' divisions over economic policies and their distribution along the left-right distributive dimension.

This article revises and extends the existing literature on mass preferences for market reforms. To study partisan cleavages toward market reforms we rely on a regionwide mass survey. Through factor analysis we reduce the mass survey questions to two meaningful dimensions of market reforms: free trade and state retrenchment. Then, using these factor scores as dependent variables, we identify the determinants of citizens' preferences for these two components of market reforms. To assess whether voter alignments shaped mass attitudes toward market reforms, we employ individuals' reported voting intentions rather than self-reported ideology. To identify parties' ideological leanings, we employ an elite survey that asked Latin American legislators how they perceived the political spectrum (Alcántara and Freidenberg 2003a, 2003b, 2003c) and analyses of this survey (Rosas 2005; Rosas and Zechmeister 1999).

We demonstrate that, holding economic performance constant, voters supporting left-wing parties were significantly more likely to oppose these reforms and right-wing voters to favor them, but that these partisan divisions mostly shaped preferences toward state retrenchment and not so much trade liberalization. Our results can thus make sense of why the biggest political battles in Latin America in the 1990s were fought around privatization—electricity, oil, pensions, and health—and not so much around trade opening. Our analysis employs a survey conducted in 1998 rather than a more recent one because we want to explore attitudes toward market reforms by the time they were implemented. Thus, the data we use reflects Latin Americans' attitudes by the 1990s and, as such, cannot be employed to extrapolate attitudes today. The average citizen in the region appears to have been more conservative in the 1990s, before the resurgence of the left (Seligson 2007). Nonetheless, because we uncover some of the causal links between social cleavages, left-right partisan divisions, and market reforms, our results provide a meaningful theoretical background against which Latin America's current move toward the left can be assessed. We elaborate this point further in the conclusion.

The article unfolds as follows: in the first section we review the relevant literature on the determinants of mass preferences for free trade and state retrenchment. For analytical purposes we separate our review of the literature on the basis of three broad independent variables: macroeconomic performance, social cleavages, and partisan divisions. This section also presents the series of hypotheses that we evaluate in the empirical section. We then summarize our findings and place them in the current Latin American context.

EXISTING RESEARCH ON SUPPORT FOR MARKET-ORIENTED REFORMS AND HYPOTHESES

Market-oriented reforms consisted of a broad set of policies including macroeconomic stabilization, fiscal adjustment, trade openness, deregulation of markets, and state retrenchment through privatization and entitlement rollbacks. Most of the literature on public opinion toward market reforms in Latin America has focused on how economic crises, growth performance, and inflation affected support for these reforms, deemphasizing the role of partisan cleavages. In contrast, the public opinion literature focusing on advanced industrial democracies has mostly focused on the effects of social cleavages, often to the detriment of macroeconomic performance.[4] We explore these lines of research in this section and state our main hypotheses, which we will put to test in the third section.

Macroeconomic Performance

One of the central questions that motivated much of the earlier literature on market reforms was the extent to which voters would tolerate a temporal deterioration of their material well-being. The pessimistic view was that economic reforms would not succeed under democracy because politicians would be tempted either to reverse them before the next election or to abandon democracy altogether (Przeworski 1991). Events proved the pessimistic view wrong: not only were economic reforms implemented under democracy but also voters seemed to dislike the reforms less than expected (Przeworski 1996; Stokes 1996).

Implicit in the pessimistic view was that voters would behave according to the normal economic voting model, rejecting the reforms as soon as they began to experience some of their transitory costs. In his comparative

4. There are a growing number of articles using regionwide surveys such as the one we use in this article by Mori International and the Latinobarómetro surveys, which became available to the wider public more recently. Most of the work on attitudes toward market reforms focuses on individual cases or a set of cases such as Stokes (1996) on Peru, Kaufman and Zuckermann (1998) on Mexico, Baker (2003) on Brazil, Graham and Pettinato (2003) on Peru, among others. Similarly, Stokes's (2001b) seminal study on policy switching in Latin America during the neoliberal era makes extensive use of public opinion surveys, as does that of Weyland (1998).

analysis of economic reforms in Venezuela, Peru, Argentina, and Brazil, Weyland (1998) suggests an alternative theory of voter behavior in an attempt to explain the sources of mass support for these policies. He employs prospect theory to argue that voters would support the implementation of economic reforms when economic recession and hyperinflation put them in the "realm of losses," thus inducing them to become risk seekers. Voters would oppose economic reforms under more normal economic conditions or when economic crises are not too serious—here voters would remain in the "realm of gains" and behave as risk adverse. Perhaps the most serious limitation of this approach is that it fails to specify when exactly it is that the economic crisis is "serious enough" to put voters in the realm of losses rather than gains. However, the idea that voters might support economic reforms on the basis of the notion that the status quo is too costly is compelling.

In their comparative analysis of various Latin American and Eastern European countries, Stokes and her coauthors (1996, 2001a) also reassessed the pessimistic account that anticipated widespread mass opposition toward market reforms. They find that voters assessed market reforms on the basis of their impact on the economy but in a far more complex manner than that proposed by the normal economic voting model. On the basis of various empirical studies about the longitudinal variation in mass attitudes toward market reforms, Stokes (1996, 2001a) classifies voters' reactions to economic reforms into four models according to whether they remained optimistic or pessimistic about the future and whether they supported or opposed the reforms. In the intertemporal voting model, voters remain optimistic about the future and support the reforms despite their costs because they expect things to improve after a temporal decline in economic conditions. The exonerating model states that voters support the reforms despite the current economic deterioration because they blame an alternative set of policies for their current economic misery. The normal economic vote model leads voters to reject the reforms and remain pessimistic when they see the current economic situation deteriorate. The distributive vote model implies that voters reject the reforms despite remaining optimistic about the future because they perceive that they harm other voter groups.

