Critical Debates

Neoliberalism and Democracy in Latin America: A Mixed Record

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ABSTRACT

This essay argues that neoliberalism has strengthened the sustainability of democracy in Latin America but limited its quality. Drastic market reform seems to have abetted the survival of competitive civilian rule through its external and internal repercussions. By opening up Latin American countries to the world economy, neoliberalism has exposed them to more of the international pressures for preserving democracy that intensified with the end of the Cold War. At the same time, the move to market economics has weakened leftist parties, trade unions, and other proponents of radical socioeconomic reform, reassuring elites and preventing them from undermining democracy. But tighter external economic constraints limit governments' latitude and thereby restrict the effective range of democratic choice; and the weakening of parties and interest associations has depressed political participation and eroded government accountability. The available evidence therefore suggests that neoliberalism has been a mixed blessing for Latin American democracies.

How compatible are neoliberalism and democracy in Latin America? How do economic adjustment and market reform affect political liberty and competitive civilian rule? This question is highly relevant for the future of the region. The experience of First World countries might suggest that democracy and the market system tend to go together; after all, no democracy has existed in nations that did not have the basic contours of capitalism; namely, a large extent of private ownership and competition as the main mechanism of economic coordination (Lindblom 1977, 161–69). Latin America's experience, however, used to differ from this happy convergence. Given the severe social inequality plaguing the region, political liberalism historically tended to trigger calls for social redistribution and state interventionism; that is, for significant deviations from economic liberalism. The free-market system, by contrast, used to be an elitist project that was often associated with support for or acquiescence to authoritarian political rule. During long stretches of Latin American history, therefore, a clear tension existed between political democracy and economic liberalism (Sheahan 1987, chap. 12; Gibson 1992, 168–71).

Furthermore, even if the free-market system—that is, the end product of neoliberal reform—is compatible with democracy, the process of neoliberal reform might not be; after all, it involves the forceful dismantling of the established development model, and may therefore require a significant concentration of political power. Indeed, Latin America specialists used to have strong concerns that neoliberalism would destroy democracy. These fears reflected the experience of the 1980s, when many new democratic regimes in the region postponed economic stabilization and structural adjustment. Governments in fragile, unconsolidated democracies feared that neoliberal reforms, which impose high short-term costs on important, powerful sectors and large segments of the population, would trigger social turmoil and political conflict and thus endanger the survival of democracy.

By contrast, radical market reforms were pushed through in Chile, but by dictator Augusto Pinochet with the force of arms. The received wisdom therefore used to claim that democracy and neoliberalism were incompatible. Democracies would avoid painful structural adjustment; and where external pressures—especially from the International Monetary Fund and the World Bank—forced them to enact neoliberalism, they could do so only by resorting to repression, thus turning into authoritarian regimes (Foxley 1983, 16, 102; Pion-Berlin 1983; Sheahan 1987, 319–23; see also the discussion in Armijo et al. 1994).

Surprisingly, however, a large number of Latin American democracies did enact drastic, painful market reforms from the late 1980s on. To end hyperinflation and stabilize the economy, they imposed harsh budget austerity, dismissed many government employees, privatized public enterprises, opened their economies to foreign trade, and removed myriad regulations and controls. These draconian measures created tremendous short-term costs for influential, well-organized sectors of business and labor (see Haggard and Kaufman 1995, parts 2–3; Murillo 2001; Stokes 2001a; Teichman 2001; Corrales 2002; Weyland 2002).

How did these profound reforms, which revamped the development model of many countries, affect democracy? Did they really threaten the survival of competitive civilian rule? Did they undermine the quality of democracy, as governments used autocratic means to impose draconian changes, restrict popular participation, and thus limit opposition and protest against these controversial measures? In sum, how compatible have democracy and neoliberalism been in contemporary Latin America?

The available evidence suggests that the record has been mixed, but overall more favorable than many observers feared. Neoliberalism clearly has not destroyed competitive civilian rule in the region; it has actually helped to secure the survival of democracy, as defined in minimal procedural terms. Drastic market reform, however, seems, on balance, to have limited and weakened the quality of democracy in Latin America.

This essay develops these arguments in turn, stressing that the same external and internal repercussions of drastic market reform have contributed to these divergent outcomes. Thus, it seeks to put together different pieces of the puzzle by stressing the double-sided nature of neoliberalism's impact on democracy in Latin America.[1] After discussing these two sides in depth, it concludes by explaining the paradoxical connection of these discrepant developments. Specifically, the populist political strategy often used to advance neoliberalism under democracy helped to avoid the dreaded destruction of competitive civilian rule, but simultaneously diminished the quality of democracy.

Two initial caveats are in order. First, in arguing that neoliberalism has bolstered the survival of democracy in Latin America but helped to limit its quality, this essay by no means claims, of course, that drastic market reform has been the only cause of these outcomes; it has probably not even been the single most important factor. But the essay will try to show that radical market reform seems to have made a significant contribution to the strengthening of democratic stability and the weakening of democratic quality.

