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Opening a Developing Economy in the 21st Century: A Look at the Rural Salvadoran Perspective

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Abstract

In recent decades there has been a trend for countries to begin establishing bilateral trade relations with one another, namely, free trade agreements. The result has been open economies that are economically tied to one another. In El Salvador, two policies are highlighted that tie it strongly to the United States: Dollarization and the Dominican Republic Central American Free Trade Agreement (DR-CAFTA). This paper analyzes the policy process, utilizing a mix of the Multiple Streams Framework (MSF) and Neoinsitutionalism; macroeconomic trends that have followed; and the perception of a sample population regarding their quality of life in the past five years. What was discovered was that the government of El Salvador, at the time when the policies were being negotiated, acted in a process that had much to do with a Neoinstitutional approach, while, simultaneously, following along the lines of the MSF. The policies have allowed for El Salvador to have a highly open economy, which has exposed it to being influenced more by the global economy. This exposure has seen increases in food and medicine prices that have affected the rural Salvadoran population. Concentrating on a small, rural sample population, the analysis highlights major worry among participants regarding a deteriorating quality of life.

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Introduction

Currency value shifts and bilateral trade agreements have been major points of contentious debate in the past decades as either tools for economic prosperity or mistakes that create economic disparities. The recent trend has been an approach to move toward policies with the objective to shift currencies and/or create trade accords. In such an atmosphere, there are those that want to further liberalize markets and open up borders to create free trade zones for the free movement of goods and services. In turn, economic growth has been seen on a macro level for many countries, food prices have increased, competition among businesses has ensued, and employment has been volatile, while little conclusions exist on equality. These results are considered mixed by politicians, researchers, and the citizens of countries that deal with such an open world.

These policies' effects have been realized in El Salvador's economy, the country that was chosen as a case study for this paper. Described as a small, Central American republic located on the isthmus between Guatemala and Nicaragua, El Salvador is the second most densely populated country in the Americas, behind Haiti, with a population of 6,071,774 and a population density of 288.6 persons per squared kilometer.[1] The small republic's economy is highlighted by its coffee and textile exportation, as well as by its tendency to import more than it exports (Estadisticas de Comercio Exterior). It has been the only Central American economy to move to a fully dollarized economy, and was among the first countries to become a part of the Dominican Republic Central American Free Trade Agreement (DR-CAFTA) signed with the United States in 2004 (CAFTA-DR). Their link to the United States has made them feel the ups and downs of the cyclical American economy, as will be examined in the macroeconomic section.

[1] This was gathered by dividing country population by country area for each country in the Americas using the CIA's World Fact Book population estimates for July 2011. This was done to correct sources found on the internet.

As is the case with economic adjustments such as those that are discussed later, there exist effects on specific populations. The understanding is that there are winners and there are losers, and so it is important to understand the human face of rural Salvadorans in an economy that has been opened through political maneuvers, and analyze the perspectives of a sample population that has subsequently been placed in the *losers* category. A qualitative and quantitative (mixed methods) approach is taken to make these inferences, while taking into consideration the macroeconomic situation that the country has seen after implementation of policies that aided it in arriving to its destination of a highly open economy.

El Salvador's economy, through political approaches in the last decade, has become ever more dependent on the United States' economy. This echoes the ideas of dependency theory, where there is a dominant core of countries, and periphery countries known as the Global South (Kegley, 2009). The role of the periphery countries comes from colonialism in which raw materials were exported to the dominant country where they were manufactured. The theory connects most with the research of this paper through its idea of dualism, where there are two societies within one—the impoverished, rural and the developing urban (2009). Kegley notes that there is little interaction between the two, which allows for the inference that politicians, who are generally from urban areas, do not take into account those that live in rural areas. Not only is El Salvador seen through this lens, but also there are two other case studies: Jamaica and Mexico—these latter two will be discussed in the literature review.

El Salvador's dualism is quite like that explained in dependency theory's dualism. The country is made up of 14 departments, which house municipalities. Most municipalities have their own urbanized city and a host of subdivisions scattered throughout the periphery; in fact, each municipality is named after its city. For the most part, any city that is not as "urbanized" as the country's highly populated cities is still considered periphery. This could explain why cultural implications of globalization have not been so extreme in the semi-isolated areas (the subdivisions), as the difference between highly populated, urbanized areas and the periphery is very noticeable through the American and European business chains that surround and make up the cities' malls. This influence of American and European culture in the urbanized areas is a trademark of an open economy on the periphery.

An open economy in this essay is one that has free trade accords with one or more economically advanced countries, liberalizes markets, and allows for a floating currency. In El Salvador's situation, a free trade agreement with the United States that involves market restrictions to be loosened, and its move to dollarize have placed it in the category of a globally open economy. By default, the economy is open, as all of its trade is conducted using the American dollar, meaning that effects on the dollar in the United States will also have a domino effect in El Salvador. This has a variety of implications on the Salvadoran economy that are explained based on the theoretical assumptions of monetary economics in the literature review.

The concentration in the literature review is on macroeconomic theories and the policies and case studies that involve these theories in order to understand what the research is attempting to highlight. To tie this into the country's situation, two theoretical frameworks are explained (Multiple Streams Framework and the Neoinstitutional Approach). Next, these frameworks are used to help understand El Salvador's policy process in regards to the economy-opening policies previously mentioned, Dollarization and the DR-CAFTA. Moreover, an analysis of the macroeconomic situation is realized from 1989 to 2010, where the data is available. For data that could not be found for 1989 and onward, data for 1995 and onward is used, as well as a search for articles regarding the given topic or data from 2000 and onward. Additionally, data collection of a sample population is conducted and analyzed for trends related to quality of life, focusing on the past 5 years. Upon analysis, some generalizations and recommendations are finally made to understand how to utilize the research.

Literature Review

Domestic policy adjustment has, at many times, arrived through the influence of international policy such as is seen today in the International Monetary Fund's (IMF) Articles of Agreement. Two such adjustments that are of utmost importance deal with currency alteration, including devaluation and upvaluation, and trade liberalization. In the review of the literature two examples stand out as political, sociological, and economic stories: Jamaica's dealings with the IMF in the 1970s and 1980s, and Mexico's involvement in the North American Free Trade Agreement (NAFTA). What happened with these countries exemplifies currency depreciation and trade liberalization as well as the MSF and Neoinstitutional approach, which are integral to understanding how such international influence occurs, and why many countries such as these enter into agreements with international bodies such as the IMF, in the case of Jamaica, and a hegemon, as in Mexico's case with the United States. Analyzing the political process, while taking an MSF and Neoinstitutional approach, leads to the implications of each decision.

Regarding El Salvador—this paper's concentration—three economic situations occur within a decade: upvaluation of the currency through dollarization, natural currency depreciation through market volatility, and the trade agreement, DR-CAFTA. Adjusting currency in this way has effects on the price of the currency, and—when taking an elasticities approach—on the demand and, inherently, the supply side of the country's markets. With DR-CAFTA, there are several other structural adjustments that are tied to that, the two changes of interest are subsidy and tariff removal for the sake of trade liberalization, though the focus is on tariff removal. It connects with currency appreciation in that it works to make imports cheaper in the short-run, as tariff elimination strengthens appreciation. What can be considered is that upvaluation can, theoretically, lead to economic benefits for the domestic markets in the form of lower interest rates, which leads to domestic economic development.[2] The

[2] This is based on conventional theoretical understandings regarding currency appreciation.

outcome is supposed to encourage both foreign and domestic investors to invest in the targeted country, eventually creating and strengthening the domestic goods market for export and competition against imports, i.e. the long-run.

Currency appreciation, which consists of decreasing the number of units it takes to match one United States dollar in the international exchange market, is briefly reviewed through current literature that takes a theoretical approach. When referring to El Salvador, an analysis of the data from other countries has shown that there are many triggers that cause upvaluations in currency, while there are many other triggers that can cause this phenomenon to work to the advantage or disadvantage of a country (Marston, 1989; Goldfajn and Valdés, 1999; Baur and Schnabl, 2002; Zhang and Fung, 2006; Xu, 2008). The literature considers all of these situations, where the theoretical aspects present themselves in the real world, and where it is, at times, the opposite. The theoretical underpinnings of the aforementioned structural adjustment policies calculate that countries can benefit by trade liberalization via exportation, with exports having a more competitive price through currency devaluation in the short-run. Export boosting could also occur through currency appreciation (higher production based on higher investment via lowered interest rates) in the long-run.

Marston, and Schnabl and Baur discuss the link between currency appreciation and an increase in productivity in Japan after American threats of economic sanctions (1989; 2002). What the Japanese domestic market experienced was a forceful measure to make stronger their productivity growth. Similarly, in the case of Taiwan, “long-term effects on structural upgrading and productivity growth,” along with “painful short-term declines in export production and employment” were experienced (Xu, 2008). Not all appreciation is beneficial for the adjusting country. As Goldfajn and Valdés explain, it does not take much to return to what the currency originally was, as a minimal devaluation can return a larger appreciation (1999). That said, an appreciation can be affected by the global economy, especially if currency depreciates naturally. What is feared is whether the reversal may hinder the economy, or if it will not have much of an effect as it returns smoothly to real value from nominal value. Parts of these problems are tested by Zhang and Fung, along with the understanding that consumption decreases in developing countries in their models (2006).

Furthermore, it is necessary to note that currency appreciation—as used by some countries—is a utility that strengthens the domestic economy through the use of lower interest rates (Marston, 1987; Schnabl and Baur, 2002; Xu, 2008). The conventional theory behind this is that lower interest rates create an atmosphere for higher borrowing and higher lending (unless the rates are too low, which results in a liquidity trap). Stimulating the domestic economy as a means to prepare for a large opening, as is seen in the case of El Salvador in the early 2000s, is a part of a process to make a country's exportable goods competitive once that opening occurs. What was seen in El Salvador's case was just that, but because of the world economy, depreciation of the dollar occurred, which was supposed to shift income to non-exportable local goods, allowing for an excess in exports that are released into the world market at a lower price than the competition (theoretically).[3] What eventually happened could be considered the "Jamaica effect" regarding the IMF, where there was trade liberalization, removal of subsidies, and currency depreciation (though El Salvador's was natural).

Currency devaluation, which increases the number of units it takes to match one United States dollar in the international exchange market, allows small, developing nations to boost their export potential by creating excess supply (Cooper, 1971; IMF, 2000). Viewing it in an elasticities approach, what is to happen when devaluation occurs is that prices for imports, exports, and tradeable domestic goods rise, relative to nontradeable goods (considered substitutes).[4] With income shifting to the domestic nontradeables, this creates more supply for export of the exportables and tradeable domestic goods,

[3] Assuming that the exports are produced using now cheaper domestic inputs.
[4] It is assumed that inputs for production are not imported but produced domestically.

whose prices have decreased relative to imports. The boost in exports then, theoretically, helps the country to absorb more income from selling goods outside of the country, where it has now become more viable to sell than to sell domestically. According to this financial tool, the balance of payments can be reached, as countries begin to realize a shift from paying for more imports—hence a fall in currency value because more of that country's currency is out in the world market (higher supply, lower price)—to selling more exports—hence an increase in currency value as more countries demand that country's legal tender to purchase its goods (higher demand, higher price). In the end, after devaluation, currency value should make its way back to equilibrium.

Currency adjustment takes aim at the trade policy of a country. In order for it to work to its fullest potential there must be trade liberalization. For a country to open up its borders and institute a policy of free trade there is usually a negotiation that takes place. In most cases it is either a bilateral trade agreement and/or a structural adjustment loan from the IMF. Reaching an equilibrium price, often a lower world price, is what proponents of trade liberalization are concerned with (Pohlmann, 2006). If an autarkic[5] nation decides to open its borders to other countries' goods, then perfect competition will naturally create an atmosphere for the price of goods in competition to reach the optimal price for consumers demanding, and producers supplying. What occurs is the excess supply from one country ends up filling in the excess demand of another (Chacholiades, 2006). For example, if the autarkic price is higher than the possible equilibrium price in Country A, there will be an excess in supply, which, upon opening trade, will go to fill the excess demand for Country B, which has an autarkic price lower than equilibrium price, thus an excess demand. When free trade ensues, the price for the good is lowered in country A and rises in Country B, which creates equilibrium in the world market.

[5] Meaning, the country which does not have international trade.

As mentioned earlier, what has been seen in El Salvador is an occurrence of the two aforementioned situations. First, in 2001, there was an appreciation in currency through the country's dollarization. Depreciation occurred naturally through global economic affairs, especially during the recession in the United States in 2008. Reviewing the literature on devaluation and appreciation of the real exchange rate of a country helps to develop an understanding of the situation the country has experienced because of its international policies: dollarization and trade liberalization. The following are examples, as aforementioned, of countries that have experienced outcomes of similar adjustments to their economic structures.

Jamaica and the IMF

The literature reviewed provides examples of developing countries with open economies that have implemented policies that can be viewed in the upcoming policy theories, as well as the aforementioned dependency, monetary, and trade theories. Jamaica is one such example of currency devaluation and trade liberalization. These policies came about during tumultuous economic times for the island nation. It began approximately 10 years after independence in the 1970s, where the People's National Party (PNP) had just taken political power, ousting the Jamaican Labour Party (JLP) (Danielson, 1996; Weis, 2004; Bernal; 1984). Weis and Bernal conclude that exogenous economic circumstances were the cause for Jamaica's troubles, while Danielson believes that it was due to the failure of domestic policies (2004; 1984; 1996).