Stokes's approach is useful because it emphasizes that voters can react to economic conditions in ways that dramatically differ from the normal economic vote model. However, the approach lacks a unifying voting model that can tell us under which conditions voters would behave according to the various models. Interestingly, the intertemporal model generates empirical predictions akin to Weyland's (1998) argument based on prospect theory, although the logic supporting those predictions is different. In the intertemporal vote model, current economic deterioration generates support for the economic reforms because it signals that good things lie ahead, whereas in prospect theory current economic deterioration leads voters to embrace the economic reforms because it puts them in the realm of losses. This means that in the intertemporal model, support for economic reforms largely hinges on their credibility or the extent to which voters expect things to soon improve, whereas in prospect theory support is based on a psychological mechanism, higher risk propensities that are induced by the economic recession.

These models are useful for understanding why voters might support economic reforms soon after they are initiated. But the issue at stake in the late 1990s was not whether to initiate a new economic reform program but whether to continue to support or turn against it. By 1998, when our survey was conducted, voters in Latin America had experienced an average of seven years with market-oriented reforms and some countries, most notably Chile, had long ago shifted to development paradigms. Our argument is that voters would need some reassurance that these reforms are working to continue to support them.

Thus, we hypothesize that the normal economic vote model rather than the alternatives more accurately describes voters' behavior in the late 1990s. The normal economic vote model predicts that voters will turn against economic reforms if they have failed to generate economic growth. However, using the same survey we employ, Baker (2003) concluded that mass attitudes toward trade liberalization were completely unrelated to economic performance.

We believe that Baker's (2003) approach is limited in that, to measure the impact of economic performance, he employs growth rates of the current year. However, we see no reason why voters in Latin America would exclusively concentrate on the growth rate of the current year to assess the economic performance of the new market-oriented development paradigm.

Drawing on the work of Fiorina (1981), Achen (1992), and Magaloni (2006), we believe that voters are capable of employing longer-term information to evaluate the effects of different economic policies. Here we put to test the notion that Latin American voters evaluated market reforms by contrasting the current economic situation with the economic situation that prevailed before the enactment of the reforms. Thus, our first hypothesis is as follows:

Hypothesis 1: Voters will support market-oriented reforms if they assess that current economic growth is better than growth before the enactment of the reforms.

This means that the deeper the economic recession that triggered the enactment of economic reforms in the first place and the stronger the economic recovery, the higher voter support we should observe. To test for this hypothesis, we employ in our regression analyses the difference between the 1997 growth rate and the average growth rate during the 1980s of the respondent's country. We expect a positive sign for this variable. Our approach thus implies that, ceteris paribus, we should expect higher average support for market-oriented policies in countries where the economy's growth rate in 1997 was outstanding or, if not outstanding, where the current economic situation was significantly better than that prevailing in the previous decade when reforms were first enacted.

Growth rates might not be the only variable voters think of when assessing the macroeconomic impact of economic reforms. Market reforms were originally justified as a solution to acute fiscal crises and bankrupt states resulting from extreme budgetary profligacy, oversized governments, and too much borrowing, all of which translated into high inflation rates. Although in some Latin American countries hyperinflation was under control by the late 1990s, many countries were still experiencing macroeconomic instability either because of unbalanced external accounts, as in Argentina or Mexico, or because of unsuccessful fiscal adjustment efforts, as in Ecuador. Macroeconomic instability—high inflation rates accompanied by rapid and frequent currency depreciation—remains highly unpopular in Latin America because it taxes consumption, translates into declining real salaries, and induces investors to seek more stable economic environments abroad. Macroeconomic instability also reduces politicians' maneuvering room to pursue alternative policies to economic orthodoxy, thereby inducing a form of social consensus about the desirability of sustaining the reform effort that would not exist if inflation were no longer a problem. Our second hypothesis states the following:

Hypothesis 2: The higher the inflation rate is, the more voters will continue to embrace market reforms.

To test for this hypothesis, we employ average inflation rates from the period 1995–1997 to better capture inflationary spurs, and we expect to find a positive sign.

Socioeconomic Cleavages

Market reforms had profound distributional consequences, hurting some voter groups more than others. The ISI policies created political constituencies dependent on the state, and we expect resistance to change from the beneficiaries of these policies (Pierson 1996). There should also be stronger resistance from voter groups that stand least to benefit from the new market-led economic policies. In this section we draw from the public opinion literature developed for advanced industrial democracies to derive some hypotheses about the formation of socioeconomic cleavages around economic policy reform in Latin America.

Most of the public opinion literature focuses on the formation of social cleavages around free trade. The classic work draws from the Hecksher-Ohlin-Samuelson model, which predicts that a country's abundant factor (labor/capital/land) should support free trade (Rogowski 1989).[5] In Latin America, capital is not the abundant factor. Thus, the theory would predict higher support for free trade among labor. An alternative model, the human capital model, focuses on individuals' skills. Highly skilled individuals should favor free trade because they are more able to adapt to increased risks associated with international exposure and changing economic opportunities that come with openness. Another alternative is the Ricardo-Viner model, which focuses on sectors. The Ricardo-Viner model assumes that factors cannot move across sectors and that a sector that has a relative competitive advantage will benefit from free trade, while those employed in the disadvantaged sector will suffer.

Gabel (1998a, 1998b), Gabel, Davis, and Coleman (1998), Scheve (2000), Scheve and Slaughter (2001), and Anderson and Tverdova (2000) combine insights from the Hecksher-Ohlin-Samuelson and the human capital models to study preferences toward free trade in Europe and the United States. Scheve and Slaugther (2001) find widespread skepticism among U.S. citizens about free trade. They demonstrate that these policy preferences cut most strongly across labor-market skills and not across sectors, such that less skilled workers are much more likely to oppose free trade than are their more skilled counterparts. Less skilled workers in the United States, they argue, have seen sharp declines in their wages relative to more skilled workers as a result of free trade. Mayda and Rodrik (2005) report similar results in a study of two different surveys conducted in developed and developing countries. Hiscox (2006) finds much lower opposition to free trade in the United States after varying the wording of the questions.