Second, this essay intends to stimulate debate and research, not to "settle" any of the topics under discussion. The claims it advances are meant as conjectures that deserve and require more systematic investigation. Also, the essay deliberately paints with a broad brush, trying to stress some underlying commonalities behind the great variety of country experiences. Obviously, analyses of specific issues in certain nations arrive at more nuanced and precise findings. But occasionally, it may be useful to step back from such detailed studies and consider the big picture, which may help elucidate the significance and meaning of the results unearthed by more circumscribed analyses.

Why Neoliberalism Has Not Destroyed Democracy

Contrary to the received wisdom, neoliberalism did not destroy democracy in Latin America; the available evidence suggests that it actually helped to guarantee the maintenance of democracy. Why did competitive civilian rule in most cases survive the enactment of drastic, costly, and risky market reforms? Perhaps the most crucial reason for democracy's surprising resilience was that most Latin American countries enacted neoliberalism only when they faced dramatic crises, and the population was therefore prepared to swallow the bitter pill of tough stabilization. In particular, structural adjustment often was a last-ditch response to hyperinflation—that is, to price rises above 50 percent per month.

The tremendous costs of exploding inflation commonly induce large segments of the population to support tough, risky stabilization plans that hold the uncertain prospect of overcoming the crisis. When facing the danger of a catastrophe, many people are willing to shoulder considerable short-term losses in the hope of receiving payoffs from restored stability and renewed growth in the medium and long run. Thus, in crisis situations, people do not dig in their heels and strenuously defend their immediate material well-being; instead, they are willing to make sacrifices and trust their leaders' plans for straightening out the economy. They are willing to accept substantial risks by supporting adjustment plans that promise to turn the country around, but that—for economic and, especially, political reasons—have uncertain prospects of success. Thus, people's economic calculations are much more complicated and sophisticated—and more susceptible to persuasion and leadership—than the literature used to assume (see Stokes 2001b; Graham and Pettinato 2002; Weyland 2002). As a result, governments that combated profound crises often managed to muster sufficient political backing to enact bold, painful market reforms under democracy (Armijo and Faucher 2002).

Democracy therefore survived neoliberalism in many Latin American countries, such as Argentina, Brazil, and Bolivia, that had unstable civilian regimes when they initiated market reform. Even in Peru, where President Alberto Fujimori governed in an autocratic fashion, these deviations from democratic norms and principles were not directly caused by or "required for" the enactment of neoliberalism (McClintock 1994). Instead, the longstanding postponement of determined adjustment, combined with large-scale guerrilla insurgencies and terrorism, had discredited the country's "political class," and Fujimori took advantage of this opportunity to concentrate power and disrespect liberal-democratic safeguards. Thus, market reform as such did not destroy democracy in Latin America.

How Neoliberalism Has Strengthened the External Protection of Democracy

Rather than undermining democracy, neoliberalism actually seems to have strengthened its survival in a couple of important ways. First, market reform has enhanced the international protection for democracy in Latin America. Second, the internal socioeconomic transformations resulting from profound market reform have helped to forestall domestic challenges to democratic stability.

Structural adjustment and its corollary, the deeper integration of Latin American countries into the global economy, have made the region more susceptible to international pressures for maintaining democracy. Since the end of the Cold War, the United States and other First World countries have put much more emphasis on preserving pluralistic, civilian rule in the region. As the concern over communism faded away, the promotion of democracy, which often took a back seat during the preceding decades, became a first-order priority from the early 1990s on. The disappearance of threats to its strategic interests has made U.S. support for democracy in Latin America much more unconditional. As a result, when the danger of a military coup or some other interruption of democracy threatens, the U.S. government most often has sought to prevent it.[2] And when democracy actually is interrupted or overthrown, the U.S. government has typically threatened or enacted sanctions.

Neoliberalism has increased the exposure of Latin American countries to these forms of international pressure. By lowering barriers to trade, Latin American countries have become more involved in the world economy. By opening up to foreign investors, they have become much more dependent on international capital markets. By submitting—however grudgingly—to greater supervision from the IMF and other international financial institutions, they have seen their autonomy in economic policymaking shrink. Because the U.S. government has considerable direct and indirect influence over these international economic flows, it now has greater leverage for protecting democracy in the region.

Thus, when President Fujimori closed the Peruvian congress with his *autogolpe* of April 5, 1992, the U.S. government protested and intervened. This pressure, which was exerted unilaterally and through the Organization of American States, quickly made clear to Peru's autocratic leader, who had recently initiated neoliberal reform, that he was facing a stark trade-off. If he wanted to reschedule the country's external debt and reestablish good relations with the IMF—relations that his predecessor, Alan García, had destroyed—he needed to accommodate the U.S. demand for restoring minimal, procedural democracy. If he sought to attract foreign capital and thus reignite growth in his crisis-plagued nation, he needed to be in good standing with the advanced industrialized countries, especially the United States. Therefore, Fujimori reluctantly and grudgingly backed away from his effort to install an openly authoritarian regime and started a process of redemocratization (Boloña 1996; De Soto 1996). Thus, by increasing the economic costs of a move to open dictatorship, neoliberalism helped to restore the basic outlines of democracy in Peru.