Jamaica's problems were found in the macroeconomy. From 1974 through 1976, Jamaica experienced a balance of payments crisis, and believed to have the resolution based on International Monetary Fund (IMF) structural adjustment policies of altering the real exchange rate in order to fix their trade deficit, thus creating an environment to reach a balance of payments (Duncan, 2008). This was done through the Michael Manley administration, as structural adjustment loans are usually a measure of 'last resort' for struggling governments, thus giving little regard to the voice of those who would be impacted the most—farmers with newly acquired land and support from the PNP as well as the poor. Reviewing the policies and their impacts on Jamaica, Duncan's results have found that there are other economic factors that have an effect when devaluing currency, which stymies a positive impact on trade performance on a country of Jamaica's size (2008). The major inconsistency lies in the lack of domestic substitution for imported goods, both as staples and inputs for exportation (Bernal, 1984; Duncan, 2008; Weis, 2004). This meant that by devaluing, the government made imports more expensive for Jamaicans, creating a shift of income toward hypothetical substitutes. What would ensue would be a price increase in exports via a price increase in unsubstitutable imports, many being inputs for exportables production.

As mentioned earlier, to take advantage of the theory of devaluation, a government is encouraged to expand its economy in the form of trade liberalization. Via the JLP—who had returned to power in 1980—IMF structural adjustment loans in 1982 and 1984 brought an expansion in trade liberalization, which lowered or removed tariffs for other imports (Weis, 2004). The repercussions of this were felt by those in the rural areas, farmers in particular. Because of currency devaluation, inputs that had to be imported were now more expensive, creating a loss of jobs in the agricultural sector (Bernal, 1984; Weis, 2004). Additionally, the poor had to suffer an increase in consumer price goods, as Jamaica continued to increase its importation. Those without much say in structural adjustments were victims of changes the Jamaican government had to make, according to the IMF, in order to reach a balance of payments.

Clarke and Howard conclude that in Kingston alone, the structural adjustment programs of the 1980s have not met the promises that were partnered with them when implemented (2006). People continue to live in inadequate housing units while there continues to be a surplus of labor in the capital. Though not rural, it can be generalized that the rural situations are just as gloomy, if not worse. The Jamaican people have also felt a break up of classes and the lower classes have acknowledged further marginalization from the upper classes (Weis, 2005). Moreover, according to the documentary *Life and Debt*, many farmers experienced drastic losses in market share when they began competing against foreign competition once trade liberalization occurred (2001). Additionally, Handa and King have found that Jamaican children have lost weight as a consequence of less calorie intake since the 1991 structural adjustments, when the country liberalized its exchange rate (2003). The devaluation caused a drastic decrease in Jamaican purchasing power, logically, making families spend more on imported foods, thus the reduction in food intake, and the loss of weight that Handa and King reported.

The implications of a more open economy have left many people in rural Jamaica with less of an ability to afford foods that they used to purchase. The politics that were played out in a desperate time for the PNP were acted on by the executive, as he had to make policy adjustments in an attempt to ameliorate Jamaica's economic situation. There were many influences on the process, but ultimately, the final decision was made by the Manley administration to devalue the country's currency and liberalize trade to both be competitive and create more competition within their borders. This was thought to help lower prices, but it only created a painful situation for rural families.

Mexico and NAFTA

Mexico's experience with economic opening has a slightly different political situation that occurred, but with similar outcomes for the rural poor, including agricultural farmers and families. Heredia explains that before Mexico negotiated into a trilateral free-trade deal with the United States and Canada in the form of the North American Free Trade Agreement (NAFTA) the government had already been working with the IMF and the World Bank (WB) (1994). The final opening came in the form of the free trade agreement, where opposition to the accord was met by a strong governmental push. Mexico witnessed a strengthening of its interests that played somewhat of a role in the NAFTA dealings, but not enough for there to be an effect on the policy itself (Heredia, 1994; Poitras and Robinson, 1994). *The Partido Revolucionario Institucional* (PRI), headed by then-President Carlos Salinas de Gortari, created an atmosphere that favored a free market system and a more open economy.

What is important to note is that there was much to gain for public and private interests. Poitras and Robinson explained that the state would gain previously lost legitimacy, and the private sector would gain in economic growth through market expansion into the United States and Canada (1994; Pohlmann, 2006). In this case, excess supply in Mexico, would meet excess demand in both the United States and Canada; in essence, turning the extra supply of product A into money. The need for extra supplies of product A, along with the gained finances, would stimulate job creation. Pohlmann explains that this understanding brought about opponents against the agreement in the form of Mexican farmers (2006).

The consensus of farmers in Mexico was and remains that subsidies coming in from the United States would cause major damage to their sector, as the competing country's agricultural sector (especially corn) is heavily subsidized (Food, Agriculture, Conservation, and Trade Act of 1990; SAPRIN, 2004; Pohlmann, 2006). Both domestic and international anti-NAFTA organizations began to develop in the peripheries of the governmental coalition and outside of it. Still; they were not effective in dispelling beliefs that Mexico, as a nation, was on board with the accord. The reality was that those that were a part of the opposition were lambasted and labeled as traitors to the Mexican people (Heredia, 1994). Furthermore, Heredia states that those that were invited to serve as witnesses in front of the U.S. Congress regarding the possible outcomes of NAFTA were handpicked by members of the PRI, while those that wanted to protest it were barred from participating (1994).

In further opening their economy, more problems were realized for Mexican agricultural families in rural areas. Enhanced by NAFTA, IMF and WB, structural adjustment loans made before and after the agreement facilitated a consolidation of land by private entities and liberalization of trade in agro commodities (SAPRIN, 2004). The eventual results of all of this activity have been a dwindling of production for the local market, as importation has increased in Mexico. As per the SAPRIN report, land consolidation has led to the loss of land of the rural poor that once depended on a subsistence living; they must now purchase most of their foodstuffs, decreasing their purchasing power (2004). These impacts have highlighted the problems that were mentioned by those who knew they would be impacted and their allies.

What is noted regarding these changes in Mexico is that disparities related to poverty in the rural areas expand after NAFTA, specifically due to a bias in urban public spending, consistent with the dualism aspect of Dependency theory (Alvarado, 2008). Alvarado as well as Gravel highlight that because there is less spending on rural areas to ease the pain caused by NAFTA on many of the small rural farmers and their families, poverty continues to increase (2008; Gravel, 2007). Winters and Davis believe that the Mexican failure in rural policy could be corrected with more programs that focus on helping the rural farmer (2009). The lack of consistency to help the true rural sector has caused further degradation and is creating a wider gap between those deemed by Salas as the “haves” and the “have nots” (2002). The authors indicate that the dualism in Mexico is a reason for less investment in the rural areas, leaving farmers and families on the periphery.

Literature Review Conclusion

The literature review explains the theoretical steps toward economic growth for a country that has yet to experience a more open economy. What has been witnessed is a governmental leadership role in the form of a powerful presidency and bureaucracy known as a coalition. It is the centralized actor who creates the opening of the policy window and takes action to make sure that it is passed. When those who have a stake in the policy process and see the negative consequences for themselves begin to speak out, the government either must make a choice to listen or disregard them. In both cases, the government was either placed in a compromising situation or was vying to strengthen their governmental authority.

By taking such steps, governments may only be focusing on the upper echelons of society, meaning that economic growth benefits only those that already have access to enough capital to compete and survive in a global economy. Trade liberalization proponents assume the theoretical, that excess supplies will help to offset excess demands from one country to the other, but since new products arrive in each country, there is a non-substitution effect, especially in smaller countries (Feenstra and Taylor, 2008). Imports become a strong part of a county's economy, meaning that more of another country's currency is being purchased, which has a weakening effect on exports. This has increased input prices that are being imported as well as exports that utilize imported inputs. Those who have realized this most, where domestic prices have risen as a result of imports becoming more expensive because of a devaluation of currency, have been the rural poor, especially those that depend on the land that they live on. El Salvador has seen a similar situation regarding the country's politics, policies, and stakeholders.

Theoretical Frameworks

To survey how the policies have been realized, a mix of two theories is employed: the Multiple Streams Framework (MSF), and the Neoinstitutional Approach. These theories seem to differ in their method of political analysis, but in certain cases can coincide, as is the circumstance with El Salvador's type of polity. Salvadoran politics are dynamic, more so when the economy is so open and is affected by outside influences. It fits into the MSF as it contains the four key elements of the framework: problems, policies, politics, and policy entrepreneur. In this case, the policy entrepreneur can work as the neoinstituational main player, because of the Salvadoran government's tendency to be rather centralized in its decision-making process. These frameworks play off of each other, as they not only explain the dynamism of

Salvadoran politics, but also keep intact the centrality and rigidity of policy outcomes based on executive motivations.

Derived from Cohen, March, and Olsen's 1972 garbage can model, where institutions are described as "organized anarchies," the MSF is one that focuses on the complexities of the decision-making process. John Kingdon revised the garbage can model to apply it to federal decision-making—from colleges and universities—and from that revision came the MSF (Sabatier, 2007; Smart, 2010). The major constructs of the policy process, according to Kingdon, are problems, policies, and politics. These three streams are then "coupled" together by a policy entrepreneur who works to create a policy window opening when the streams seem to be coming together (Kingdon, 2002). The opening serves as an opportunity for decision-makers to take action to implement a new policy in accordance to the agenda presented by the policy entrepreneur. Following is a redaction of the three streams in this context.

The policy stream is the portion of the framework that concentrates on a selection of possible policies that decision makers may be looking to as possible solutions to an issue. It should be noted that one of those policies can actually be a non-action decision, as Dye describes it as "anything a government chooses to do or not to do" (Dye, 1972). According to Smart, policies come from many sources, including government committees, interest groups, and bureaucrats (2010). It is connected to the problem stream, as issues are seen as needing a response by leaders to fix, or to maintain the status quo. The framework highlights the necessity of data for research purposes in both the problems and policies streams. The research involves assessing the situation and finding both the issues and the possible solutions to the issues.

With the politics stream, the concentration lies on the many actors that apply their own type of influence on which policy they feel is the right one (Sabatier, 2007; Smart 2010). In this portion of the framework, there exist many actors such as interest groups, researchers, staff assistants, etc. among many others. These actors raise awareness about the issue both in the inside and outside. These two concepts are hidden and visible clusters (Smart 2010). Within the hidden cluster are those considered, "on the inside," as they are the researchers and staff assistants that have a strong influence on decisionmakers. The visible cluster contains mainly interest groups and, perhaps, more public bureaucrats. The politics stream is indeed a characteristic for participation in the policy process.

The three aforementioned streams are brought into a "coupled" solution at the right time—serendipitously—in order for there to be an opening in the policy window. In this paper, the policy entrepreneur acts as a Neoinstitutional, or state centered, actor. The policy window is then opened by the special characteristics of the entrepreneur—expertise, bargaining skills, and persistence (Kingdon; 2002). It is the policy entrepreneur's job to further along his/her agenda for their own sake, or those of the special interests that they feel they must appease for what could be a number of different reasons. In the case of El Salvador, the Neoinstitutional agent is considered to be the President, along with the backing of his party as part of the politics aspect.

Neoinstitutionalism is a state-centered approach that looks at the preferences of the centralized actor. The policy preferences of the main actor will usually be placed in the spotlight on the policy table (Kraser, 1988). This includes the conditioning of the people, the legislative branch, and the media outlets to plan the agenda as to what is important. Though elements outside of the control of the autonomous state may lead protests or try to counteract the government's preferences, the centralized actor tends to make decisions with very little thought to the opposition. Nevertheless, there are opportunities the centrist state must take in order to achieve the optimum policy preference (Evans et al, 1985). This explains, as Orren and Skowronek point out, a top-down approach to policy, where it is the state that initiates contact among partisan sides (1998).

These two frameworks work together in the common factor of a policy entrepreneur. Though it can be stated that the policy entrepreneur is merely a piece to the chaotic puzzle that is the policy process, the Neoinstitutional approach places him/her at the center of everything. While all three streams are "streaming along," it is the *Neoinstitutional entrepreneur* who takes advantage of the situation by pulling the streams together to create an opening in the policy window. In this context, it is a top-down approach, as the entrepreneur may also play a role in conditioning, or "fixing," one of the streams. As stated earlier, in the Neoinstitutional approach, the central actor is not despotic, but has the ability to bargain; in this case, the policy preference will more than likely be realized, but it must be done within constitutional bounds.

Problems, Politics, Policies and Policy Framework and the Neoinstitutional Approach

The MSF helps to identify the major portions of the policy process for El Salvador. In this case, it is coupled with the Neoinstitutional approach. Though both of these approaches may seem to differ, it fits fine in this context because of the way the Salvadoran government functions—state centric. These frameworks allow one to take a look at the policies that could be, or have been, implemented, how they were implemented, and why. For El Salvador, the policies are dollarization in 2001 and the DR-CAFTA, signed in 2004 and implemented in 2005. Utilizing the frameworks, helps to understand the macroeconomic problems/issues that El Salvador was facing at the time these policies were being considered, the policy choices, the politics behind implementation, and the *Neoinstitutional entrepreneur* that combines the streams.

Problems

In order to understand the problems behind each reason to implement El Salvador's dollarization and free trade agreement with the United States, the macroeconomy was examined. Stating El Salvador's fight against poverty and "backwardness," most public officials belonging to the majority party in government, the Nationalist Republican Alliance (ARENA for its Spanish acronym), were for an open economy that involved dollarization and an absolute free trade agreement with the United States. The idea was, as the aforementioned theory states, that interest rates and inflation would decrease thus allow for domestic and international investment to begin, while lowering transaction costs, especially with the United States (Towers and Borzutzky, 2004; Lange and Sauer, 2004). The macroeconomy, at the time, was not experiencing hyperinflation, as dollarization is recommended for countries experiencing hyperinflation; so it can be inferred that the government was not under pressure to make such a decision.