The predictions of the Hecksher-Ohlin-Samuelson model and the human capital model are the same for the case of Europe and the United States, where the abundant factor is undoubtedly skilled labor. In countries in Europe and in the United States, low-skilled workers are the scarce factor and should suffer from free trade. However, in Latin America, the predictions of the Heckscher-Ohlin-Samuelson model are less straightforward and often not that well understood. A country may have abundant

5. For simplicity, we omit land as a relevant factor, although the model also provides predictions as to whether the relevant cleavage is land/capital or land/labor. The limitations of our survey, with not enough representation in the countryside, preclude us from testing this possibility more systematically.

unskilled labor in a regional sense but abundant skilled labor in a global sense. Middle-income developing countries such as those in Latin America have abundant unskilled labor relative to developed countries and abundant skilled labor relative to low-income developing countries. As Mamoon (2007, 11) states, "Countries like Mexico may very well be globally unskilled abundant yet locally skilled abundant, whereas countries like China may be unskilled abundant both globally and locally." This means that middle-income countries may have an interest in protecting unskilled labor or, in other words, that in Latin America unskilled labor may oppose free trade, whereas semiskilled workers may favor it. Seligson (1999) and Wood (1997) find empirical evidence supporting the claim that unskilled Latin American workers oppose free trade.

Baker (2003) challenges these approaches. He claims that occupational categories, social skills, or the prospect of job loss do not shape mass attitudes toward free trade in Latin America. He argues, instead, that Latin Americans evaluate free-trade policies as consumers rather than producers or employees and massively support them because of their positive effects on consumption, as they lower prices and increase the quality and diversity of consumer products. His theory predicts support for free trade coming mostly from the middle class, which presumably has benefited the most from consumption-enhancing free-trade policies, and has not experienced effects on skills or occupational categories.

In the following section, we put to test the predictions of the various theories we have reviewed with survey data. Table 1 states the main theories regarding the formation of social cleavages around free trade, summarizes the main hypotheses derived from each theory, and explains how we operationalize them for empirical testing. To measure factor abundance, we employ two dummies as proxies, one for blue-collar workers and the other for low-income individuals. If the relative abundant factors model is correct, these individuals should favor free trade, because in Latin America the abundant factor is labor rather than capital. To measure skill endowment, we employ the commonly used proxy of education. The human capital model predicts support for free trade coming from more highly educated individuals. The human capital/abundant factor model combines insights from both of these approaches and predicts opposition to free trade from low-skilled workers and support for free trade from semiskilled workers. The consumption-based approach predicts higher support for free trade among middle-class voters or a curvilinear relationship between income and support for free trade. We employ income categories (low, middle, and high) to test this approach. To test one of the predictions of the Ricardo-Viner model, namely that individuals in the least competitive sectors that are suffering layoffs or bankruptcy are most likely to oppose free trade, we use a dummy for whether the individual reports being unemployed.

Table 1 Attitudes toward Free Trade and Hypotheses from Major Theories

Theory	Hypotheses	Operationalization and expected sign of variables
Relative factor abundance model (Hecksher–Ohlin–Samuelson)	3. Scarce factor (labor, land, capital) should oppose free-trade; abundant factor should favor free-trade.	Dummy for blue-collar workers and dummy for low-class. Positive sign for both variables.
Human capital model	4. Low-skilled individuals should oppose free trade; high-skilled individuals should favor free trade.	Education as an ordinal discrete variable encompassing 17 categories. Positive sign.
Human capital and factor abundance models combined	5. In Latin America, semi-skilled workers should favor free trade.	Dummy for blue-collar workers with primary or no education (low-skilled). Negative sign.
	Low and high-skilled workers should oppose free trade.	Dummy for blue-collar workers with high-school education or more (semi-skilled). Positive sign.
Specifics factors model (Ricardo–Viner)	6. Individuals with assets or employed in uncompetitive industries should oppose free trade; individuals employed or with assets in internationally competitive or expanding export sectors should favor free trade.	Dummy for unemployed. Negative sign.
Consumption model (Baker, 2003)	7. The middle-class favors free trade because of its benefits on consumption; no effects for factors.	Income categories (low, middle, and upper class). Positive sign for middle class.

These theories provide clear predictions about attitudes toward free trade but have less to say about preferences for state retrenchment as reflected in the privatization of key industries, such as oil, gas, and electricity. or key services, such as health, education, and pensions. In Latin America these have been highly contentious issues polarizing voter groups and parties of the left and the right. Following Pierson (1996), our hypothesis is that opposition to state retrenchment should come from beneficiaries of the previous ISI strategy, including unionized workers and low-income individuals who benefit from state programs. Thus, we tested the following hypothesis:

Hypothesis 8: Blue-collar workers and low-income individuals should oppose state retrenchment.

The Bolivian case suggests that, in addition to the conventional class and income divisions, privatization policies inspire strong opposition from indigenous communities that have failed to benefit from national resources controlled by multinational corporations. For example, some years before winning the presidency in Bolivia, Evo Morales assumed the acronym, name, and colors of the then-inactive organization Movement Towards Socialism (Movimiento al Socialismo) with the explicit intent to halt privatizations, calling for the nationalization of the country's key industries and sectors, including gas. We hypothesize the following:

Hypothesis 9: Indigenous groups should oppose state retrenchment.

To test this hypothesis, we employ a dummy for individuals who reported being indigenous. It should be kept in mind, however, that the Mori survey is disproportionately urban, which means on the one hand that indigenous people are underrepresented in the sample and on the other hand that preferences of indigenous people inhabiting cities may not accurately reflect preferences of the entire indigenous population.

Partisanship and Political Legacies

Did voters who supported left-wing candidates reject market reforms? For Western European countries, Cameron's (1978) seminal work demonstrated that economic policies responded to the partisan composition of the government. More recent studies, most notably that of Huber and Stephens (2001), have demonstrated that the partisan composition of the government is a major determinant of welfare-state formation during the so-called golden age, although it has marginally shaped divergent patterns of state retrenchment after the 1980s. These results are premised on the notion that right- and left-wing parties receive support from different voter groups—labor and low-income individuals support the left, and capital and high-income individuals support the right—and that these groups have distinctive preferences for economic policies. Labor and lower-income groups want state protection and capital, and vice versa for higher-income groups (for a view that challenges this claim, see Mares 2003). Some authors find that these partisan differences have remained even after economies became more internationalized (Boix 2000; Garrett

1995; Oatley 1999). Research on this issue for the Latin American region has lagged behind the literature on advanced industrial democracies.