To what extent neoliberalism and its result, the greater integration of Latin American economies into the world market, have facilitated the external protection of democracy is evident in the case of Guatemala. In 1977, President Jimmy Carter told Guatemala's military dictators that he would cut off aid unless they began to respect human rights. Because the country was not highly involved in foreign trade at the time, the military government canceled collaboration with the United States and continued to commit egregious atrocities (Martin and Sikkink 1993, 331–38). In the 1980s and early 1990s, however, Guatemala opened its economy to foreign trade and capital and significantly increased its exports of agricultural products to the United States.[3] When President Jorge Serrano in 1993 followed Fujimori's example and tried to assume dictatorial powers, the Clinton administration threatened to impose sanctions, and domestic business leaders worried about the resulting disturbance of trade flows. These threats and concerns contributed to the failure of Serrano's self-coup and the restoration of democracy.

Indeed, societal opposition to the *autogolpe*, which had a significant impact on the outcome of the crisis, was "led by major business elites" (Torres-Rivas 1996, 58). By contrast, "Guatemalan business organizations were uniformly conservative and supportive of the repressive policies of the government during the 1970s" (Martin and Sikkink 1993, 346). The comparison of these two episodes from Guatemala suggests with particular clarity that market reform has strengthened the hand of external powers that seek to protect democracy in Latin America and has helped to transform the stance of the societal groups that are most directly affected by these external pressures.

This external support for democracy emerges not only from First World countries but also from other Latin American nations.[4] It is being institutionalized, moreover, through the inclusion of democracy clauses in trade agreements, which have flourished as a result of neoliberal reform. For instance, the South American Common Market (Mercosur), which received its most important impulse from the decisions of Argentine President Carlos Menem (1989–99) and his Brazilian counterpart, Fernando Collor de Mello (1990–92), to enact market-oriented reform and therefore to reduce trade barriers (Cason 2000, 208–10), has provisions that make membership conditional on the preservation of competitive civilian rule. Accordingly, when Paraguay faced serious challenges to democracy in the mid- to late 1990s, its neighbors encouraged that nation to maintain its established regime, and these pressures contributed to the survival of competitive civilian rule (Valenzuela 1997, 50–54).

Neoliberalism and the resulting move to international economic integration furthered not only the maintenance but also the promotion of democracy during the 1990s, as the Mexican case suggests. The decision to open Mexico's economy and seek a close association with the United States constrained the margin of maneuver of Mexico's authoritarian regime, making electoral fraud and political repression much more costly and therefore less likely. For instance, when the established regime faced a rebellion in Chiapas in early 1994, it first responded with traditional means (as applied against a similar rebellion in Guerrero in the early 1970s); namely, brute military force. But the international outcry provoked by the resulting human rights violations quickly made the government change course and pursue negotiations with the insurgents, because a "dirty war" could have jeopardized its close relations with its partners in the North American Free Trade Agreement. Similarly, directly after NAFTA took effect, the Mexican government, for the first time, invited international observers to certify the honesty of its elections. Thus neoliberal reform and its direct effect, economic integration with the United States, helped to advance democratization in Mexico (Levy and Bruhn 2001, 194–201; Pastor 2001, 278; Remmer 2003, 33).

In sum, neoliberalism and the resulting advance in economic globalization have increased the exposure of Latin American countries to the international pressures for the promotion and preservation of democracy that have become much more intense with the end of the Cold War. While this change in geostrategic context clearly was the major reason for the increased sustainability of democracy in the region, market reform and its product, Latin America's greater openness to the world economy, have contributed to this outcome. As Domínguez notes, "involvement in international markets, especially if guaranteed by free-trade agreements, increases the leverage that external actors can apply in defense of constitutional government" (1998, 72; similar Remmer 2003, 33, 52).

How Neoliberalism Has Weakened Internal Threats to Democracy

In addition to enhancing the effects of external support for democracy, neoliberalism has also stabilized competitive civilian rule by weakening internal challenges to its survival. To explain this argument, it is important to explore how threats to democracy often emerged in Latin America before the wave of neoliberalism, especially in the 1960s and 1970s.

On several occasions, the region's large-scale poverty and tremendous inequalities of income and wealth triggered calls for redistribution and other deep-reaching social reforms. These problems also allowed for the rise of radical populists, who used fiery rhetoric to win backing from masses of discontented citizens, left-wing parties, and trade unions and thereby to advance their political ambitions. The variegated demands and proposals for profound socioeconomic and political change led to mobilization and countermobilization; as a result, polarization intensified. All this conflict and turmoil further diminished the capacity of governments to solve problems and maintain economic and political stability. The growing disorder, in turn, frightened established political and economic elites, leading them to ask the military to intervene. In many cases, important groups inside the armed forces felt that social polarization and political conflict threatened the military's own institutional interests. Therefore, they eventually used force to restore order, thereby interrupting or abolishing democracy.[5]

Across most of Latin America, wherever neoliberalism has firmly taken hold, it has largely blocked this dynamic by sealing the political defeat of radical populists and socialists and by hindering the emergence of mass movements that socioeconomic and political elites perceive as serious threats. What the enactment of market reform means, essentially—above and beyond all its specific reforms—is that capitalism and the market economy are here to stay. Communism, socialism, and radical populism are dead or greatly weakened wherever the new development model is in place.[6] International economic integration has made challenges to the established economic and social order much less feasible. Even advancing such demands now has a prohibitive cost by scaring away domestic and foreign investors, who have more "exit" options as a result of market reform, especially the easing or elimination of capital controls.