As mentioned earlier, the government was looking for ways to strengthen the domestic economy, and, as Lange and Sauer would opine, protect it against external shocks, as dollarization is believed to do just that (2004). Analyzing the macroeconomy utilizing economic indicators acquired from the Ministry of Economy of El Salvador (MINEC for its Spanish acronym), there was an attempt to find reasons for opening the economy through the examined policy measures. In 2000, one year before dollarization, El Salvador's rural population living in extreme poverty was 27.2%,[6] while the rural population living in relative poverty was 26.6%.[7] This means that there were more people that could not afford the basic food basket for rural areas than those that could, but were not able to afford the amplified basic food basket. The trend from 1997 to 2003 was downward for relative rural poverty, being at 24.1% of the population; while the trend from 1998 to 2005 was also downward for extreme rural poverty, being at 16.9% of the population.

[6] Those living in rural extreme poverty are those that cannot afford the rural basic food basket. As per www.elsalvadorcompite.gob.sv.
[7] Those living in rural relative poverty are those that can afford the rural basic food basket, but cannot afford the amplified food basket. As per www.elsalvadorcompite.gob.sv.

Income distribution inequality in El Salvador was high in 1995 with a gini coefficient of .55, then decreasing to .52 in 1996 and staying at an average of .51 through 2000.[8] After dollarization the gini coefficient averaged .5 from 2002 through 2005. The basic food basket for rural areas in 2001, the year of dollarization was at $79.73. Data for prior years was not available, so a trend was realized for the subsequent years, and was found to be increasing up to $102.23 in 2009, where the data stops. Along these lines is the consumer price index for El Salvador, an increasing trend from 1995 to 2000, going from 135.94 to 160.03. The index continually increased from 2002 to 2005, going from 166.84 to 187.91. Moreover, inflation in 1995 at 11.4% saw a decreasing trend, while realizing -1% in 1999, two years before dollarization. In 2000 inflation was at 4.3%, while there was 1.4% inflation in 2001. If there was inflation data before 1995, one could see if there was volatility or stability in inflation rates until 2000. Inflation in 2002 was at 2.8%, while it reached 5.4% in 2004 and 4.3% in 2005, the year the DR-CAFTA was implemented.

National interest rates had a stable yet high trend from 1995 to 2000, averaging 16.2%; possibly due to pegging the *Colon* to the dollar, which occurred in 1994. 2001 to 2005, interest rates lowered and stabilized to an average of 7.2% through 2005—a dramatic shift. From 1995 to 2000 the external national public debt as a percent of GNP averaged 22.9%. After dollarization from 2002 to 2006—one year after DR-CAFTA was implemented—it rose to an average of 29.7%.[9] The terms of trade, which is basically the amount of imports a country can purchase relative to the amount it exports, saw a downward trend from 1995 to 2000, from a ratio of 2.88 to a ratio of 2.03. It should be noted that the trend continued downward until it saw an increase in 2009. Additionally, calculating the trade balance of El Salvador, it was seeing negative numbers from 1995 to 2008, meaning that the country was importing

[8] The gini coefficient is an index that is calculated using income distribution measures in a given country that moves from 0 to 1, with 0 being absolute equality, where every citizen contains an equal amount of the total possible income in a country, and 1 being absolute inequality, where only one person holds all the income.
[9] All averages or trends are calculated using the economic indicators provided by the Ministry of Economy of El Salvador, unless otherwise stated.

more products than it was exporting. In particular, with the United States, El Salvador's trade balance was positive from 1999 to 2005 (U.S. Census Bureau).

Viewing the above indicators—while keeping in mind reasons for dollarization and DR-CAFTA—reveals that the Salvadoran economy was not in a desperate or truly negative position. The poverty trend was decreasing in the late 1990s going into the 2000s suggesting that the system of policies already in place were working to alleviate poverty. Income distribution inequality has not changed much either, with volatile movement from year to year through the policy years. Nevertheless, the gini coefficient, though, in general, it seems to be dropping, does not show signs of any major change throughout and beyond the years the policies were being considered and when they were implemented. The basic food basket for rural areas had been increasing throughout the years from 1995 to 2005 and beyond.

Inflation was volatile through the years following the 11.5% inflation spike in 1995. The fact that it reached -1% in 1999, two years before inflation, and 4.3% the next year suggests that the inflation was not the main cause for dollarization. After dollarization, it stabilized for a few years, but a year before DR-CAFTA implementation in 2004, it began to reach pre-dollarization inflation rates. It was a bit different for interest rates, which is one of the major foundations to the shift in dollarization. Rates were stable before dollarization and lower after. This still does not seem like a causal factor for dollarization, as interest fell 1.4% from the difference of the pre-dollarization average and the post-dollarization average.

Focusing on DR-CAFTA, the terms of trade ratio was dwindling since 1995. Prices for Salvadoran exports were shrinking relative to the products they were importing. It would thus make sense that in order to reverse this trend, more exportation would be necessary. What does not seem to be a problem is the trade balance with the United States, which was positive reaching over $100million in some years between 1999 and 2005 (U.S. Census Bureau). So a free trade agreement with the United States would be an attempt to strengthen that trade surplus. Theoretically, this could help El Salvador with its balance of payments as the more they would export, the more U.S. dollars they would be bringing into the country. It is not surprising that the Salvadoran government would try and take advantage of a combination of policies that would help its balance of payments.

Policies

During policy considerations for both dollarization and DR-CAFTA, there only could have been two different paths to take in each case: to do, or not to do. Primarily based on theoretical grounds, dollarization promises stability from outside shocks for countries experiencing volatility in inflation rates, high interest rates, and low amounts of trade flows. The policy brings about an opportunity to boost domestic development through building and revitalizing infrastructure, and allowing for investment from both domestic and foreign businesses. Also, it lowers transaction costs, and encourages trade from other countries that are seeking more U.S. dollars (Dornbusch, 2001). The policy for dollarization is to the point: that henceforth from November 30, 2000 and on the currency that will be used for the purchase of goods and services will be the United States Dollar (Ley de Integracion Monetaria, 2000).[10]

Not implementing dollarization policy would mean that the national monetary policy would be to remain with the *Colon*, pegged at 8.75 to the dollar. Before dollarization, inflation was averaging 5% per year, a rate that is fairly strong in comparison with the rest of Latin America. Furthermore, interest rates were also at an acceptable percentage for the region. The monetary policy of the status quo was doing a slow yet steady job, but what seemed to win the day was a possible boost in the job that the *Colon* policy was already doing. What was to change, for the most part, was the difference in monetary control, as there would be far less control with dollarization.

[10] Further details relate to the transition period and reserve.

Trade policy in El Salvador had already been established with the United States through the World Trade Organization (WTO) in 1989. Trade and market liberalization came in the form of reducing and removing tariffs in El Salvador and the United States, and allowing some foreign companies to conduct business within the country, through the WTO. The policy already in action was a series of bargains that were realized by both countries, but the DR-CAFTA was meant to be the establishment of a new trade relation. The former trade policy was an unbounded policy, meaning that El Salvador continued to have certain rights that would allow for protectionist measures on its most important sectors, as it was considered a privileged nation under the Caribbean Basin Initiative (World Trade Organization, 1996).

What the DR-CAFTA sought to replace was the unbounded privilege that El Salvador had under just the WTO agreements. The major priority was to establish a timeline for El Salvador to remove tariff barriers while liberalizing their markets completely (DR-CAFTA Ch. 3, 2004). The agreement allows for safeguard triggers if there is harm being realized on domestic industries by an excess supply of foreign goods; but this is only during the transitory period. The policy binds the Salvadoran government to an agreement of duty-free trade and open market access for each country's businesses to be treated as domestic businesses in the country where they look to conduct business (CAFTA-DR, 2004). Additionally, the DR-CAFTA counts signatories into other international intellectual property rights agreements that they may have not agreed to in the past (CAFTA-DR, 2004).

Politics

For each policy that was implemented—dollarization and the DR-CAFTA—similar circumstances were realized in terms of a policy entrepreneur. During dollarization El Salvador experienced a unilateral movement executed by the party in power, ARENA, in the sense that it was rather secretive. On the other side, the DR-CAFTA was given large amounts of attention, but was pushed by the same policy entrepreneur. In all, they were both a part of the continuing trend in El Salvador, since 1989, to implement neoliberal policies and open the economy to global opportunities. In both cases there is a Neoinstitutional approach by the policy entrepreneur, meaning that the methods the government applied to pass its desired preferences were fairly centralized.

Dollarization is the most blatant Neoinstitutional approach, where the policy entrepreneur, ARENA, makes the decision to act on a policy with little knowledge of the public, as well as the opposition Farabundo Marti National Liberation Front (FMLN for its Spanish acronym. Searching the archives of El Salvador's leading newspapers, *El Diario de Hoy*, *La Prensa Grafica*, and *La Opinion*, yielded no results relating to news of dollarization before the month of November—the month dollarization policy passed. What is interesting is that most of the news regarding citizen and opposition reaction is after the decision was made to transition to the dollar. According to an August 2001 article in *Dollars and Sense*, the president of the republic, and member of ARENA, Francisco Flores, announces on national television the administration's objective in dollarizing the economy the same month it was implemented—November (Rodgers, 2001). This is verified by the aforementioned Salvadoran news sources in their November stories.

It gave very little time for the public, and the opposition to react, as the policy was realized on November 23, 2000, approximately one week after the announcement was made by Flores. However, during an International Monetary Fund forum in June 1999, the first mention of the administration's thoughts regarding dollarization is made (Transcript of IMF Economic Forum on Dollarization: Fad or Future for Latin America, 1999). The transcript's language explains El Salvador as considering the move. As mentioned earlier, the reasons that most of ARENA's members in power used to back dollarization were that it would bring lower interest rates and take away currency risk, guaranteeing foreign investors a strong return on their money. These investments in the country would then lead to economic growth and development.

What the *Neoinstitutional entrepreneur* maneuvered was both the problems and policies streams, while it mollified the politics stream. The problems in the country were a lack of investment and economic growth that were being perpetuated by a weak *colon*; the administration sought to remedy the issues with dollarization, citing the aforementioned enhancements to the economy. ARENA created a policy window using clandestine means, preventing any news of their intentions to be leaked out to the media. Keeping control of the politics stream meant that they could build a solid backing for dollarization once the party had decided the timing was right. In a Neoinstitutional sense, the policy entrepreneur had created their own window by controlling one of the streams and allowing it to “move freely” just before the policy window closed. In other words, the hidden cluster was utilized for the majority of the policy discussion, while the visible cluster was utilized after the announcement a week before implementation.

The DR-CAFTA had a more open political stream, which began as an announcement to begin negotiations by then President of the United States, George W. Bush, and then President of El Salvador, Francisco Flores. The aforementioned Salvadoran news sources covered the announcement in February 2001 (La Prensa Grafica) and during Flores’ visit to the United States in April of 2001 (El Diario de Hoy). Counting the media’s stories as part of the visible cluster, an analysis of the newspapers’ views was made to account for any pro or con slant in an article. Because the online archive for some of the newspapers was not so extensive, as many newspaper articles as could be found were counted*: El Diario de Hoy*, considered a right wing with a slight slant toward the center news source, contained 22 articles; *La Prensa Grafica*, considered centrist with a slight slant to the left, contained 19 articles; *La opinion*,[11] considered left of center, contained 3 articles, and *El Mundo*, considered right of center, contained 1 article.

[11] La Opinion is a Los Angeles, CA-based paper that concentrates heavily on Central America, especially El Salvador. The reason for utilizing this news source is because other local news sources had not developed their websites enough around the time of the DR-CAFTA negotiations to contain an archive for that time period. Even with *La Opinon*, there were troubles finding articles.

These are not all of the articles—mainly headlines, as they are considered important in the visibility of information—regarding the timeframe between the start of the announcement for negotiations of a bilateral free trade agreement with the United States and a year after implementation. What limited this small analysis for the politics stream and its connection to the *Neoinstitutional entrepreneur* was an incomplete online archive, as well as technical difficulties utilizing each newspaper's online archive, such as broken links, etc. The search engine Google was utilized, along with EBSCOhost, in cases of technical difficulties with the websites, which proved helpful in finding some of the articles. The articles were sorted by newspaper and whether they focused on the pro of the DR-CAFTA or on the con. Pro was considered to be an article that wrote about ARENA's and Bush's movement on DR-CAFTA without presenting any thoughts from any opposition. Con was considered an article that had the opposition or a negative aspect of the DR-CAFTA as the last word. There were only two articles that were considered centrist. After sorting as many articles as could be found, the analysis of views on the DR-CAFTA was realized.

The most popular newspaper in El Salvador, also regarded as the national newspaper, is *El Diario de Hoy*, which many consider to be a very conservative news source. From the papers sourced from its web archive at www.elsalvador.com, twenty one were found to be pro DR-CAFTA, one was considered centrist, and two were regarded as con DR-CAFTA. El Salvador's second largest news source, *La Prensa Grafica*, is considered to be a more centrist paper, which it proved to be as its pro and con articles (gathered from www.laprensagrafica.com) were split down the middle at nine each, with one centrist article. The two other newspapers, *La Opinion* and *El Mundo*, contained the least amount of articles as their websites have not been developed enough. Utilizing Google's search engine, these articles were found. *La Opinion* contained two con articles and one pro, while *El Mundo* had one pro article which was a poll that was realized in December of 2005. It should also be mentioned that there are other newspapers gaining popularity that are considered more “liberal,” like *El Faro*, but whose websites do not have archives.