The translation of partisanship into attitudes toward economic policies might be far more complex in Latin America than in Europe. Presidents leading populist labor-based parties came to power in Mexico, Argentina, and Venezuela in the 1980s and 1990s to advance a set of economic policies conventionally associated with the right.[6] These presidents carried out the most important policy turnaround of the postwar era, the dismantling of state-led growth, and embraced market-oriented policies, including trade liberalization, state retrenchment, and macroeconomic stabilization. These policies challenged the long-term alliance with their parties' principal constituency, most notably unionized labor (Collier 1992; Murillo 2001; Romero 2005).

Some of the traditional support base of the labor-based parties supported the economic reforms. Stokes (2001b) presents convincing evidence that in some Latin American countries citizens' support for market-oriented reforms was constructed *ex post*, conditional on the economic effects of those policies. Remmer (2003) also demonstrates that, regardless of their party's ideology, incumbents were rewarded when orthodox economic policies produced growth and reduced inflation:

> The willingness of Latin [American] governments to pursue orthodox policies over extended periods of time accordingly needs to be understood in terms of the electoral calculus guiding policy formation rather than as the insulation of political leaders from democratic pressures, semi-authoritarian decision-making processes, or the fragilities of civil society. Given the economic costs and benefits of different policy choices, politicians have opted for orthodoxy to win elections, thereby behaving in ways eminently consistent with conventional perspectives on democratic accountability. (Remmer 2003, 51)

These studies suggest that preferences toward market-oriented policies were highly conditional on economic performance and were not so much a reflection of voters' ideological predispositions. Here we seek to demonstrate that ideological divisions also mattered in shaping mass preferences toward economic policy reform. Our hypothesis is that voters with stronger and better-formed ideologies supported or opposed these policies in principle, whereas voters with more ambiguous ideological stands supported or opposed these policies conditionally, depending on their economic performance and their evaluations of the current president.

To illustrate our theoretical approach, consider Mexico. Supporters of the right-wing National Action Party (Partido Acción Nacional) supported the economic reforms in principle, and their preferences remained unchanged even after the economic collapse of 1994, which represented a

6. For a definition of labor-based parties, see Murillo (2001) and Levitsky (2003).

serious setback to the market-oriented paradigm. Those who supported the left-wing Party of the Democratic Revolution (Partido de la Revolución Democrática) stood against the market reforms and remained unconvinced even when the economy seemed to be improving. The policy preferences of both of these voter groups, we argue, were largely shaped by their own ideological predispositions. In contrast, the core supporters of the Institutional Revolutionary Party (Partido Revolucionario Institucional, PRI)—organized labor, peasants, and the lower classes—changed their opinions of these policies depending on their approval of the president and the state of the national economy. During the presidency of Carlos Salinas de Gortari (1988–1994), PRI voters had a very high opinion of their leader and, as a consequence, also approved of his market-oriented policies. After the 1994 peso crisis, presidential approval collapsed, leading PRI voters to turn both against the market-oriented policies, most notably against privatization, and against their president. The same logic applies to Argentine Peronist voters, who favored the reforms when the economy was improving and presidential approval was high. As Argentines' approval of President Carlos Menem collapsed after his first term in office, voters changed their preferences for economic policies.

Our discussion suggests that economic performance and ideology jointly influenced preferences for economic reforms. Consistent with the work of Remmer (2003), we claim that voters should support economic reforms, and the incumbent president implementing them, when such reforms produce results. However, economic performance should mostly shape the attitudes of less ideological voters or those who support centrist parties. In contrast, voters who support right- or left-wing parties should support or oppose the economic reforms in principle. Thus, our claim is that there existed a core support base of the left and the right whose policy preferences were largely shaped by ideology and not so much by economic performance. We thus derive the following hypotheses:

Hypothesis 10: Presidential approval is positively correlated with support for market reforms (implying that the current president supports market reforms).

Hypothesis 11: Voters supporting left-wing parties should oppose market reforms and voters supporting right-wing parties should favor them.

To test for these hypotheses, we employ reported voting intentions in our survey and presidential approval. At the time the survey was collected, 43 percent manifested support for one of the three main parties in Congress and 57 percent did not manifest a preference for any party. In the absence of better measures, we take these partisan preferences as proxies for parties' core base of support. We coded these parties as left, center, or right using the work of Alcántara and Freidenberg (2003a, 2003b, 2003c), Rosas and Zechmeister (1999), and Rosas (2005).

Political parties should also shape preferences toward economic policies by the way in which they shape long-term government, the history of economic policy, political institutions, and political culture. As Huber and Stephens (2001, 30) claim, "actors' intentions and desires are not self-generating but are products of social and political struggles over decades and even centuries." This means that the distribution of preferences and political ideologies are the historical creation of past struggles, which get cemented into economic institutions and political organizations: "To the extent that progressive social and political movements can change political consciousness, they are very likely to have effects on . . . the political center of gravity in society."

Drawing on this approach, our claim is that countries with a history of labor-based parties governing during prolonged periods in the postwar era should have political cultures that are more supportive of protectionism and state intervention than those prevailing in countries where labor-based parties did not govern for prolonged periods or failed to shape economic policies in any fundamental way. We derive the following hypothesis:

Hypothesis 12: There is more resistance toward state retrenchment and trade opening in countries where labor-based parties significantly shaped the history of economic policy and the formation of political institutions.

Our hypothesis on the effects of political legacies partially draws on Roberts, who traces the effects of labor-based party legacy on the politics of the post–economic reform era across Latin America. A difference in our approach is that we only highlight labor-based parties that governed for prolonged periods and that left strong institutional legacies. We identify four cases with such histories: Argentina, Chile, Mexico, and Venezuela.