Neoliberalism has also changed the balance of power between domestic socioeconomic and political forces. Leading business sectors have gained greater clout; they now have better access to international capital markets; they have stronger links to transnational corporations; they have bought up many public enterprises, often at rock-bottom prices; and therefore they own a greater share of the economy. At the same time, thoroughgoing market reform has weakened the sociopolitical forces that used to support radicalism. As a result of trade liberalization, labor market deregulation, privatization, and the shrinking of the public administration, unions have lost members in most countries, are often internally divided, and have generally reduced their militancy. Because of the fall of communism and the worldwide victory of capitalism, most of Latin America's socialist and Marxist parties are on the defensive. A number of them have given up socialist programs and radical-populist rhetoric, and many have accepted the basic outlines of the market model. Furthermore, several political leaders of the neoliberal era have used populist political tactics not to attack neoliberalism but to promote, enact, and preserve it (Roberts 1995; Weyland 1996).

Latin America's economic, social, and political elites are therefore much more secure nowadays than they were during the decades preceding the recent neoliberal wave. While this shift in the domestic balance of power precludes any bold equity-enhancing reforms designed to combat Latin America's pronounced social inequality, it favors the preservation of political democracy. Economic and political elites no longer feel the need to knock at the barracks door. Because the risk of mass mobilization, polarization, and turmoil is relatively low, moreover, the military itself is disinclined to roll out the tanks and impose order.

Thus, by putting economic and political elites at greater ease, neoliberalism has substantially lowered internal challenges to democracy in Latin America.[7]

The exceptional experience of Venezuela under the regime of Hugo Chávez corroborates this rule. Throughout the 1990s, Venezuela instituted the neoliberal program only partially and in a confusing stop-and-go pattern, giving the country a relatively low score on the "general reform index" (Morley et al. 1999, 29; see also Weyland 2002, chaps. 5, 6, 8). The economy therefore never attained stability and remained highly dependent on volatile oil revenues. Popular discontent with the failure of the established political class to stop Venezuela's continuing economic and political deterioration allowed radical outsider Chávez to win the presidency in a landslide.[8]

The belligerent rhetoric of this radical populist leader scared domestic and foreign investors, the church, sectors of the military, and even most trade unions (Ellner and Hellinger 2003). In a pattern resembling the experience of many Latin American countries from the 1940s to the 1970s, these sectors coalesced to oppose the president with all means, culminating in an abortive military coup in April 2002. Thus, precisely where market reform has not firmly taken hold, the old sequence of radical populism, stubborn elite-led opposition, and threats to the survival of democracy still gets under way. In most other Latin American countries, however, thoroughgoing market reform has prevented such dangerous polarization from emerging. Thus the Venezuelan contrast provides interesting corroboration for the argument.

In sum, neoliberalism seems to have boosted the sustainability of democracy in Latin America, both by exposing the region more to external pressures for maintaining competitive civilian rule and by forestalling internal challenges to its survival.

How Neoliberalism Has Tightened External Constraints on Democratic Quality

There is, however, another, darker side to the relationship of neoliberalism and democracy in Latin America. At the same time that drastic market reform has furthered the survival of democracy in the region, it seems to have helped erode and limit the quality of democracy.[9] The quality of democracy can be assessed in terms of citizen participation; the accessibility, accountability, and responsiveness of government; and political competitiveness (see Schmitter 1983, 888–90).

Ironically, this negative impact is, in many ways, the corollary of the positive repercussions that this essay has stressed so far. First, the external constraints intensified by market reform seem to have limited the exercise of popular sovereignty, one of the basic principles of democracy. Elected governments do not have a great deal of latitude in their economic and social policymaking. Therefore, citizens' choices are effectively restricted and cannot "make much difference" without violating clear demands of economic and political prudence that reflect powerful external constraints. The resulting frustration seems to have contributed to the decline in electoral participation and the growing dissatisfaction with governmental performance in the region.

Second, as neoliberalism has further tilted the internal balance of forces by strengthening elite sectors, it seems to have weakened important organizations of civil and political society, including political parties. Intermediary organizations, which are crucial for stimulating meaningful popular participation and for holding governments accountable, have grown feebler in most countries of the region and have atrophied or collapsed in some nations. As a result, problems such as the betrayal of campaign promises, demagoguery, and corruption seem to have grown in contemporary Latin America.

Latin American democracies face increased external constraints in the neoliberal era. By opening up their economies, these nations have become more exposed to the vicissitudes of international financial markets. They need to attract and retain capital that could, in principle, leave the country easily and quickly. Investors can use these enhanced "exit" options to gain bargaining leverage. In order to win major productive investments, countries—or states inside countries—often engage in competitive bidding. They promise free infrastructure, tax breaks, and a number of other benefits. These subsidies for investors limit the resources available for other programs, such as social improvements. One of the central tasks of democracy is decisionmaking over the budget, but a good part of Latin American budgets is "occupied" by investors. This limits the influence that democratic choice can exert on the country's priorities.