According to the analysis of the papers, the visible cluster during negotiations for the DR-CAFTA was considered one of the most important factors for ARENA to control. As the dominant party that had hardly been opposed ever since the end of the civil war in 1992, they aimed to hold a strong campaign, highlighting the benefits of a bilateral free trade agreement with the United States—something that was highly utilized in their reports to the press. According to some of the newspaper articles, Flores began with a simple understanding: that El Salvador had already opened itself up by lowering tariffs and privatizing, but now it was time for their neighbors, namely the United States, to reciprocate the favor. In the early years of negotiations 2001-2002, he shares a common ideology with Bush in terms of free trade. They both begin to advertize that free trade and privatization can fight poverty.

The majority of the pro news articles seem to have a common theme, to report the message of ARENA through both of its policy entrepreneurs, Francisco Flores, and his successor Antonio Saca. This is especially the case during the first years of negotiations, primarily because, at that time, the opposition was gathering its opinions. The earliest sign of opposition comes a year after the announcement for negotiations, through *El Diario de Hoy*, which allows FMLN to voice its concerns, while making them seem as obstructionists to something good for the country. Further concerns are articulated from 2003 through 2005, after the implementation of the DR-CAFTA. The major concerns for the opposition tended to be the measure of autonomy the country would lose with the trade agreement; this would cause problems with labor rights and the environment coupled with higher prices, something that is related to Dependency theory.

The pro articles really highlighted the benefits of the DR-CAFTA, with one headline stating that the agreement would bring 250,000 jobs, triple exports, and multiply investments. Fundamentally, everything that ARENA and its supporters were claiming was being printed in the major newspapers. The sway that *El Diario de Hoy* has had in El Salvador for many years is what ARENA used as its major contribution to spreading their message. *La Prensa Grafica* was considered a great help as well, providing pro articles for the party. What is most important to note is that the news sources' articles overidentified the positives that the DR-CAFTA would bring, which tells of the visible cluster as one that is controlled by the central government. The majority of the population was reading very pro bilateral trade agreement articles. It can be inferred then, as El Salvador is a very socially political country—meaning that much of the population discusses politics as a normal, daily occurrence—that much of what was being read was also being spread by word of mouth.

Newspaper articles are only one aspect of a wide range of variables that could be considered as to how the visible cluster functioned to get the DR-CAFTA approved with little public opposition. The hidden cluster in El Salvador has more to do with the negotiating table, also known as taking care of the interests. In terms of food security, production, and employment it was wise for the government to bring to the negotiating table producers from the agricultural sector, while including others from important sectors such as manufacturing. From a document that was acquired from Amy Angel, Section Head of the Natural Resources Department of Economic and Social Studies at the Salvadoran Foundation for Social and Economic Development (FUSADES for its Spanish acronym), the negotiating table was conducted by the Office of Policy and Strategies (OPE for its Spanish acronym).

Written by Angel while she was working for the Ministry of Agriculture (MAG for its Spanish acronym) in 2004, she details the role of the MAG during the DR-CAFTA negotiations. According to the document, many of the companies in the agricultural sector expressed concerns that opening up the economy would take away policy levers that could protect them in a time of emergency. From those concerns came possible solutions and strategies for preparation for the DR-CAFTA (Angel, 2004). Additionally, the

MAG played a role in public information regarding the agreement's ongoing process, where it focused on leaders from different backgrounds, including business and politics. Angel claims that over 3,000 people were given information, which—considering El Salvador's population at the time of approximately 6 million people—is rather nominal (2004). The report also mentions the Ministry of Economy (MINEC for its Spanish acronym) as doing similar work in regards to representing the interests of the private sector.

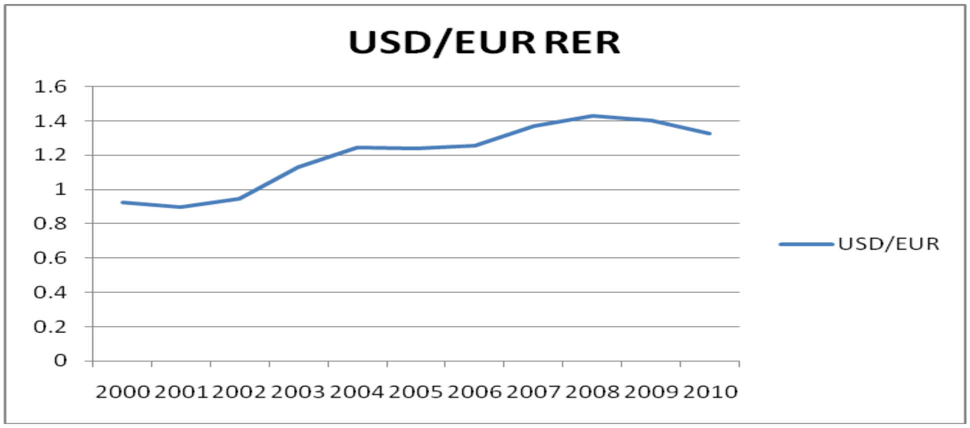
This document refers to the government's priorities, getting input from the producers that help to uphold the country's employment and production indicators. What is interesting to note is that the policy seems to be in full negotiations no matter what the concerns of the interests. The policy entrepreneur looks at their own preference in this case, and offers the opportunity to all those around them. They must gather their resources in order to take advantage of the next policy that the entrepreneur sees as best for the majority. Perhaps the most hidden cluster, whatever happens in the office of the President, may be where the major control lies. In contrast to dollarization, it can also be inferred that the visible cluster was key to passing the policy; with ARENA providing information favoring DR-CAFTA and *El Diario de Hoy*'s influence on a large portion of the Salvadoran population the entrepreneur's policy preferences were met with minimal resistance.

Macroeconomic Analysis

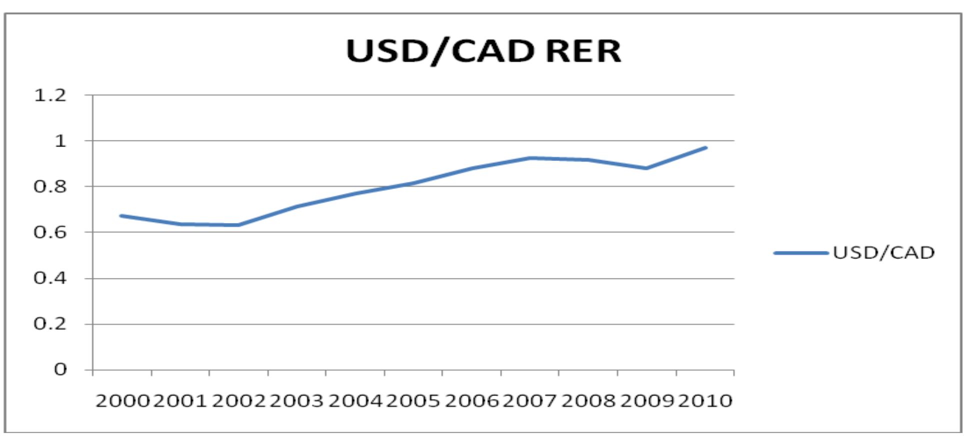
The outcome of these policies has been an increasingly open economy that has had mixed results. Analyzing the macroeconomic indicators after the combination of dollarization and DR-CAFTA creates a backdrop for the rural sample population whose information was gathered for the sake of detecting current outcomes. As was inferred earlier regarding the problems stream, there has not been major change in El Salvador from before and after the policies were implemented. There has been an amelioration of extreme rural poverty, but relative rural poverty has increased. Other important indicators have shown that there has not been a major change in the long-run, and that the economic situation becomes erratic when the global economy shows signs of volatility.

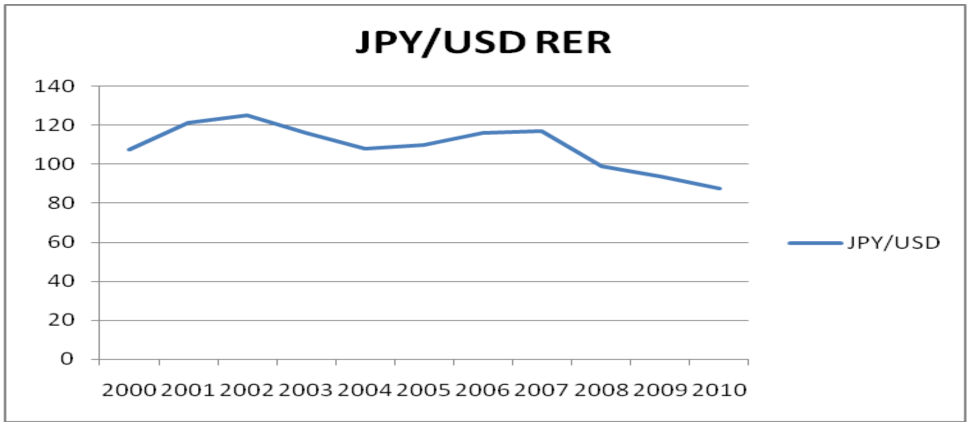
To detect volatile behavior, or increases or decreases that might affect El Salvador, an important measurement is the real exchange rate (RER) throughout the years. As stated in the theoretical portion of the literature review, a naturally appreciating currency is one that is demanded more in the global market, usually due to international trade. Hence, a comparison was made between the United States Dollar (USD) and four other currencies: the European Union's Euro (EUR), the Canadian Dollar (CAD), the Japanese Yen (JPY), and the Brazilian Real (BRL), all found in the top 15 United States export partners (U.S. Census Bureau, 2010). Since El Salvador is largely an importer, any changes in the RER of the USD are important, as the domestic purchasing power of imported goods could increase or decrease. Toward the second half of the past decade, the purchasing power of the average Salvadoran has decreased, it is important to see how that has happened through the RER—illustrated examples are given under each explanation.

The USD/EUR RER gives an example of a weakening dollar throughout the last decade. The trend is erratic in the sense that it moves up and down throughout the months, but through the years one sees that the Euro is slowly becoming stronger. In 2000 the RER is .92 USDs for 1 EUR; in 2003, the EUR surpasses the dollar at 1.13 USDs for 1 EUR. The trend continues through 2008 at 1.42 USDs per 1 EUR, but decreases in 2009 to 1.40 USDs to 1 EUR, and in 2010 to 1.32 USDs to 1 EUR. This makes the USD seem stronger, but this is actually due to a weakening EUR because of the failing Icelandic economy, and more recently, the Irish, Greek, and Portuguese economies. To see the continuation of a weaker USD the other currencies must be compared.

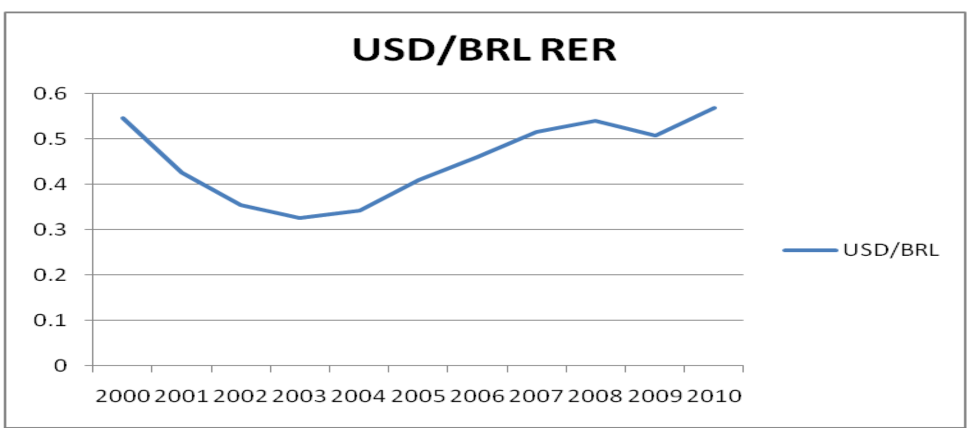


In Canada's case the USD/CAD RER shows a strengthening CAD from 2002 to 2007, ending at .92 USD for 1 CAD. It decreases from 2008 to 2009, to .91 USD for 1 CAD and .88 USD for 1 CAD, respectively. However, in 2010, the CAD moves to its highest point of the decade at .97 USD for 1 CAD. As of May 17, 2011, the USD-CAD RER has met a ratio of 1:1. The JPY/USD RER has also seen a similar trend in terms of a weakening dollar, although it shows signs of volatility from 2000 through 2007, averaging 115.18 JPY for 1 USD, it begins to climb relative to the USD in 2008 and goes on through 2010, dropping down to yearly averages of 98.9, 93.6, and 87.78 JPY for 1 USD. As of May 17, 2011, the JPY/USD RER was at 80.85 JPY for 1 USD. For both the Canadian and Japanese cases, there has been a major weakening in the USD, for the most part, in the second half of the last decade. These trends have carried into the new decade.