EMPIRICAL ANALYSIS OF THE DETERMINANTS OF PREFERENCES FOR FREE TRADE AND STATE RETRENCHMENT

We now turn to our empirical analysis of the Mori survey. To maximize the number of observations, we imputed the missing values using the Emis logarithm implemented by Amelia as a more efficient alternative to listwise deletion and to imputation by regression analysis (King et al. 2001). The sample (N = 9,701) was distributed by country as follows: Argentina (n = 1,000), Bolivia (n = 751), Brazil (n = 993), Chile (n = 1,000), Colombia (n = 1,000), Costa Rica (n = 750), Ecuador (n = 500), Mexico (n = 1,199), Paraguay (n = 479), Peru (n = 1,029), and Venezuela (n = 1,000). In the following sections we describe our dependent variables and present the results of our regression analyses.

Dependent Variables

Our dependent variables come from a factor analysis that reduces various policy questions related to market reforms to some common dimensions. The factor analysis produced two different dimensions that we labeled "free trade" and "state retrenchment." The first factor considers two questions related to free trade: (1) "Since some years ago, this country has increased its trade and interconnections with other nations. This is a tendency towards 'free-trade.' Do you think that 'free-trade' is very good, somewhat good, somewhat bad, or very bad for the country?" and (2) "The presidents of North and South America are talking about a free-trade zone for the whole continent. Do you favor or oppose this idea?" Table 2 provides a description of the data by showing the distribution of respondents on the first question by country. Our data reveal outstanding levels of support among Latin Americans for free trade by the time the survey was conducted. However, there are significant differences among these countries. Citizens in Ecuador, Venezuela, and Costa Rica are significantly more supportive of free trade than those in Paraguay, Mexico, or Chile.

The state retrenchment factor includes a battery of ten different economic activities for which interviewees were asked about their preference for government, mixed, or private ownership: "Tell me which activities should be owned by the government and which owned by private individuals." (1) oil, (2) electricity, (3) airlines, (4) mines, (5) schools, (6) phone companies, (7) water supply, (8) television, (9) health care, and (10) pensions. To display the data, table 3 presents two indexes reflecting preferences toward state retrenchment by country. One is about privatization of key industries and utilities (e.g., oil, electricity, airlines, mines, phone companies, and water supply) and the other about privatization of social services and social insurance (e.g., schools, health care, and pensions). The index of privatization of "industries and utilities" goes from −7 to 7, where −7 indicates that the respondent believes that all of these industries and public services should belong to the state and 7 indicates that the respondent believes that all of them should be in private hands. The index of social services ranges from −3 to 3.

The average respondent was rather centrist in his or her attitudes toward government involvement in key industries and stood more to the left on the extent of government involvement in schools, pensions, and health care. Chileans, Mexicans, and Argentines are most opposed to privatization of social insurance. Chileans and Mexicans are also most opposed to privatization of key industries and utilities. The most right-leaning on the second index are Ecuador, Venezuela, and Columbia. Venezuela is surprising, and also to some extent Ecuador, given its subsequent turn toward the left and the dramatic reversal of economic policies that President Hugo Chávez brought about. We should highlight, however,

*Table 2 Attitudes toward Free Trade (percentage, sorted by "very good")**

Country	Very bad	Somewhat bad	Somewhat good	Very good	NA	Total	*N*
Ecuador	2	8	36	52	2	100	500
Venezuela	6	9	33	48	5	100	1000
Costa Rica	3	4	42	45	6	100	750
Brazil	7	10	29	45	9	100	993
Peru	3	6	47	38	7	100	1029
Bolivia	5	8	46	36	5	100	751
Colombia	4	9	52	30	5	100	1000
Argentina	6	12	39	29	13	100	1000
Chile	3	12	52	27	7	100	1000
Mexico	8	12	43	27	10	100	1199
Paraguay	4	11	47	20	19	100	479
Average / Total	5	9	42	36	8	100	9701

Source: 1998 Mori Survey.

* Question wording: "Since some years ago, this country has increased its trade and interconnections with other nations. This is a tendency toward 'free-trade.' Do you think that 'free-trade' is very good, somewhat good, somewhat bad, or very bad for the country?"

that the data reveal average preferences and not prevailing polarization within each country. Prevailing polarization can be inferred with the use of standard deviations, which are reported in columns 3 and 6 of table 3. It should be noted that polarization along the second set of policies (health care, pensions, and schools) is relatively high in Ecuador, Venezuela, and Bolivia, as well as in Argentina and Colombia. In most of these countries there was a reversal of market reforms brought about by leftist presidents in subsequent years. We leave the study of policy reversals for further research.

Modeling Preferences for Free Trade and State Retrenchment

The next step in our analysis is to explore the determinants of public attitudes toward free trade and state retrenchment. We employ the factor scores described previously as dependent variables in two identical regression models, which enables us to compare attitudes across both dimensions of market reforms. The models consider three sets of independent variables: macroeconomic performance, political variables (partisanship, presidential approval, and a country's institutional legacy), and respondents' socioeconomic characteristics (for our variables, see the appendix table). The baseline model is as follows:

*Table 3 Extent of Government and Private-Sector Involvement in Industry and Basic Services (less means more government, sorted by mean industry)**

	Industry and utilities (index ranges from −7 to 7)			Pensions, health, and schools (index ranges from −3 to 3)		
	Mean	*N*	S.D.	Mean	*N*	S.D.
Ecuador	0.74	474	4.35	−.55	489	2.20
Paraguay	0.74	302	4.44	−1.52	394	1.76
Bolivia	0.58	703	4.04	−1.42	726	1.87
Venezuela	−0.19	898	4.45	−0.74	954	2.22
Colombia	−0.31	943	4.08	−0.93	964	1.96
Brazil	−0.39	832	4.79	−1.37	899	2.20
Argentina	−1.03	841	4.69	−1.53	912	1.88
Peru	−1.09	941	3.96	−1.36	972	1.80
Costa Rica	−1.27	636	3.05	−1.46	700	1.65
Mexico	−1.58	1100	4.28	−1.61	1135	1.81
Chile	−1.67	915	3.89	−1.73	953	1.78
Average / Total	−0.50	8585	4.18	−1.29	9098	1.92

Source: 1998 Mori Survey.