More important, openness to the world economy constrains the options that Latin American democracies can pursue with the resources they retain (see Remmer 2003, 35–38, 51; and in general, Strange 1996, chaps. 4–5). For instance, the renationalization or tight regulation of recently privatized firms would scare away domestic and foreign investors and therefore is not feasible. Substantial tax increases designed to finance additional social spending might trigger capital flight. Therefore, such changes are difficult to enact—and even dangerous to consider. For instance, investors responded with great nervousness—even panic—to the rise of socialist Luiz Inácio Lula da Silva in vote intention polls for the recent presidential election in Brazil (Martínez and Santiso 2003), practically forcing this candidate to offer strong reassurances during the campaign (Faust 2002, 6) and to appoint a rather orthodox economic policy team on taking office. Ecuador's president, Lucio Gutiérrez, who emerged as a left-wing populist resembling Venezuela's Chávez in the 2002 elections, has acted in a similarly accommodating fashion.

Thus the external pressures intensified by market reform seem to have effectively limited the policymaking latitude of democratic governments. As a result, only 10.5 percent—2 out of 19—of the governments elected during the 1990s that Stokes (2001a, 14–15) analyzes pursued a "security-oriented" (that is, nonneoliberal) approach, whereas 32 percent of the governments elected during the 1980s did so. A full 89.5 percent of governments during the 1990s enacted market-oriented ("efficiency-oriented") policies, compared to 68 percent during the 1980s, which suggests the diminishing latitude for economic policy choice in the neoliberal era. For instance, Chile's Concertación, which had criticized the neoliberal policies imposed by the Pinochet dictatorship during the 1980s, pursued a notably cautious economic policy course after assuming government power in 1990. While the new administrations did enact significant economic and social improvements, they did not go nearly as far as expected, so as not to antagonize the domestic and external supporters of the country's new market system (Arriagada and Graham 1994, 243, 265–66, 272–73, 282). Other opposition leaders who came to power after a neoliberal administration, such as Alejandro Toledo in Peru (2001–present) and Fernando de la Rúa in Argentina (1999–2001), proceeded with similar caution (Barr 2003, 1163–65; Pousadela 2003, 136–53).

Along with its political leaders, the general population is aware of the limitations facing contemporary governments. For instance, when asked "who has most power," 50 percent of respondents in the region-wide Latinobarómetro poll named "large enterprises," which nowadays tend to have strong transnational links; this score ranked right behind "the government" (56 percent) (Latinobarómetro 2000, 7). Thus, Latin Americans see big business—the sector most responsive to international economic pressures and constraints—as almost equal in power to the democratically elected government.

These effective limitations on governments' range of policy options emerge from forces that lack democratic representativeness. To put it in stark terms, Latin American governments have two distinct constituencies: the domestic citizenry, voters, and interest groups on the one hand; and foreign and domestic investors with strong transnational links on the other (see, in general, Lindblom 1977, chaps. 13–16).[10] According to most democratic theories, the first constituency should be decisive; but in reality, the second constituency has considerable influence as well.

In a number of situations, moreover, these two constituencies pull in different directions. When governmental decisions diverge from "the will of the people," the quality of democracy is limited. Certainly these regimes are full democracies, as the "popular sovereign," of course, retains the right to disregard the direct and indirect pressures of investors. But such imprudence would carry considerable costs in the neoliberal era of increasing global market integration. The citizenry can, in principle, exert its full range of democratic rights and, for instance, vote for whatever candidate it pleases, but concentrated control over economic resources often leads to a clear self-restriction. Thus, as a result of pronounced socioeconomic inequality and of exit options amplified by market reform, "all full citizens" do *not* "have unimpaired opportunities . . . to have their preferences weighed *equally* in the conduct of the government," as Robert Dahl stipulates in his famous explication of the ideal type of democracy (1971, 2; emphasis added).

Increased constraint on the range of viable political options seems to diminish public trust in and accountability of democratically elected governments and politicians. For instance, candidates must appeal to their first constituency, the people, to win office. They therefore make promises designed to increase their vote share; for example, by pledging to introduce new social benefits. But after the victorious candidates take office—and before the next election approaches—the citizenry becomes politically less important and the investment community more important. As a result, the new government officials often do not pursue with much zeal the promises they made during the campaign.[11] In the extreme, they execute a drastic policy switch—an experience that has not been uncommon in contemporary Latin America, especially during the initiation of neoliberal reform (see especially Stokes 2001a).

Limited government responsiveness seems to breed diminishing political participation. If governments dispose of only a narrow range of options, if citizens' choices therefore cannot have that much effect, why should the people bother to vote or participate in politics in other ways? Citizens feel betrayed, voters turn more cynical, and the "political class" falls into even deeper disrepute. Politics itself becomes devalued; and politics is, of course, the lifeblood of democracy. Democracy therefore risks becoming more anemic and less vibrant.