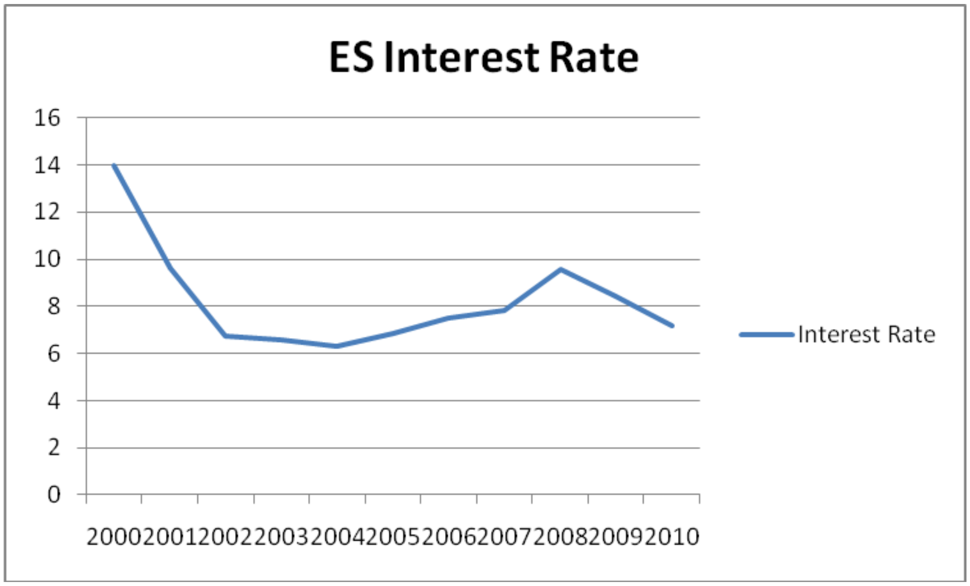


Additionally, Brazil's Real (BRL) has strengthened relative to the USD in the second half of the decade, owing the first half of its depreciation to the Argentine economic crisis in the early 2000s—Argentina is Brazil's top trading partner. In 2004, the BRL began to pick back up starting at .34 USD for 1 BRL, and appreciating to .54 USD for 1 BRL through 2008. In 2009 it fell to .50 USD for 1 BRL, but in 2010 it moved up to its strongest showing of the decade at .57 USD for 1 BRL. As of May 17, 2011 the USD/BRL RER has shifted to a ratio of .61 USD for 1 BRL, suggesting a continuation of the weakening USD. It must be noted that Brazil has become a major worldwide exporter in recent decades, and its position in the global market is being felt by a stronger BRL, which implies that the United States could be losing competitive ground.

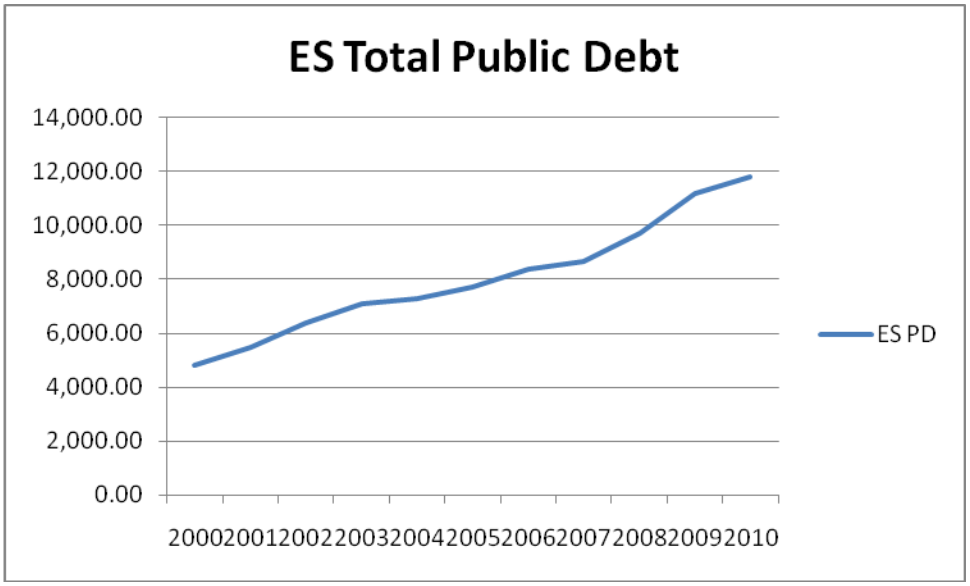


What looks to be the case is that the dollar has been weakening since around 2003/2004. Its strong points for this past decade have been relative to other currencies in the years those economies experience significant weaknesses. There is a relation to the weakening dollar when it comes to the interest rates of the United States and El Salvador. As aforementioned, when a currency depreciates, interest rates tend to rise, when they are too high, there is a lower rate of loans disbursed. The case here is that the weakening dollar is affecting interest rates (they are increasing), as well as inflation, consumer price index, the rural basic food basket, and perhaps the terms of trade (TOT).

Early in the past decade, dollarization played a major role in lowering interest rates in El Salvador. From 2000 to 2001, the interest rate fell from 13.96% to 9.6% and continued to decrease until 2004 where it, once again, began to increase until reaching 9.58% in 2008—notice the interest rate trend compared to the currency trends in the illustration below. The interest rate went down to 8.42% in 2009 and from May through December of 2010, the interest rate averaged 7.2%. In January of 2011 the rate was at 6.59%, a trend that does not exactly coincide with currency trends, as the interest rate has lowered to the 2003-2004 interest rates of 6.5% and 6.3%, respectively. Lower interest rates usually mean that the government is cutting back or the currency has increased in value; the former seems to be the case, but that can be checked through total public debt.



El Salvador's interest rate has been volatile this past decade; nevertheless, the country has averaged 7.6% since dollarization in 2001 through 2010. One indicator that has been increasing since 1995 through 2010 is total public debt—as can be seen in the graph below—which is the debt that the government is obliged to pay to foreign lenders for reasons that have to do with public spending. From 1995 to 2000 the public debt went from \$3.5 billion to \$4.8 billion, a 37% percent increase in 5 years. From 2001 to 2006, the total public debt went from \$5.5 billion to \$8.3 billion, a 51% percent increase in five years, while the debt continued its climb where, in 2007 to 2010, it increased from \$8.6 billion to \$11.8 billion, a 37% increase in three years. Analyzing the interest rate throughout the decade, for the years 2001 through 2004, public debt was increasing and interest rates were lowering, from 2005 to 2008, as the national debt continued its increase, interest rates began to increase. Interestingly, there was a significant increase in the public debt in 2009, \$11.2 billion from \$9.7 billion in 2008, a 15% increase in one year; during that time frame, the interest rate lowered from 9.58% to 8.42%.



The total public debt-to-interest rate comparisons are possibly too early to tell what seems to be the case, as dollarization has been around for only ten years, so there may be more to analyze in the long run. However, it does illustrate the volatility among the macroeconomic indicators that could be hurting individuals that want to take out loans. Comparing the aforementioned currencies, there is a general trend that interest rates decrease with a more valuable currency, but the correlation does not mean that currency strength is the only variable that influences El Salvador's interest rate, especially if the dollar continues on its weakening path and the Salvadoran interest rate is decreasing.

It should be noted that despite lower interest rates and high amounts of public debt, El Salvador has not seen a significant increase in their Logistics Performance Index (LPI). Logistics Performance Index (LPI), is described by the World Bank (creator of the index) as the weighted average of the country scores on six key dimensions:

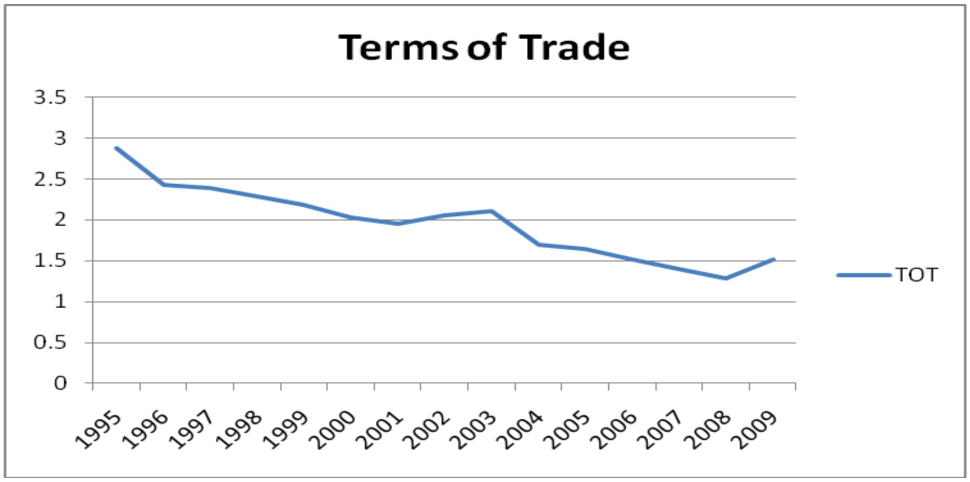
- Efficiency of the clearance process (i.e. speed, simplicity and predictability of formalities) by border control agencies, including Customs.
- Quality of trade and transport related infrastructure (e.g. ports, railroads, roads, information technology)
- Ease of arranging competitively priced shipments.

- Competence and quality of logistics services (e.g., transport operators, customs brokers).
- Ability to track and trace consignments.
- Timeliness of shipments in reaching destination within the scheduled or expected delivery time.[12]

In 2006, El Salvador's LPI was 2.66, and in 2010 it was 2.67 (+.01), locating itself in the 86th position out of 155 countries, where Germany is rated #1 and Somalia is rated #155. The country lies in between the Democratic Republic of Congo at #85 and Bosnia and Herzegovina at #87 (World Bank, 2011). This means that El Salvador's infrastructure to increase trade both domestically and internationally has remained relatively static. Especially when compared to it's the other DR-CAFTA countries, El Salvador seems to have slowed down. From 2006 to 2010 the following countries made gains that surpassed El Salvador: Dominican Republic (+.44), Costa Rica (+.36), Nicaragua (+.33), Honduras (+.28), and Guatemala (+.10).

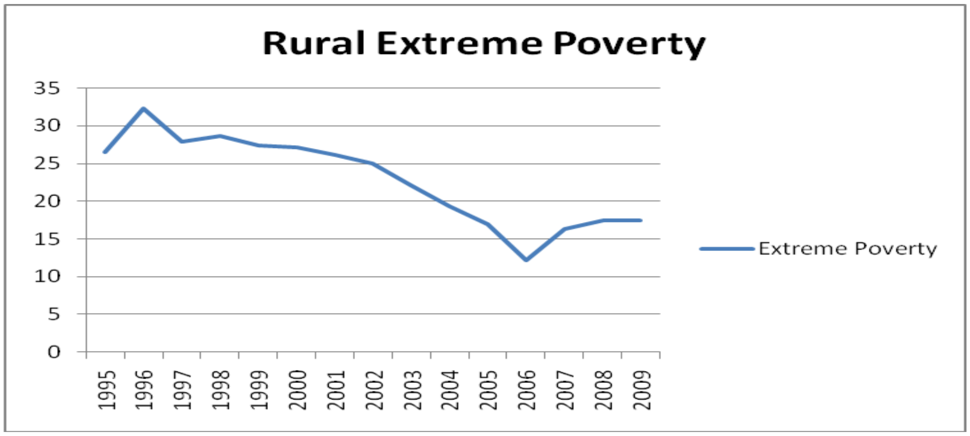
LPI is very important for international trade, so it would only be natural to look at the terms of trade (TOT) ratio. As is the case with the total public debt, the TOT too have been on a steady trend, but this is a downward trend. As illustrated in the graph below, the TOT have been volatile with a downward trend, where it began at 2.88 in 1995, it fell to 1.52 in 2009, and can be estimated—due to a weakening dollar, a stagnant LPI, an increasing public debt, and other indicators that will be mentioned—that the TOT will continue to decrease. Coupled with this is the fact that the country has been importing more every year than it exports, giving it a deficit trade balance; this could be due to the fact that LPI has remained relatively stagnant. Furthermore, DR-CAFTA has played a role in that trend, where most traditional barriers to trade have been removed; this is especially true when looking at the United States-El Salvador trade balance.

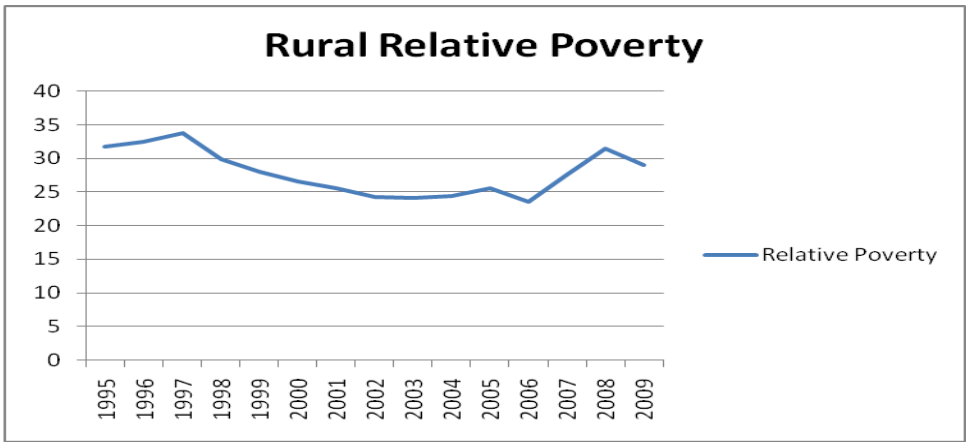
[12] These descriptions were taken directly from the World Bank's Logistic Performance Index website.



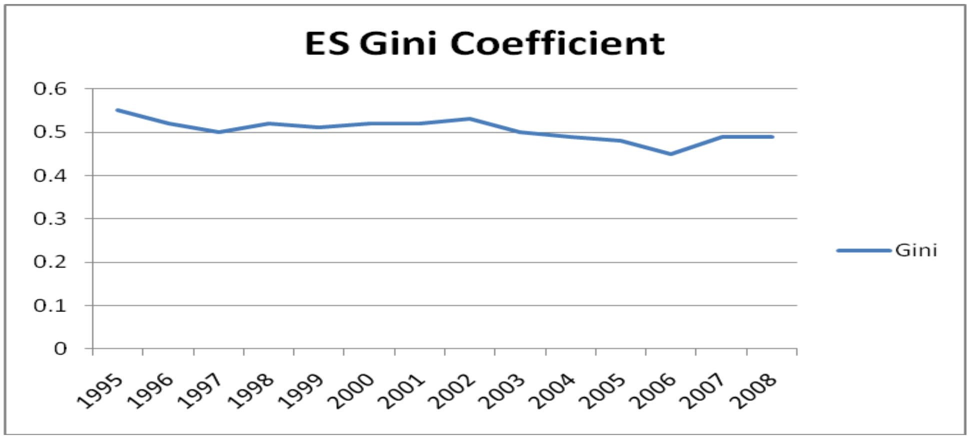
From 1990 through 1998, the trade balance between the two countries was at a surplus for the United States, but beginning in 1999, when El Salvador enacted a series of protectionist measures on its major industries, the surplus shifted to El Salvador. The surplus continued through 2005, the year the DR-CAFTA was implemented. From 2006 until the time of this paper's completion, the trade balance for El Salvador has been at a deficit. The Central American republic no longer contains the means to temporarily protect its industries in case it must do so; it must now rely on the efficiency and foresight of its businesses. Moreover, it must continue to see its TOT ratio deteriorate.