* Question wording: "For each of the following industries, please tell me whether you think that they should be run by the government or run by the private sector."

$$\begin{aligned}
&\text{Free trade / State Retrenchment}\\
&= \alpha + \beta_1 \times \text{Sex} + \beta_2 \times \text{School} + \beta_3 \times \text{Age} + \beta_4 \times \text{Income} + \beta_5 \times \text{Blue collar}\\
&\quad + \beta_6 \times \text{Unemployed} + \beta_7 \times \text{Indian} + \beta_8 \times \text{Presidential approval}\\
&\quad + \beta_9 \times \text{Labor-based party legacy} + \beta_{10} \times \text{Left party} + \beta_{11} \times \text{Center party}\\
&\quad + \beta_{12} \times \text{Right party} + \beta_{13} \times \text{GDP Difference} + \beta_{14} \times \text{Inflation average} + \mu. \qquad (1)
\end{aligned}$$

Table 4 shows the results of our regression models for free trade and state retrenchment. We use an ordinary-least-squares regression model with robust standard errors corrected for clustering within countries.[7]

Effects of Macroeconomic Performance

Results in table 4 support our hypotheses 1 and 2 on how economic growth and inflation translate into support for market reforms. The higher the average rate of inflation in 1995–1997 and the higher the growth rate

7. The regression coefficients in table 4 are averages of coefficients obtained from identical regressions replicated in the five databases generated by Amelia (for the theoretical justification of this procedure, see King et al. 2001). Standard errors were also computed according to King et al. (2001, 53). We thank an anonymous reviewer for suggesting this procedure.

Table 4 Regression Models

	Model					
	1a	2a	3a	1b	2b	3b
Dependent variable	Free trade	Free trade	Free trade	State retrenchment	State retrenchment	State retrenchment
Sex	−0.0928***	−0.0912***	−0.1054***	−0.0786***	−0.0760***	−0.0878***
	(0.0298)	(0.0294)	(0.0322)	(0.0274)	(0.0268)	(0.0267)
School	0.0429***	0.0450***		0.0268***	0.0303***	
	(0.0081)	(0.0063)		(0.0070)	(0.0055)	
Age	0.0017	0.0022**	−0.0009	−0.0016	−0.0008	−0.0030***
	(0.0012)	(0.0011)	(0.0012)	(0.0013)	(0.0011)	(0.0010)
Income	0.0507***	0.0458***		0.1256***	0.1175***	
	(0.0165)	(0.0131)		(0.0196)	(0.0181)	
Low income			−0.2828***			−0.4754***
			(0.0426)			(0.0584)
Middle income			−0.1153***			−0.2848***
			(0.0418)			(0.0467)
Blue collar	0.0090	0.0065		−0.0161	−0.0149	
	(0.0513)	(0.0440)		(0.0382)	(0.0325)	
Unemployed	−0.1496***	−0.1440***	−0.1813***	−0.0898*	−0.0790*	−0.1099**
	(0.0572)	(0.0499)	(0.0539)	(0.0472)	(0.0446)	(0.0448)
Low-skilled blue-collar worker			−0.1927*			−0.1675***
			(0.1048)			(0.0646)
Semi-skilled blue-collar worker			0.0725			0.0290
			(0.0543)			(0.0514)

Indigenous	−0.1992***	−0.1410***	−0.1161**	−0.2513***	−0.1638***	−0.1416***
	(0.0440)	(0.0351)	(0.0537)	(0.0479)	(0.0428)	(0.0472)
Approval	0.0811***	0.0872***	0.0838***	−0.0322	−0.0260	−0.0286
	(0.0211)	(0.0191)	(0.0191)	(0.0229)	(0.0201)	(0.0208)
Left party	−0.0317	−0.0220	−0.0189	−0.1093**	−0.0919***	−0.0882***
	(0.0480)	(0.0465)	(0.0495)	(0.0435)	(0.0340)	(0.0317)
Center party	0.0434	0.0691	0.0674	−0.0191	0.0147	0.0139
	(0.0504)	(0.0431)	(0.0511)	(0.0443)	(0.0404)	(0.0449)
Right party	0.0701	0.0887**	0.0926**	0.0905*	0.1193**	0.1234***
	(0.0463)	(0.0386)	(0.0426)	(0.0485)	(0.0486)	(0.0477)
Labor-based party legacy		−0.2752***	−0.2570**		−0.3054***	−0.2903***
		(0.0750)	(0.1130)		(0.0667)	(0.0854)
GDP difference (1997 minus 1980s)		0.0289**	0.0281*		0.0285**	0.0278**
		(0.0114)	(0.0153)		(0.0122)	(0.0137)
Average inflation (1995–1997)		0.0036***	0.0027*		0.0052***	0.0048***
		(0.0009)	(0.0015)		(0.0011)	(0.0015)
Constant	−0.7970***	−0.8948***	−0.0405	−0.3200***	−0.4625***	0.5016***
	(0.1278)	(0.1171)	(0.1086)	(0.1241)	(0.0988)	(0.1081)
N	9701	9701	9701	9701	9701	9701
Clusters	11	11	11	11	11	11
R^2 (average)	0.045	0.052	0.034	0.043	0.055	0.043