No wonder electoral abstention has increased in many Latin American countries while satisfaction with democracy and trust in democratic institutions has diminished. For instance, Ryan (2001, 15–20) shows that electoral participation has declined over the last three decades (see also Payne et al. 2002, 55–60) and that this decline has been associated with the depth of the neoliberal reforms enacted in different countries. Surveys conducted by Duch (2002, 10–22) demonstrate that perceptions of economic problems, which respondents disproportionately attribute to external pressures and constraints, diminish trust in politicians, democratic institutions, and the competitive civilian regime as such. Similarly, the massive Latinobarómetro surveys suggest that "poor economic performance in the region as a whole," which results partly from the external constraints and vulnerabilities exacerbated by neoliberal reform, "has significantly impacted the legitimacy of democracy," which experienced "a striking drop" at the beginning of the new millennium (Lagos 2003, 150; see also *Economist* 2001; Latinobarómetro 2002). Indeed, the congress—the main deliberative body in a democracy—was "the democratic institution that . . . lost most popular trust" from 1996 to 2001 (Latinobarómetro 2001, 5).

In sum, neoliberalism seems to have limited the quality of democracy in Latin America by tightening external constraints and thus diminishing the range of feasible political options and restricting effective political competitiveness. While the region has long been subject to external economic pressures and structural limitations emerging from "global capitalism," as the old dependency school (over)emphasized, market reforms have further intensified these pressures and limitations. As a result, the space for democratic citizenship and meaningful participation appears to have narrowed.

How Neoliberalism Has Weakened the Organizational Infrastructure of Democracy

The internal effects of neoliberalism also seem to have limited the quality of democracy in Latin America. As mentioned above, drastic adjustment and thorough market reform have further tilted the balance of power in society and politics. Specifically, they have helped to weaken many of the established intermediary organizations that, in principle, could give democracy a firm and vibrant infrastructure. The organizational landscape in Latin America has become more fragmented and atomized; although it is certainly not the only cause, neoliberalism has contributed significantly to this outcome (see especially Hagopian 1998; Oxhorn 1998). While market reform has also had some positive effects by helping to undermine undemocratic parties and associations, on balance it has done more harm than good, at least for the time being.

Trade unions nowadays tend to be more divided, to have fewer effective members, and to command lower political influence than they did before the wave of market reform. This decline in union strength has resulted partly from trade liberalization, the deregulation of the labor market, the dismissal of government employees, and the privatization of public enterprises. These reforms have often increased unemployment and underemployment in the short run and have reduced the legal protection for workers in the long run. At the same time, financial liberalization has fortified employers' bargaining position by enhancing their exit options. As a result, unions face greater difficulty in organizing and have less clout (Murillo 2003, 104–8; Roberts 2002, 21–23).

Similarly, social movements, which were quite vibrant in the 1980s and which used to advance broader political demands, have often had to concentrate primarily on immediate survival issues. Nowadays, they tend to have less voice on political questions that go beyond their basic needs (Roxborough 1997, 60–62; Portes and Hoffman 2003, 76–77).[12] Indeed, the social costs of neoliberalism have induced many movements to accept the handouts that market reformers provided to bolster their popular support. Where these social emergency programs were heavily politicized and used systematically for patronage purposes, as in Mexico under Carlos Salinas de Gortari (1988–94) and in Peru under Fujimori (1990–2000), they served to coopt or divide social movements, thereby weakening their capacity for autonomous demandmaking, especially on general political issues (see Haber 1994 on Mexico; Tanaka 1998b on Peru).

Political parties, for their part, have grown weaker in many countries, and their reputation in the eyes of the citizenry has dropped further. While certainly not solely responsible for this decline, market reform has contributed to it in several ways. As a result of state shrinking and other austerity measures, party organizations, which often used to be sustained through patronage and clientelism, now have fewer resources to distribute and therefore greater difficulty maintaining their membership base. The external constraints intensified by neoliberalism make it more difficult for parties that win government office to fulfill their electoral promises and deliver on popular expectations for social improvements. Furthermore, conflicts over painful neoliberal reforms have led to tensions and divisions inside parties and thus have exacerbated the fragmentation of party systems. In some countries, such as Peru and Venezuela, they have even contributed to party system collapse, and Argentina seems to have avoided this fate only narrowly in the period 2001–2003.

Of course, not all of these tendencies toward involution have resulted from neoliberalism alone. Party decline, for instance, began before the recent wave of market reforms. In a number of countries, parties lost popular support during the 1980s, when they proved unable to fulfill the high—and frequently excessive—hopes engendered during the transition to democracy. Many Latin Americans had unrealistic expectations about the improvements that the restoration of democracy would bring. When these hopes were frustrated, parties were assigned the blame. Furthermore, the very economic crises that neoliberalism was meant to combat contributed greatly to the enfeeblement of Latin America's civil societies, especially devastating trade unions and social movements, but also parties. Indeed, it is often difficult to ascertain how much the debt crisis and hyperinflation (the "disease") or structural adjustment and market reform (the "medicine") are to blame.[13] It seems undeniable, however, that the substantial transitional costs of neoliberalism and the tighter external constraints that it imposed contributed significantly to the discrediting of parties and especially the weakening of trade unions and social movements (see recently Kurtz 2002; Roberts 2002).