What has been experienced by Salvadoran citizens has been mixed under these two policies. From 2001 through 2009, El Salvador has seen a major drop in the percentage of rural households living in extreme poverty—from 26.1% to 17.4%. Still; the percentage of rural households living in relative poverty has seen an increase from 2001's 25.5% to 28.9%, which could be part of the households that have shifted from extreme to relative poverty. It should be noted that there are no controls for those in extreme poverty who have decided to leave the country. Migration could have an influence on economic indicators such as poverty and unemployment.



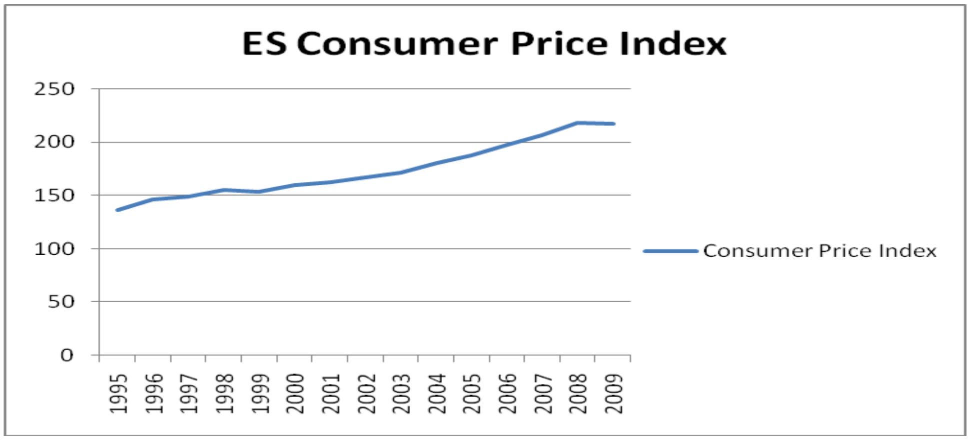


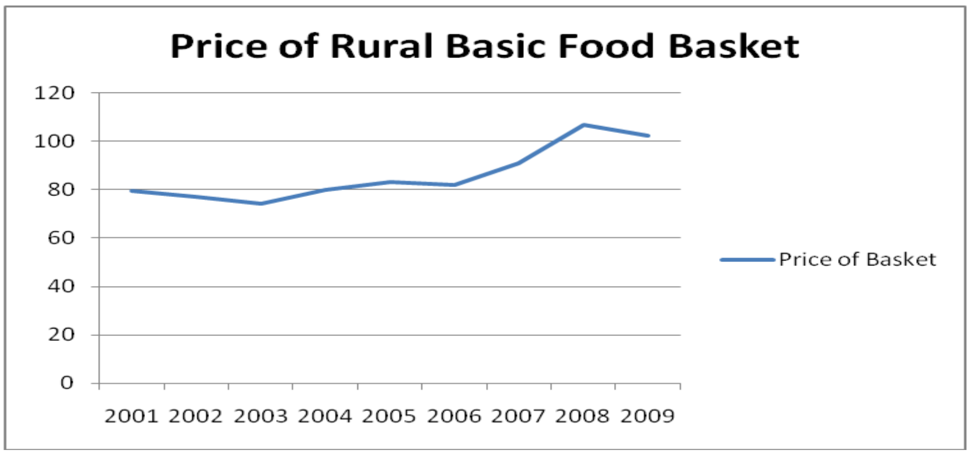
In addition to poverty in rural households, the gini coefficient has decreased from 2001 through 2008, where it has gone from .52 to .49, a .3 difference (see graph below). This is a positive outcome, but it is by no means a dramatic increase in income distribution equality. What was mentioned earlier regarding the gini coefficient was that the trend was that it was decreasing even before dollarization and DR-CAFTA were implemented. Along with these trends comes inflation, consumer price index (CPI), and the rural basic food basket. What has been experienced in El Salvador related to purchasing power is that it is dwindling.



As has been seen in the TOT on an international level, it can also be seen on a domestic level with the following indicators. Inflation has been stable in El Salvador, not surpassing 6%, meaning that prices are consistently on the rise, but at a lower rate than in other parts of Latin America. In 2009, inflation was -.2%, a similar trend that was seen 10 years earlier, where it was -1%; rather nominal negative percentages of inflation. Related to these trends is CPI. As far back as 1995, when it was 135.94, the CPI has shown increases until a slight decrease from 217.98 to 217.56 from 2008 to 2009, respectively. This is confirmed in the rural sector by a similar trend of the basic food basket, where the average price has increased since 2001 from $79.73 to $106.75 in 2008, a 34% increase.[13] If income remains the same, the purchasing power of the average rural citizen will continue to dwindle, increasing poverty. Connected to this is the rural basic food basket, which was mentioned earlier—it too is increasing, which is consistent with the aforementioned price trends. To illustrate the point, two important graphs were utilized below:

[13] The data for 2009/10 were not available, but it could be assumed, based on other trends, that the rural basic food basket increasing will continue.





This macroeconomic backdrop can be interpreted as a good situation or a bad one, depending on the person doing the analysis; still, it allows for inferences on the human face—discussed in the analysis section. Opening its economy through dollarization and a thorough bilateral free trade agreement has brought about a loss of control on products allowed into El Salvador, as well as the type of competition involved. Where it was thought that prices would steadily decrease with increased competition, it has not been the case. Furthermore, a weakening dollar is hindering Salvadoran purchasing power both internationally and domestically. Analyzing price trends and the TOT has confirmed this unhealthy situation for the country's citizens that are increasingly more dependent on imported goods. For this very reason, a sample from El Salvador's rural areas, specifically two towns in the West and Southwest portions of the country, Texistipeque, in the department of Santa Ana, and Caluco, in the department of

Sonsonate, was taken to analyze the human face of this economic backdrop on some of the country's rural citizens.

Methods

The study was conducted by interviewing subjects in two rural municipalities in El Salvador, Caluco, located in the coastal department of Sonsonate, and Texistepeque, located in the northern department of Santa Ana. The individuals being sought were residents that could be considered the heads or co-heads of a household, normally over the age of eighteen. A sample from each town was taken: 30 from each, making the total sample population n=60. Recruitment was done through a sample of convenience method. All participation was in Spanish, as the interviewer's first language is Spanish. Documents and permissions were reviewed and approved by the Institutional Review Board (IRB).

A document of informed consent was drafted in both English and Spanish. After the subject verbally showed interest in participating in the study, the informed consent form was presented to them with an explanation of its contents. The individual was then asked to take five minutes to read the form and make a final decision as to whether or not they would like to participate in the study. In cases of illiteracy the informed consent document was read aloud to the participant and recorded; if they consented to participating they were asked to verify orally in the recording in front of a member of the household, or a person that accompanied the interviewer, who then signed along with the interviewee as a witness. Before they signed, they were asked if clarification was needed regarding the informed consent form and its contents. The form contained language that guarantees their confidentiality in the study: no names were used, and the interviews were handled only by those who were a part of the study; no other person was allowed to listen to the interviews. As stated above, the interviewer's first language is Spanish, and all interviews were conducted in that language—it was especially helpful that the interviewer is a second generation Salvadoran-American.

The sample population in the investigation is 60 households, 30 from Texistepeque, with a total population of 2,401 and 30 from Caluco, with a total population of 9,139. The study was conducted through randomly selecting a rural subdivision (or *canton*), and within that subdivision selecting a household.[14] From there, door-to-door interviews were carried out. In some cases the interview was done outside of the home or even a random event at the town square, usually a park—it was always verified that the person being interviewed was from one of the subdivisions in the municipality. After the first house, every third household was selected; additionally, interviews were carried out based on the interviewee's desire to allow the interviewer into the home or if the interviewee wanted to participate in the study, but felt more comfortable outside. The interviewer knocked on the potential subject's door; if the door was answered, the interviewer explained the reason for the visit and the study, and attempted to acquire verbal consent. If verbal consent was attained, then the informed consent form was presented to the subject. If they consented to participate, then the interview was realized. If they did not consent, then the interviewer moved to the next household.

The assigned time for each interview was twenty minutes, but the times ranged from approximately six minutes up to approximately thirty minutes. No compensation was used for the interviewee's time, as it was considered to be a security risk. The interview was recorded on a small hand recorder, which was placed in between the interviewer and interviewee on a table or chair, which was later transcribed. After the interview was conducted, the participant was, once again, informed about who to contact regarding questions or comments related to the interview and investigation, including the interviewers temporary and permanent phone numbers, email, and temporary and permanent home address. The interviewer then thanked the participant for their time, and made his way to the next home.

[14] A household is considered a dwelling where a family with one or two heads of households live.

A series of binomial questions were utilized, with a mix of Likert scale questions, for quantitative analysis, while open-ended questions were used for qualitative analysis. The interviews that were collected were coded by creating categories from the given responses to the questions. Applying the constant comparative method, the frequency of a type of answer determined the codes for each variable—all numbers and variables were stored in a database which was produced using the Microsoft Office program, Excel (Corbin and Strauss, 2008). Once all the data was codified, the statistical packages PASW (SPSS 18) and STATA SE 10 were utilized to make sure that the data was suitable for analysis by checking frequencies and percentages, as well as making sure that histograms showed all numbers were in the right range according to the variables. After the data was cleaned and considered usable for analytical purposes, frequencies, percentages, and means with 95% confidence intervals (CI) were tabulated in STATA to help describe the sample population.

Data

To make sure that there was not enough difference among the towns to cause problems in the analysis, a one-way ANOVA was realized using the statistical package, PASW, to check for any differences in the variance of different variables among the two municipalities. The factor utilized was the variable *Region*, and the variables that were checked for F-test significance were all those that contained the full observations, like *Sex*, *Marriage*, *Employment*, *Literate*, etc. The most important variables were found to not be statistically significantly different among regions, except literacy. It turns out that over half of the sample population of Texistepeque is illiterate, while under half of Caluco's sample population is illiterate. Despite this situation, it was not considered significant enough to ruin the analysis if the data from both regions were meshed. It should also be noted that because of a small sample size in relation to the municipalities' populations, only generalizations about the sample population were made, as the sample population was not large enough to make conclusions.

The sample population tabulations on STATA revealed that 29 (48.3%) Males and 31 (51.6%) females were interviewed. Of the observed, 24 (40%) were married, and 36 (60%) either were not married, or had a life partner. Average age was 43.9 with a confidence interval (CI) of ±4.5 years. The average time living in their respective regions was 24.6 years, with a CI of ±3.9. Households contained, on average, 1.76 children, with a CI of ±.4, with a mean age of 17. The amount of people living in the given households averaged 4.7 with a CI of ±.7; of those living in the household 2 (CI ±.52) averaged as income providers. The sample population's literacy rate was 46.6% with a CI of ±.13; 20 of the interviewees that were illiterate were from Texistepeque, and 12 were from Caluco.

Of the 60, 40 (66.6%) said they were unemployed, and 20 (33.3%) said they had employment. In order to verify if this was correct, or incorrect, the sample population were also asked how they make a living. What was revealed was that only 9 (15%) were truly unemployed, while 26 (43%) held unstable jobs as agricultural workers, 16 (26.6%) owned a small business, from selling tortillas to small restaurants, and 9 (15%) were considered "other" as they made a living doing different jobs for money. The staple grain, corn, and/or beans were grown personally by 32 (53%) households—which included all of those working in the agricultural sector, as well as a couple of restaurant owners and one unemployed head of household. Of the 32 that cultivate their own food, 25 (41.6%) sold a portion of their nourishment for money to pay household bills and/or resources for their children's schooling.

The following data was gathered for purposes relating to the changes in quality of life that the sample population has personally experienced in the five years prior to August 2010. The observations to create the variables were acquired through a Likert scale from 0 to 4, with 0 being that the participant feels that there is much less worry regarding the presented topic and 4 being that there is much more worry regarding the presented topic. The number two was utilized as a neutral number, meaning that the person does not feel any changes, good or bad. Other indicators regarding quality of life that were figured were asking if the participant felt they were living a good life with the type of work they did, and what they had; if remittances were sent to them; if they truly felt that their quality of life had decreased, stayed the same, or increased in the past five years; if they felt like migrating in the past five years; and if they felt their quality of life will decrease or increase in the next five years.

"Everything is more expensive. Everything has gone up." (Interview 2-21)

When asked about any type of worry feeding their family, the participants answered, on average, a 3.1, with a CI of ±.25, meaning that there were higher amounts of worry in comparison to five years before. The majority of respondents answered 3(that they worry more) with 33 counts (55%), and the second most frequented answer was 4, that they worried much more, at 22 responses (36.6%). Follow-up questions were conducted to measure why this was the case. A majority 33 (55%) participants verbally stated that the increasing price of food was the main point of their worry, with the next closest point being a lack of employment with 9 (15%). Additionally, 6 (10%) participants stated that a change in family structure, such as having more kids contributed the most to their worry, while the other six split, with 5 being the portion of those who believed things to be getting better for themselves by stating that they are making more money (5%) and the other three were reasoned as "other." The following three variables did not contain follow-up variables, as the aforementioned variables were mentioned as their major point for their worries in these topics. This was verified by words and expressions that alluded to what they had previously stated—in other words, the variable that explained the price of food increasing could actually be a verifying variable that most prices regarded as important in survival are increasing.