$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$

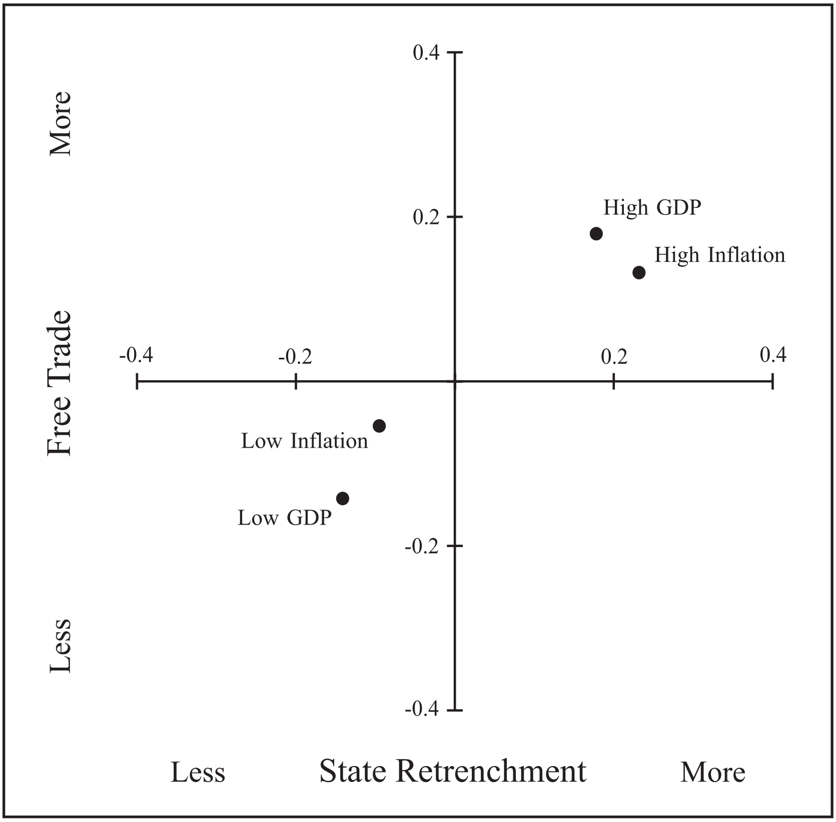

Figure 1 Market-Oriented Reforms and Macroeconomic Performance

in 1997 relative to the 1980s, the more citizens support free trade and state retrenchment. When inflation is low and growth is scarce, public opinion turns against these two dimensions of market-oriented policies.

Based on the regression analysis of models 3a and 3b in table 4, figure 1 simulates the location of citizens in countries with the lowest and highest inflation and gross domestic product in our sample while holding everything else constant. Standardized coefficients are used. This implies that units are comparable because they are expressed in standard deviations for both dimensions.

Effects of Socioeconomic Cleavages

Regarding our second cluster of variables, we find strong support in favor of the human capital model and the specifics factor model: education is positively related to support for free trade (hypothesis 4); low-skilled

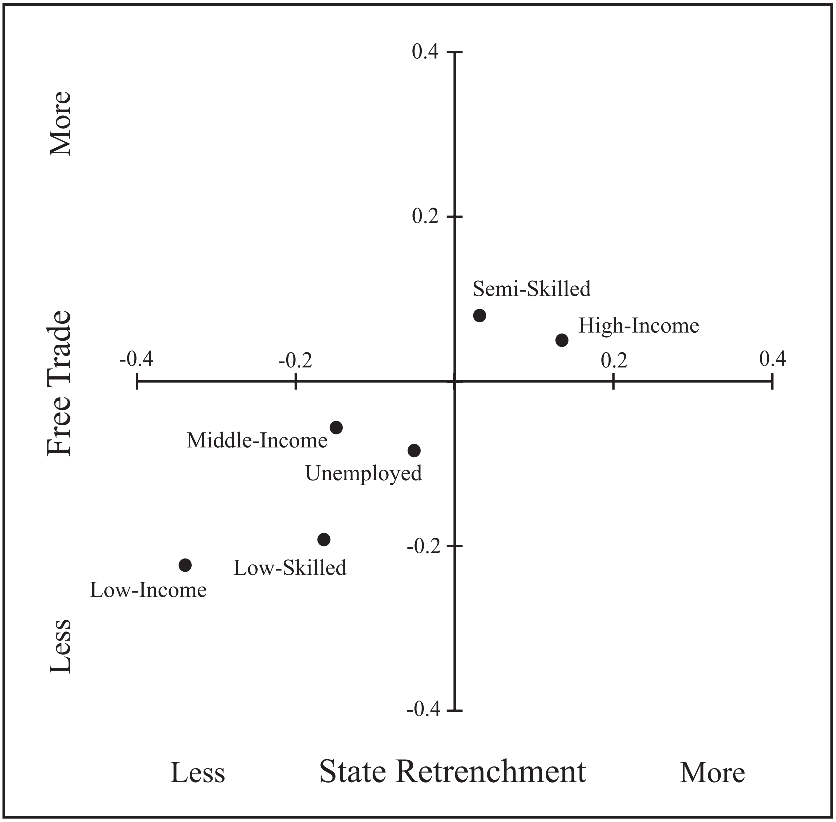

Figure 2 Effects of Income and Skills on Support for Free Trade and State Retrenchment

blue-collar workers reject free trade (hypothesis 5); and the unemployed oppose free trade (hypothesis 6).

The effects of these variables are similar regarding state retrenchment: opposition to these policies comes from the unemployed, low-income, and low-skilled blue-collar workers. Support for these policies comes from wealthier individuals and the better educated. These results seem to confirm that risk is a decisive factor explaining preferences for free trade and state retrenchment (see Iversen and Cusack 2000; Mares 2003; Rodrik 1998).

Our results thus disconfirm the Hecksher-Ohlin-Samuelson model: there is no evidence that poorer Latin Americans support free trade (hypothesis 1). We disaggregated the income variable from an ordinal discrete (models 1a and 1b in table 4) to dummies for levels of income (models 2 and 3). The results reveal that support for free trade decreases among lower-income individuals *and* the middle class. Thus, we do not

Figure 3 Effects of Partisanship and Political Legacies on Support for Free Trade and State Retrenchment

find support for the consumption model (hypothesis 7), which predicts higher levels of support for free trade among the middle class.

Figure 2 simulates the location of individuals with particular socioeconomic characteristics in the two dimensions of market reforms. It can be observed that opposition to free trade and state retrenchment is relatively stronger among low-skilled individuals, the unemployed, and the poor. Last, our results reveal that indigenous people oppose both free trade and state retrenchment (hypothesis 9).

Effects of Partisanship and Political Legacies

Finally, our results provide support for our hypotheses concerning the effects of partisanship, presidential approval, and political legacies. Figure 3 shows the impact of these variables.

Consistent with our expectations, we find that voters supporting parties with right-wing policy favor free trade and state retrenchment relatively more than voters supporting parties with centrist or leftist stands. There is also evidence that left-wing voters oppose state retrenchment, but there is no statistically significant effect for this variable in the case of free trade. This means that there is a far stronger partisan polarization with respect to state retrenchment policies than there is with respect to free trade.