It is also important to remember that the intermediary organizations that existed before the neoliberal wave were not always very democratic; in reality, internal democracy was often conspicuous by its absence. Personalistic leaders or small elite groups used to control many parties and interest groups. Unions, professional associations, and business organizations often had captive audiences through obligatory membership, which made it difficult for the rank and file to hold their leaders accountable. Parties and other organizations, moreover, frequently used patronage and clientelism to get backing. By obtaining support through the distribution of particularistic benefits, leaders gained a fairly free hand to pursue their own goals, with minimal real input from their "bases." Thus, in the decades before the recent advance of market reform, Latin America's civil societies certainly were not perfectly democratic; they were not even consistently civil.

It would have been better for the quality of democracy, however, if these intermediary organizations had been reformed rather than weakened and divided.[14] At present, civil society and the party system are too weak in several countries—most glaringly, Peru in the late 1990s—to provide a counterweight to the government. Governments therefore have excessive latitude to deviate from their campaign promises, to give in to the real demands or anticipated pressures of investors, to use their offices for private benefit (for instance, through egregious corruption), and to disregard the demands, needs, and interests of citizens. In several instances, government leaders have used their ample margin of maneuver to govern the country as they see fit, rather than being responsive and accountable to the citizenry (see the seminal analyses in O'Donnell 1994, 1998).

Neopopulism, Neoliberalism, and the Quality of Democracy

That personalistic, populist leadership, which claims an electoral mandate from "the people" but determines the content of this mandate at will, went hand in hand with neoliberal reform in a number of Latin American countries. The most outstanding cases of such neoliberal neopopulism were Menem in Argentina (1989–99), Fujimori in Peru (1990–2000), Collor de Mello in Brazil (1990–92), Abdalá Bucaram in Ecuador (1996–97), and—with less political latitude—Carlos Andrés Pérez in Venezuela (1989–93). All these presidents who adapted populism to the neoliberal age (Roberts 1995; Weyland 1996) stressed their personalistic, charismatic leadership and based their governments to a considerable extent on unorganized and therefore fickle mass support. Their connection to "the people" had the character of plebiscitarian acclamation rather than liberal representation.

As a result, these neopopulist leaders used their popular mandate to run roughshod over institutional checks and balances. They sought and often managed to strengthen the powers of the presidency and to weaken the congress and the courts (Palermo and Novaro 1996, 256–66; Cotler and Grompone 2000, 22–35; Kingstone 1999, 159–69). They imposed their will through decrees and the threat of plebiscites (Carey and Shugart 1998). Several of them tried to intimidate or control the media. All of these strong-arm tactics diminished the quality of democracy.

Neoliberal reform provided these neopopulist presidents with useful instruments for enhancing their autonomy and power, thereby boosting their leadership. Trade liberalization, privatization, and labor market deregulation weakened trade unions, which used to restrict presidential latitude with their demands and pressures. Trade liberalization also put some powerful business sectors on the defensive, while the sale of public enterprises allowed presidents to buy support from select groups of big business through favorable privatization deals (see, for example, Corrales 1998). The dismissal of public employees enabled neopopulist leaders to eliminate their predecessors' appointees, who might use their bureaucratic power to block presidential initiatives.

In all these ways, neopopulist leaders used neoliberalism for their own political purposes (see Weyland 1996; Roberts 1995). Where structural adjustment eventually restored economic stability and reignited growth, and where neopopulist leaders therefore attained lasting political success, as in Argentina and Peru, neoliberalism indeed strengthened the political predominance of neopopulist leaders (Weyland 2002, chaps. 6–7). This reinforcement of neopopulism constitutes another way market reform has reduced the quality of democracy in Latin America.

The Inverse Relationship Between Democratic Stability and Democratic Quality

With the preceding argument, the discussion comes full circle. It is important to recognize a paradox: while neopopulist leadership has diminished the quality of democracy in Latin America, it actually seems to have helped ensure democracy's survival. Remember that many observers during the mid- to late 1980s believed that only a dictator like Chile's Pinochet could enact neoliberal reform.

One significant reason why this prediction proved wrong and why democracies managed to survive the imposition of neoliberal reform was the emergence of neopopulist leaders who realized that they could use neoliberalism to advance their own political goals. This convergence of neopopulism and neoliberalism arose from the deep crises that afflicted many Latin American countries in the late 1980s. Hyperinflation and other dramatic problems made many citizens willing to support painful stabilization and market reform. Neopopulist leaders therefore won political backing by enacting the adjustment plans their predecessors had postponed for fear of provoking unrest. Neopopulists' courage in combating the crisis head-on gave them popular support and proved their charisma, while market reforms ultimately enhanced their power. Thus, the surprising compatibility—even affinity—of neoliberalism and neopopulism is one of the important reasons for the survival of democracy despite neoliberalism. Viewed from this perspective, the reduction in democratic quality produced by neopopulism may have been the price for guaranteeing the survival of democracy during the enactment of neoliberalism.