"Back then, when we didn't have much, we couldn't afford it, but now with the prices going up, things cost more also." (Interview 2-13)

When asked about worry regarding the provision of medicine for their family the average answer was 2.8 with a CI of ±.27. The number 3, worry more was used as a response 29 times (48.3%) among participants, followed by 16 (26.6%) heads of households stating that they worried much more now than five years ago regarding affordability of medicine. Five stated that there was no change in their worry in comparison to five years ago, 9 (15%) said things were getting better, and 1 (1.67%) said that their situation was much better now than five years ago. For those who said things were getting worse, in both categories (3 & 4), they alluded to higher prices of medicines, which is something of worry for representatives of Doctors Without Borders, who gave a speech regarding the intellectual property rights provisions in the DR-CAFTA which would allow American patents to be extended to participating countries. They stated that this would cause a price hike in medicines, as generic medicines would no longer be developed in those countries (Speech: Testimony of MSF on IP Provisions in DR-CAFTA & Consequences For Access to Essential Medicines | Doctors Without Borders, 2005). Moreover, the amount of responses stating that the worrisome situation has diminished could be due to the new government ensuring free health care.[15]

"I council them (the children) to stay indoors, or come straight home." (Interview 1-3)

Another topic of high worry is that of crime in their own municipality, which scored 3.16 with a CI of ±.3. The majorities for this variable were led by 34 (56.6%) respondents stating that their worry regarding crime has gotten much worse from what it was five years ago. The next responses were 13 (21.67%) stating that their worry regarding crime has gotten worse, 4 (6.67%) saying that there was no change in their worry regarding crime, 7 stating that their worry regarding crime is less than compared to five years ago, and 2 (3.3%) stating that it has gotten much less worrisome for them. Since the end of the civil war in 1992 gangs in El Salvador have been on the rise, with their rise has come the rise of the

[15] Citizens are afforded free clinical check-ups and provided pain reducing medicine, like aspirin, but are not afforded stronger medicines in case they get seriously sick.

world's largest gang the Mara Salvatrucha. Every year their hold on the country gets stronger, and what makes matters worse is that they have recently joined Mexican drug cartel Los Zetas in moving drugs through Central America (Immigration and Refugee Board of Canada, 2010).

"Well, myself, and many others that are poor, we do not have enough to support ourselves." (Interview 1-25)

With a mean of 3.3 with a CI ±.22, participants' worry regarding poverty in their municipality was indubitably the most noted. With 28 (46.67%) respondents saying that they worry much more about it than five years back, and 27 (45%) stating that they worry more. Only two (3.3%) participants stated that there was no change in their worry from the previous five years, while two others said it worried them less, with one (1.67%) responding that they worry much less. According to MINEC's website, relative poverty in rural households had seen an approximate increase in 2009 of 3% since 2005, inferring that this carried on for the sample population into 2010 based on responses.

"We are definitely poor, but we are not in such a bad place in comparison with others." (Interview 2-14)

Following those variables was a question regarding living a good life with the work they do, or what they own. Out of the 60 respondents 29 (48.3%) said they were not living a good life, while 31 (51.67%) said that they were living a good life. What seemed to contradict their previous answers was justified through follow-up questions. Twenty (33.3%) respondents stated that their reasons for not having a good life had reasons to do with more poverty, i.e. affording less food, less work being offered to them, etc. Twelve participants' answers were placed in the *glother* variable which contained answers like, low education gave little opportunity and that having children has changed that situation for them. For the 31 that answered to living a good life, two variables were codified: a culture of content, and more opportunity, where they had 24 (40%) and 4 (6.67%) responses, respectively. The culture of content was figured through a comparison with others around the municipality, and perhaps the country, that their situation was better than others, and that they should be grateful for that.

“The means to succeed exist here; someone does not necessarily have to migrate to another country to succeed.” (Interview 1-26)

Another important variable to consider was the sample population’s ideas regarding migration to another country. When asked if they had thought about migrating in the previous five years, the majority, 43 (71.67%) said they had not, while 17 (28.3%) stated that they had thought about it, with some adding extra commentary about how they had already attempted but failed. A follow-up “why” question was utilized to figure reasons as to their leanings. Of those that said they had not thought about it, 17 (28.3%) answered that they were genuinely not interested, 13 (21.67%) stated they cannot leave their families, 10 (16.67%) said that they had too little money to make the journey. Of those that said they had thought about it, 15 (25%) wanted to migrate for a better opportunity, 1 (1.67%) respondent said because of poverty in their municipality, and one other was placed in the “other” category.

“As I said before, because the basic food basket has gotten more expensive—light, gas, food. It affects us poor.” (Interview 2-2)

The number of those that received remittances was considered rather low, but it seemed to correlate with the percent of people that did not think about migrating, 71.67%. There were 51 (85%) participants that stated they did not receive remittances, which could have something to do with the aforementioned lack of a desire to migrate, where family members have decided to stay, or perhaps those that have attempted the move have failed. Moreover, regarding quality of life in the past five years, the responses were 22 (53.3%) participants believed that their quality of life has decreased, 14 (23.3%) stated that it has remained the same, and 14 others regarded their quality of life to be better now than in the previous five years. It should be noted that those that stated that their quality of life has remained the same said it with a pessimistic intonation, where quality of life has always been low and it will remain that way.

To see what was affecting thoughts of a lower quality of life, Ordinary Least Squares (OLS) regressions were utilized, where quality of life in the past five years, *quallife*, was the dependent variable in one model, and the different *worry* variables were dependent variables in other models. Some of the aforementioned data were used to contribute to the regression models as independent variables to see what the major contributors were to the dependent variables. A base model, a larger model, and a model separate from the two were utilized to see if worry is something that is shared despite any differences in the above variables. The following is the base model for the four variables relating to worry, along with a larger model with more explanative variables (t-statistics are in parenthesis):

	worryfood	**worrymed**	**worrycrime**	**worrpoverty**
Age	0.00379	-0.00832	-0.00132	0.00886
	(0.52)	(-0.94)	(-0.13)	(1.28)
Sex	0.309	-0.108	0.11	0.332
	(1.35)	(-0.39)	(0.35)	(1.52)
Education	-0.0889	-0.11	-0.204	0.00145
	(-0.98)	(-0.99)	(-1.65)	(0.02)
Constant	2.979***	3.404***	3.446***	2.754***
	(6.77)	(6.34)	(5.77)	(6.56)
N	60	60	60	60

* p<0.05, **p<0.01, *** p<0.001

	worryfood	**worrymed**	**worrycrime**	**worrypoverty**
Age	-0.00213	-0.0141	0.000401	0.0037
	(-0.32)	(-1.56)	(0.04)	(0.54)
Sex	0.128	-0.239	-0.0143	0.176
	(0.62)	(-0.87)	(-0.05)	(0.84)
Literate	-0.244	-0.113	-0.312	0.0255
	(-1.07)	(-0.37)	(-0.88)	(0.11)
Fdpriceup	1.044***	0.940*	0.643	0.889**
	(3.71)	(2.48)	(1.48)	(3.08)

Leswork	0.911*	0.418	1.017	0.828*
	(2.52)	(0.86)	(1.82)	(2.23)
genfeelworse	1.244**	0.207	0.459	0.718
	(3.05)	(0.38)	(0.73)	(1.72)
Constant	2.490***	3.030***	2.750***	2.367***
	(5.7)	(5.15)	(4.07)	(5.29)
N	60	60	60	60

* $p<0.05$, ** $p<0.01$, *** $p<0.001$

Because the quantitative aspect is based on perception, not all variables with non-significant coefficients were thrown out as not contributing to the model or having something to do with the dependent variable. What was considered important was reading the coefficients and understanding the data. Five dependent variables were analyzed using the statistical package STATA SE 10; the first four were to measure influences on the levels of worry that each observation contributed to, and the fifth variable was to look at the influence that each worry variable had on perceptions of quality of life. What was discovered was that perceptions in daily life influence perceptions of worry. Quality of life is a matter of each individual's perspective within the sample population.

The base model helps to understand that variables usually thought to be important do not have much explanation regarding the given dependent variables. Age, sex, and education did not have statistically significant results, as rural Salvadorans do not tend to have a difference in worry over quality of life. Still; there were some independent variables that could be highlighted for explanation among each dependent variable. For *worryfood* and *worrypoverty, sex* stood out with a coefficient that had an increase in worry for providing food in the past five years at .31 and .33, respectively, meaning that females expressed slightly more worry than men regarding worry over food provision and poverty in the past five years. *Worrymed* contained the variable *education*, which had a negative coefficient of -.11, which shows that if education increases, worry for medicine decreases, perhaps because the more educated individual contains a better knowledge of what he/she can do to acquire medicine if needed. The same trend was seen in *worrycrime*; with a coefficient of -.20, participants with higher education worried less about crime. This could be due to the fact that those individuals are more worried about situations they have no control over, like the price of food.

For the larger model, *age* and *sex* were kept, but *education* was replaced for *literate* because it seemed more suitable to use the latter variable as a dummy for education. Reasoning behind this was that all but three of the participants had reached the equivalent of high school in El Salvador, or were lower, with that majority being heavily on the side of no school and the equivalent of grade school. It was difficult to obtain all of the different variables that contained correlations with the different independent variables related to worry. The major problem in the large model was that it contained a large amount of statistically insignificant variables; nevertheless, reading the coefficients aided the interpretation and highlighted the importance of some of the variables that were utilized to explain variance in the dependent variables.

The two regressions that did not have strong, or statistically significant, results at the 95% confidence level were those utilizing *worrymed* and *worrycrime* as dependent variables. However, at the 90% confidence level each had one significant result with *worrymed* having the p-value under .05 for the independent variable, *fdpriceup*. The statistically significant variable in the worrycrime regression was *leswork*. Both regressions did not prove to be significant, but when reading the coefficients one sees that there is an influence of certain variables on the dependent variable. The *worrymed* regression contained *fdpriceup* as its statistically significant variable with a t-statistic of 2.48. The coefficient showed that when the dummy variable, *fdpriceup*, was at 1, worry for providing food for their family in the last five years increased by .94 on the 0-4 scale. What this link means is that the price of food increasing also affects the worry to provide medication for the family in the past five years because it decreases their purchasing power, thus less affordability of other needs.

With a t-statistic of -1.56 it is worth noting the independent variable age. The negative coefficient of -.04 is interpreted that worry to provide medication over the past five years is lower among older participants. The higher the age the more the result that *worrymed* was less, according to the regression. Moreover, another notable variable was *leswork*, with a coefficient of .42 and a t-statistic of .86. The outcome meant that for every 1 for the dummy variable *leswork*, *worrymed* went up .42 on the 0-4 scale, holding all other variables constant. In other words, while the perception of less employment was in the participant's mind, the amount of worry to provide medicine for the family over the past five years increased.

For the *worrycrime* regression, *leswork*, with a t-statistic of 1.82, was the lone significant variable at the 90% confidence level. The coefficient was 1.01, where for every time the dummy variable was 1, *worrycrime* increased by one, holding all other variables constant. The perception that there is not enough employment is correlated with worry regarding crime over the past five years. Another variable worth noting, with a t-statistic of 1.48 was *fdpriceup*. The coefficient was .64, meaning that when the dummy variable, *fdpriceup*, is at 1, there tends to be an increase of .64 on the 0-4 scale. Perhaps an increase in prices has an effect on perceptions on crime for people living in an area plagued by poverty, as there may be thoughts that thefts increase when people cannot afford their daily consumables.

The *worrypoverty* regression contained three significant variables, two at the 95% confidence level, and one at the 90% confidence level. *Fdpriceup* and *leswork*, with t-statistics of 3.08 and 2.23, respectively, were the most statistically significant with p-values less than .05. The regression revealed that for every time each dummy variable was at 1, *worrypoverty* increased by.89 on the 0-4 scale relating to increasing food prices and .83 relating to decreasing employment. Again, as in the previous two regressions, increasing food prices have an influence on perceptions on quality of life, as there is higher worry. Not being able to afford higher prices and having less employment correlates with higher amounts of worry over poverty in the past five years.

The variable *genfeelworse*, which was found to be statistically significant at the 90% confidence level, represented participants' perceptions that why they worry is because they have a general feeling that their situation is getting worse, without pinpointing exactly what it is that makes them feel that way. The t-statistic for the dummy variable was 1.72, considered high enough to be notable and important to the regression. The coefficient was .72 where each 1 for the dummy variable meant a .72 increase in the 0-4 scale of *worrypoverty*. This meant that people who had an outlook that things were getting worse had an increased worry regarding poverty.

The most statistically significant regression with a probability greater than F statistic of .00017 was that with the dependent variable *worryfood*. T-statistics of 3.71, 3.05, and 2.52 were calculated for the variables *fdpriceup*, *genfeelworse*, and *leswork*, respectively. The three variables were statistically significant at the 95% confidence level, as can be noted by the high t-statistics. *Fdpriceup* had a calculated coefficient of 1.04 which meant that when a participant had the perception that food prices are increasing, their worry for providing food over the past five years increased. With a coefficient of 1.24, *genfeelworse* highlighted an increase in *worryfood* for those that had a general feeling that their situation was getting worse, but did not know exactly what it was that was causing the worsening. *Leswork*'s coefficient showed an increase in the 0-4 scale of *worryfood* as well, where .91 points on the scale would increase every time a participant had the perception that there was less employment in their region.