Regarding presidential approval, hypothesis 10 is only partially confirmed.[8] There is a significant and positive effect of approval on support for free trade but no statistical impact on state retrenchment. Finally, we find strong support for our hypothesis about institutional legacies of labor-based parties: countries with a strong labor-based party legacy show significantly more opposition to free trade and state retrenchment.

CONCLUSIONS

In this article we have analyzed mass preferences for free trade and state retrenchment in Latin America in the late 1990s. Most of the literature on mass preferences toward market reform has emphasized how economic crises, inflation, and the timing of the economic reforms shaped citizens' attitudes. The literature has deemphasized the role of partisan divisions—that is, whether voters' ideological predispositions and partisanship have shaped their divergent preferences for market reforms. Our work seeks to fill this gap in the literature.

Our article makes use of elite surveys of how Latin American legislators perceived the policy stands of the various parties in their own country along a left-right economic dimension. We employed these answers to identify the type of party—left, center, or right—respondents in our mass survey supported. Our results indicate that, similar to what happens in member countries of the Organisation for Economic Co-operation and Development, voters in Latin America who support left-wing parties oppose state retrenchment, although they do not oppose free trade. Our results thus suggest a stronger polarization along partisan lines with respect to policies such as the privatization of oil, gas, mines, pensions, or health care than with respect to trade opening.

We also found strong support for our claim that institutional legacies shape prevailing mass preferences. Voters in countries with a history of prolonged government control by labor-based parties—Mexico,

8. There might be an endogeneity problem with presidential approval. However, because the correlations between presidential approval and our two dependent variables are minimal, −0.05 for state retrenchment and 0.10 for free trade, we are not particularly concerned about this issue.

Argentina, Chile, and Venezuela—are significantly more likely to oppose free trade and state retrenchment than are voters whose countries do not exhibit such an institutional legacy. Political parties thus influence mass preferences beyond their impact on current voter alignments by shaping the structure of economic institutions and prevailing political culture.

Finally, we demonstrate that low-skilled workers, the unemployed, the lower class, and indigenous people are more likely to oppose state retrenchment and free trade. These voter groups are the traditional support base of left-wing parties. In contrast, highly skilled workers and wealthier, better-educated individuals support free trade and state retrenchment. These voter groups conventionally support right-wing parties. Thus, our results reveal that partisan cleavages for economic policy reform in Latin America during the 1990s were structured similarly to advanced industrial democracies.

Our conclusions are drawn from a survey conducted at the end of 1990, before Latin America's turn to the left. However, some of the casual links we uncover between social structure, partisanship, and preferences toward economic policies should be able to inform discussions about reversals to market reforms today. For example, our results reveal that structural conditions characterized by increasing poverty, high unemployment, and low growth should be particularly propitious for economic policy reversals and the rise of the left. We also hinted that countries such as Bolivia, Argentina, Venezuela, and Ecuador exhibited higher ideological polarization and that this polarization might have been conducive for major economic reversals and the recent rise of the left. We leave these issues for further research.

Appendix Table Variables Description

	Mean	S.D.	Min	Max	Description and source
Free trade	−0.02	0.99	−3.78	3.47	Factor score. Generated by the authors.
State retrenchment	−0.01	0.99	−3.54	3.36	Factor score. Generated by the authors.
Sex	0.53	0.50	0	1	Recoded. 1 = Women and 0 = Men. From the Mori Survey (MS).
School	9.92	3.53	0	16	In years of school, 0 to 16 years; recoded. From the MS.
Age	37.73	14.85	18	99	In years; 18 to 99 years. From the MS.
Income	1.91	0.91	1	4	Income level. 1 = low, 2 = median-low, 3 = median-high, 4 = high. From the MS.
Low income	0.40	0.49	0	1	Dummy variable. Generated from income level: 1 if Income = 1; 0 otherwise.
Middle income	0.54	0.50	0	1	Dummy variable. Generated from income level: 1 if Income = 2 or 3; 0 otherwise.
Blue collar	0.14	0.35	0	1	Dummy variable. Generated from interviewees' self-reported occupation. From the MS.
Unemployed	0.05	0.21	0	1	Dummy variable. Generated from interviewees' self-reported occupation. From the MS.
Low-skilled blue-collar worker	0.03	0.17	0	1	Dummy variable. Generated from Blue-collar = 1 and 0 ≤ School ≤ 6. From the MS.
Semi-skilled blue-collar worker	0.08	0.26	0	1	Dummy variable. Generated from Blue-collar = 1 and 10 ≤ School ≤ 16. From the MS.
Indigenous	0.02	0.14	0	1	Dummy variable. Generated from interviewees' ethnic self-identification.
Approval	2.76	1.22	1	5	Presidential approval. Recoded. 1 = Very bad, 2 = Bad, 3 = Neutral, 4 = Good, 5 = Very good. From the MS.

(continued)

Appendix Table (Continued)

	Mean	S.D.	Min	Max	Description and source
Left party	0.21	0.40	0	1	Dummy variable. Coded by the authors based on Alcántara and Freidenberg (2003a, 2003b, 2003c), Rosas and Zechmeister (1999), and Rosas (2005).
Center party	0.17	0.38	0	1	Dummy variable. Coded by the authors based on Alcántara and Freidenberg (2003a, 2003b, 2003c), Rosas and Zechmeister (1999), and Rosas (2005).
Right party	0.16	0.36	0	1	Dummy variable. Coded by the authors based on Alcántara and Freidenberg (2003a, 2003b, 2003c), Rosas and Zechmeister (1999), and Rosas (2005).
Labor-based party legacy	0.45	0.50	0	1	Dummy variable. Coded by the authors: 1 for countries with previous experience with a strong labor-based party (Argentina, Chile, Mexico, Venezuela) and 0 otherwise.
GDP difference (1997 minus 1980s)	3.30	3.07	−1.79	9.71	Difference between GDP per capita in 1997 minus the 1980s' average. From the World Bank's World Development Indicators (WDI).
Average inflation (1995–1997)	21.33	17.89	1.4	69.9	Average inflation, 1995–1997. From the WDI.

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