The positive and negative sides of the mixed record that this essay has discussed are intrinsically linked. While neoliberalism has intensified the external restrictions on democratic choice and governmental decisionmaking and has thereby diminished the quality of democracy, those very restrictions also expose Latin American countries to diplomatic pressures to maintain democracy. Such constraints limit the effective exercise of popular sovereignty and thereby discourage political participation, but they also preclude highly pernicious options, especially the overthrow of democracy by the military or its abrogation by the people themselves, who may elect and support autocratic populists like Fujimori.

In a similarly paradoxical twist, the further weakening and fragmentation of popular sector organizations, which detracts from the quality of democracy, bolsters the survival of democracy by putting socioeconomic and political elites at ease, which prevents them from resorting to extraconstitutional means to protect their core interests. Popular sector weakness limits democratic representation and governmental accountability, but by foreclosing the danger of radicalism, it forestalls an elite backlash against competitive civilian rule. Altogether, both the external and internal effects of neoliberalism diminish the range of political choice, but precisely in this way, they contribute to the persistence of democracy itself.

The available evidence suggests that neoliberalism has affected Latin American democracy in opposite, even contradictory ways. By exposing the region's countries to greater external pressures and by changing the internal balance of forces so as to preclude threats to domestic elites, market reform has bolstered the survival of democracy. Yet in exactly the same ways, namely by imposing stronger external constraints and by changing the internal balance of forces through a weakening of domestic intermediary organizations, market reform has abridged the quality of democracy. As is so often the case, politics poses real dilemmas and painful trade-offs.

NOTES

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1. This argument about the double-sided impact of neoliberalism on Latin American democracy does not necessarily claim that the two sides are of equal strength and significance. Actually, the strength of these two effects would be methodologically very difficult to compare, given their qualitative difference and, therefore, the absence of a common underlying metric.

2. The equivocal U.S. response to the temporary ouster of Venezuela's Hugo Chávez in April 2002 constitutes a partial exception. After this populist president was reinstalled and Washington's stance drew strong criticism from Latin American governments, the Bush administration stressed very clearly that it would not support any further military adventures, despite the continuing political crisis in Venezuela.

3. On the significant extent of trade and financial liberalization in Guatemala, see the measurements in Morley et al. 1999, 30–32.

4. For an analysis of the strengths and limitations of this international democracy-promotion regime, see Cooper and Legler 2001.

5. While many military coups emerged in this way, not all did; the 1968 coup in Peru, undertaken by nationalist, left-leaning officers who wanted to bring reform to their country, constitutes an exception.

6. Venezuela's radical populist Hugo Chávez emerged precisely in a country that has enacted comparatively little neoliberal reform.

7. For a general argument along similar lines that emphasizes the importance of increasing capital mobility, see Boix and Garicano 2001.

8. Similarly, the mass mobilization that led to the January 2000 coup in Ecuador occurred in a country that had not pushed the neoliberal agenda very consistently or very far (Pion-Berlin 2001, 8–10; Lucero 2001, 59–68).

9. Although this essay focuses on the repercussions of neoliberalism, other aspects of globalization, such as the increasing traffic in drugs and small arms, have certainly contributed to the problems plaguing Latin American democracies, such as a rising crime wave (Tulchin and Frühling 2003) and the virtual implosion of state authority in large swaths of Colombia and in Rio de Janeiro's urban slums. Globalization is, however, a multifaceted process, which has also had important positive effects on Latin American democracies; for instance, through transnational activism, which has supported civil society groups in many countries of the region (see, for example, Keck and Sikkink 1998). These complex and complicated issues, which are tremendously important for the

quality of Latin American democracies, are far larger than the limited scope of this essay.

10. Lindblom depicts the "privileged position of business," which market reforms have strengthened in contemporary Latin America, as not very democratic.

11. For instance, one important reason for the drastic popularity decline of Peru's president Alejandro Toledo has been the difficulty of fulfilling his campaign promises while maintaining investor confidence (Barr 2003, 1163–65). Disillusionment with the new president's performance, in turn, seems to have exacerbated citizens' distrust of politicians in general.

12. Brazil's Movement of Landless Rural Workers (MST) constitutes a partial exception to this general tendency. Still, the MST's tremendous expansion during the 1990s was triggered not by neoliberalism and its effects, such as exacerbating employment problems in the countryside, but by the reformist background and officially social-democratic orientation of President Fernando Henrique Cardoso (1995–2002), which restricted government repression and rewarded the MST's mobilization efforts, as Ondetti's thorough study (2002) clearly shows.

13. While it would be difficult to disentangle the causal impact of these different factors, careful analysis of the timing of party system decline could provide important clues. For instance, Tanaka (1998a) argues that the collapse of Peru's party system was not predetermined by the economic and political crisis of the 1980s but was contingent on President Fujimori's antiparty maneuvers, which accompanied the president's enactment of neoliberalism.

14. This argument applies at least in the short and medium run. In the long run, the weakening of the existing, not-so-democratic intermediary organizations could create a clean slate for the formation of new, more democratic parties and interest groups. But several factors—erratic economic growth, fluid, rapidly shifting socioeconomic alignments, and the tremendous political importance of the mass media—make such a rebuilding of strong parties and associations unlikely.

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