A third, and separate model containing the previous dependent variables as independent variables was calculated concerning the perception of the change in quality of life in the past five years—if there has been a decrease, increase, or no change. Two of the variables that were considered important from the base and larger models were used, *education* and *fdpriceup*. The model's Probability > F statistic was 0.00 with an adjusted R^2 of .29, and had a constant of 1.96. Surprisingly, the model only contained two statistically significant variables, as all worry variables were utilized. Despite that occurrence, the two significant variables contribute a substantial amount to the model. *Worryfood* and *fdpriceup* both have a -.40 decrease on *quallife*. The two variables explain that thigh worry for food affordability and rising prices also affect perceptions of quality of life in the previous five years. Other variables to note were *education* and *worrymed*. The regression table:

	quallife
Education	0.115
	(1.66)
Fdpriceup	-0.396*
	(-2.02)
Worryfood	-0.400**
	(-2.71)
Worrymed	-0.101
	(-1.04)
Worrycrime	-0.0531
	(-0.57)
worrypoverty	0.158
	(0.98)
Constant	1.963***
	(4.51)
N	60

* p<0.05, **p<0.01, *** p<0.001

Considering that higher education slightly increased quality of life perceptions, it could be inferred that the participants that were more educated had a better quality of life situation which gave them such a perception. *Worrymed*, or worry that medicine is less affordable now than in the previous five years, reduced *quallife* by -.10, for the times that a 4 was chosen in this category it would show a decrease of -.40. It should also be noted that an increase in quality of life does occur when there is an increase in worry related to poverty by .16. This is a peculiar case, because when regressed onto *quallife* in a simple model, *worrypoverty* decreases perceptions of quality of life by -.30 and is highly significant with a p-value of .02. Perhaps the variable is affected by another in the multivariate model, as its standard error of .16 is very close to its coefficient of .157 in model 5.

Surveying the models, the outlook is quite clear for the majority of the sample population: it is a bleak perception that they contain. Most of the variables pertain to a higher amount of worry now than five years ago. For a majority of the sample, there is not much of a difference if one cultivates their own food, as they still have to pay their house bills, not including the resources their children need for school. Additionally, underemployment and increasing prices have made participants consider that the economy is in dire shape and that they have to try and find ways to make ends meet. Though many believe to be living a good life with what they have in terms of work and health, they still struggle as much as those that believe they are not living a good life.

Because the sample derived from the population was low in comparison to the actual populations (Texistepeque, 2,401 and Caluco, 9,139), a more detailed approach was considered. To help give strength to the quantitative aspect of the analysis, a qualitative approach was taken, where major themes were taken into account. When being interviewed, the participants had tendencies to mention situations they were worried about, or what they thought was lacking in their municipality, as well as the country as a whole. This part of the analysis is utilized to look at the major problems on the minds of those that were interviewed, as well as their opinions as to what is needed to make things better. From these thoughts came the idea to look at dollarization and the DR-CAFTA in a social context, the opinion of those being interviewed.

There were three themes that were most prominent in the minds of the participants: employment, rising prices, and crime. Related to these themes were critiques of dollarization and the DR-CAFTA, where the latter was asked about in the questionnaire. It is estimated that a higher and more detailed response rate regarding dollarization would have been acquired had the participants been asked their opinions on the matter.

The themes that flowed out of the different interviews related to crime, higher prices, employment, the DR-CAFTA, and dollarization. Language regarding DR-CAFTA and crime was unprovoked, meaning that participants brought up the issue without being asked a question specifying or hinting at the issue. In total, there were 19 unique accounts of crime being a reason for a decrease in quality of life over recent years; 34 accounts of higher prices; 33 unique accounts relating to employment; 25 unique DR-CAFTA observations, and 8 unique accounts regarding dollarization as a driving force of a lower quality of life. The connection with the macroeconomic indicators is seen stronger in the detailed account of the participants than with the quantitative analysis.

There were 24 total accounts of crime as a variable that has lowered quality of life as it increases, with 19 of those accounts being made by different individuals. Crime in their municipality has been increasing every year according to the observations. The majority of participants see it as an impediment on their liberty to just be out around town, especially at night. “I try not to go out unnecessarily” was one of the many quotes related to participants’ worry regarding crime. With the fear of being assaulted or threatened, most participants said they would protect their family by praying for their safety, or by telling them to come home directly after any activity. This was captured by a 43 year-old, female participant living in Caluco:

> “Now it’s really hard, because in these last few days there were some people that were bothering around here, and well yes, one worries for their children…I can only ask God to take care of my children.” (Interview 2-23)

Crime was an important control to check for a deteriorating quality of life, as there was a high amount of participants that felt their worry increase in the past five years regarding the subject. What made the variable weaker in comparison to the other variables was that it was a provoked question, as participants were asked to think about crime and their lives being affected.

Two themes that really connect with dollarization and the DR-CAFTA are those that higher prices and less employment have caused a decrease in quality of life. As has been seen in the macroeconomic backdrop, prices have been on the rise for Salvadorans. This coincides with the general trend of worry over the past five years, and their inclination to talk about it in the interviews. There were 58 total accounts of people showing stress regarding prices with 34 being unique accounts. Participants' reactions to prices increasing, while income remains the same, over the years was marked by what they said, as many of the interviewees were disappointed in their situation. Said a 25 year-old, female participant who has lived all her life in Caluco:

> "There is more worry, everything is more expensive. I would perhaps limit myself. In nourishment maybe reduce costs. I think that if we continue to go through our situation, I think [quality of life in five years] will be worse, because from five years ago until now, the basic food basket has been increasing and salaries remain the same, in the same quantity." (Interview 2-11)

Some of the participants related their food price issues to dollarization, and blaming it as the cause of their worry. There were ten total counts, eight of them being unique, regarding dollarization. The observations showed a lack of trust in the policy. A 60 year-old, male participant living in Caluco expressed his stresses regarding dollarization:

> "Here life is more critical, because of the issue of the dollar. I feel that the dollar has drowned us; and it was during the time of the President 'Paco' Flores. He didn't consult anybody, he put it in place and then he left. Like they say: from day to night. He did it and that's how it was. That's the first thing that makes one worry." (Interview 2-12)

A portion of the participants expressed the dollar as something that made things more expensive for them and that it was not working. Their idea of a lower quality of life seemed to be an increase in their daily consumables, which is what the macroeconomic indicator relating to rural basic food basket and the consumer price index shows.

Coupled with this trend is the issue that employment is not keeping up—making income not keep up—with increasing prices for inputs for production. A 66 year-old, male participant living in Texistepeque and working in agriculture tells his story regarding work in the municipality:

> "Before, there was more work, now there is no work. Before, a lot of people would work the land, and they would give one work, because there were many different classes of work. Now people say 'we're no longer going to work the land because it doesn't have value. Maize has no value, sorghum has no value.' And one wastes one's self. The inputs are very expensive, and when one wants to sell maize or sorghum; the account of what they have spent does not show positive signs. They keep up with costs, they keep producing, now there's no jobs to give to the people." (Interview 1-2)

Unemployment and underemployment are problems that rural Salvadorans look to the government to solve. Participants in the project continually highlighted the theme of employment, with 53 total accounts, 33 of them being unique. This means that over half of the sample population discussed an opinion regarding employment and their related concerns. The DR-CAFTA's proponents estimated a large number of jobs would be created with the new trade policy. It is difficult to assess whether or not they were correct, but what can be inferred is that any of those created jobs are usually established in, or near exportation focused areas such as developing urban zones, ports, major highways, near heavy railways, and airports, as exportation is integral for foreign direct investors. Most employment is no longer created in rural areas, as stated by interviewee 1-2.

This lack of jobs has left people wanting employment. An unemployed, 62 year-old, female participant expresses what she wishes the government would do:

> "[The government] should do more things so that the people can have more work. More businesses, I think, so that there would be more work. You know that that is what abounds: plenty of unemployment exists, and that is why we

> are in this situation. But who knows if the government is capable of doing that; only the Lord knows." (Interview 1-20)

Moreover, for those with agricultural jobs, there are further complaints regarding the two policies. Noted a 49 year-old, male participant who had recently moved to Texistepeque five years earlier:

> "Those who suffer the most are those that work the land, because the importation of products from other countries; the prices of domestic products are not high enough for them to gain a profit. The prices they are paid are too low, so many of them have stopped working the land." (Interview 1-30)

There were twenty-five observations that highlighted the DR-CAFTA, with sixteen of them being negative, eight being neutral (that nothing has changed even with the policy being implemented), and one being positive. Essentially, those with negative attitudes felt that the policy was not meant for them, but for those that already had the means to prosper in the agreement. This point was highlighted by a self-employed, 63 year-old, female participant living in Caluco all of her life:

> "I hear [about the DR-CAFTA], but I do not know if it functions or not. I say that probably not. Look, I say one thing: it functions for business owners, but not for the poor. I think that if it was there for everyone, it would be good, but for me, it is just there for the business owner, not for the poor. It is not for one; one does not even see those things come to pass." (Interview 2-9)

Conclusions

Dollarization and the DR-CAFTA have been two major policies in the past ten years that El Salvador has implemented, as they have made the country's economy highly open. Dollarization has made the country more dependent on a foreign economy in the United States and has been a variable in the fluctuating purchasing power of Salvadorans. DR-CAFTA has been coupled with this policy to take advantage of trade with the United States, as was discussed in the literature review regarding building businesses and infrastructure using lower interest rates. These opening policies have had repercussions on the sample population through unforeseen consequences of the global economy.

The average macroeconomic trends have seen Salvadorans' purchasing power decrease, as was seen in the dollar devaluating naturally in the currency exchange market. This has caused damage to those that depend on imported inputs, goods, and services. In Jamaica, the experience was similar, as purchasing power for people living in rural areas decreased after the government opened up the economy through IMF-recommended structural adjustment policies, namely currency devaluation and trade liberalization. In Jamaica and El Salvador calorie intake for children has decreased as a result of a decreased purchasing power (UN WFP, 2008; Handa and King, 2003). What seemed to the be the case in both countries, and including Mexico, are the ideas behind dependency theory, namely, dualism and the economically stronger country establishing trade relations that allow its businesses to thrive, as can be seen in El Salvador's case with the TOT and trade balance.

In all cases the rural citizenry is thought of only in agricultural economic terms, as both the trade and currency policies are geared primarily toward the benefit of businesses that have the potential to bring benefits, like jobs, to others. The majority of these businesses reside near industrial zones in or around cities for easier export, while the businesses out in the rural areas are concentrated on agricultural products, not on the small businesses located in rural areas. Mexico and El Salvador share this link, as presented in the literature review; the dualism in both countries is blatantly found in the explanations of why a policy should be implemented, because the focus is on urban areas. These reasons are found to justify the understanding that the Multiple Streams (MSF) and Neoinstitutional policy frameworks explain well the policy process of these countries.

In Jamaica, Mexico, and El Salvador, there was a neoinstitutional policy entrepreneur that played a major role in getting economy-opening policies to become realized in their respective countries. Though they went about it in different styles, the policies were seen as being pushed by a single party, led by a strong figure, that worked together cohesively to bring about their preferences. Jamaica had the PNP which was led by Michael Manley; Mexico had the PRI, led by Carlos Salinas; and El Salvador had ARENA, led first by Francisco Flores, and then by Antonio Saca. As has been highlighted in the literature review and the politics streams for both dollarization and the DR-CAFTA, the policy entrepreneurs (the party leaders) led their respective parties to preferences that they themselves wanted, or in the PNP's case: needed, to implement.

This was at the expense of many rural people in those countries because most of the local, small businesses in those areas were exposed to foreign competition they were not prepared to compete against. Mexico's and Jamaica's small farmers were the ones most hurt by trade liberalization; their inability to compete against subsidized goods was one reason, and the other—in Jamaica's case—was a lowering of purchasing power so that imported inputs became more expensive for producers. El Salvador's rural areas shared a similar fate regarding trade liberalization through the DR-CAFTA. Small rural businesses that produced products for local merchants were hurt, and many have stopped working because they simply cannot compete, something that has been seen in the sample population.

The outcomes of opening a small economy are usually political in nature. This is the case in El Salvador, where eight years after dollarization there was a change in government for the first time since ARENA had taken power in the 1980s during the country's civil war. FMLN, the left-wing, former guerilla party took power after Antonio Saca's regime could not do anything to mollify the effects of the global recession toward the end of the last decade. An open economy for a country that has mainly price takers than influencers is a combination that allows the volatility of the global market to influence political outcomes. With further studies, this could be analyzed utilizing more questions regarding thoughts on government while adding to the data already gathered for analysis. It would also be helpful to add a larger amount of observations, as that would help with making concluding remarks rather than generalizations.

The sample population showed signs of worry that could be used to infer that others in their respective municipalities are experiencing the same hardships when it comes to food and medicine affordability. The sample also showed that there is not much difference in education levels, and that education did not have much to do with perceptions on worry. Sex also did not have much of a difference, which showed that the impacts of an open economy (when the global economy is not doing well) affected most of those that had characteristics of a rural Salvadoran: low education level, underemployed, having children, and an average middle age. Though the number of observations was too low to conclude that this is the average rural head of household in the municipalities, it could be made more concrete with a higher number.

As mentioned earlier, perhaps having a higher number would have made the study stronger in the conclusive analysis, but the outcomes extracted from the sample population seem to point to logical issues. It is logical to worry about food as prices increase, because purchasing power is decreasing, and the amount of items one can afford dwindles. For example, if a participant has multiple children, which was the case for many participants, then there must be a cost-benefit analysis as to the children’s nourishment, as well as the head’s own nourishment. Situations such as this cause a logical worry, and if the trend continues its path for several years, then those being affected will take note of their longstanding burden.

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