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The Electoral Consequences of Neoliberal Reform Explaining Voter Turnout in Latin America's Dual Transition Era

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THE ELECTORAL CONSEQUENCES OF NEOLIBERAL REFORM

EXPLAINING VOTER TURNOUT IN LATIN AMERICA'S DUAL TRANSITION ERA

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Abstract:

Voter turnout has declined precipitously during Latin America's 25 year experience with representative democracy. This decline has occurred in conjunction with another important trend. Across the region, economic development directed by state leaders and characterized by heavy state intervention has been replaced by a development model, commonly referred to as the Washington Consensus, in which markets are the preferred instrument for growth and the state plays a minimal role. This means that as people were casting off their undemocratic past, their economies were also undergoing fundamental change. This simultaneous turn to democratic governments and market-based economic policy is commonly called Latin America's dual transition. The twin transition gives rise to the basic research question of this work: Is the dramatic decline in democratic participation throughout Latin America somehow linked to the political or economic consequences of market reform?

Turnout Decline & Public Opinion:

In order to proceed with an assessment of the proposed relationship between market reform and declining turnout, we must first establish that turnout is actually declining in the region and demonstrate discontent with the dual transition process.

The raw turnout statistics for both presidential and legislative elections provide compelling evidence that turnout is declining in Latin America. During the democratic period, or the period between a nation's first and last election cycle, average presidential election turnout has declined more than 11 percent while turnout in legislative elections has seen more than a 16 percent decrease. (See Table 1)

The fact that 14 of the 17 countries under consideration have seen turnout declines of 10 percent or more in presidential and/or legislative elections is striking but it is not conclusive. In

Table 1: Turnout Difference between First and Last Elections 1970-2004

	Presidential			Legislative		
	First Election (Year)	Last Election (Year)	Difference	First Election (Year)	Last Election (Year)	Difference
Argentina	83.3 (83)	76.1 (03)	-7.2	83.3 (83)	61.7 (03)	-21.6
Bolivia	82 (85)	66.8 (02)	-15.2	82 (85)	66.8 (02)	-15.2
Brazil	88.1 (89)	73.7 (02)	-14.4	84.6 (90)	75.9 (02)	-8.7
Chile	94.7 (89)	87.2 (99)	-7.5	94.7 (89)	75.6 (01)	-19.1
Colombia	58.1 (74)	45.6 (02)	-12.5	57.1 (74)	38.7 (02)	-18.4
Costa Rica	83.3 (70)	67.1 (02)	-16.2	83.3 (70)	66.1 (02)	-17.2
Dominican Rep.	75.7 (74)	79.1 (04)	3.4	69.5 (86)	49.1 (02)	-20.4
Ecuador	80.4 (79)	56 (02)	-24.4	80.3 (79)	56 (02)	-24.3
El Salvador	79 (84)	67.3 (04)	-11.7	67.7 (88)	36.9 (03)	-30.8
Guatemala	65 (85)	52.9 (03)	-12.1	69.3 (85)	50.3 (03)	-19
Honduras	78 (81)	63.2 (01)	-14.8	67.5 (81)	60.4 (01)	-7.1
Nicaragua	86.2 (90)	76 (01)	-10.2	81 (90)	76 (01)	-5
Panama	73.7 (94)	75 (04)	1.3	73.7 (94)	76.9 (03)	3.2
Paraguay	69 (93)	62.3 (03)	-6.7	66.2 (93)	62.3 (03)	-3.9
Peru	81.8 (80)	70.4 (01)	-11.4	80.4 (80)	62.7 (01)	-17.7
Uruguay	85.8 (84)	89.5 (04)	3.7	87.9 (84)	89.5 (04)	1.6
Venezuela	96.5 (73)	56.5 (01)	-40	96.5 (73)	38 (00)	-58.5
Average	80.0	68.5	-11.5	77.9	61.3	-16.6

Data are from the electoral database of Dr. Jeff Ryan.

order to determine whether these drop offs are statistically significant, we need to conduct a difference of means or t-test. The standard cutoff point for t-test significance in social science research is .05 or better. (McClendon, 148) In our case, the null hypothesis, that the observed changes in turnout levels are insignificant in statistical terms, has a significance level of .008 for both legislative and presidential turnout decline. (See Table 2) This indicates a .8 percent chance that the shift in the mean is the result of random variation or, alternatively, it shows a 99.2 percent chance that a nonrandom element or elements are causing the decline in turnout. Thus, the null hypothesis can be rejected with a high level of certainty .

Table 2: Difference of Means Test for Turnout Change

		Shift in the Mean	Countries	Significance
Pair 1	First Legislative Election Turnout Last Legislative Election Turnout	-12.825	16	0.008
Pair 2	First Presidential Election Turnout Last Presidential Election Turnout	-8.8975	16	0.008

Data are from the electoral database of Dr. Jeff Ryan.

In order to determine a potential causal element that is driving Latin America's turnout decline, I turn to data from an annual region-wide poll. (Latinobarometro, 2002) The polling data indicates that nearly 70 percent of Latin Americans are neither contented with nor supportive of market reefrom. (See Table 3) This means that economic development is moving in a direction that is at odds with the will of the general populous. This is a striking and seemingly counterintuitive phenomenon within a representative democratic context. Given this, it is certainly plausible to suggest that this regional macro-level trend is associated with another, declining electoral participation. We must now conceptualize the link between turnout decline and economic reform.

Table 3: Attitudes Toward State Intervention in Economy

Country	Pro-Market	Undecided	Pro-State
Argentina	16.3	1.5	82.3
Bolivia	23.2	3.9	72.9
Brazil	34.4	5.1	60.6
Chile	17.4	2.5	80.1
Colombia	22.2	5.3	72.5
Costa Rica	25.4	4	70.7
Dominican Republic	18.4	1.7	79.8
Ecuador	36.7	2.8	60.6
El Salvador	35.5	4.4	60.1
Guatemala	35.2	6.2	58.6
Honduras	28.4	3.8	67.8
México	25.3	2.3	72.4
Nicaragua	28.2	3.1	68.7
Panamá	29.5	2.7	67.9
Paraguay	29.3	1.9	68.8
Perú	28.2	5.2	66.7
Uruguay	10.8	2.4	86.8
Venezuela	35.9	3.2	60.8
Average	**26.7**	**3.4**	**69.9**

(Latinobarometro, 2002 in United Nations Development Program, 2004) A pro-market attitude indicates that poll respondents approve only of market-based development or have a general pro-market tendency. A pro-state attitude indicates that respondents approve of state-directed development or have a general pro-state tendency.

Conceptualizing the Relationship Between Market Reform and Turnout Decline:

There are two general ways of conceptualizing the impact of neoliberal reforms on electoral participation. The first focuses more narrowly on those tangible economic consequences of these reforms which based on existing findings from the voting literature can reasonably be expected to depress turnout. The second looks at the wider impact of the reforms on the very nature of policy decision-making within the region or, put differently, the political consequences of the Washington Consensus. The goal here is to link market reform to changes in the political realm which can plausibly be tied to reduced participation at the polls.

The Impact of Economic Consequences

Democracy places certain requirements on its citizenry that other political systems do not. It requires, unlike non-democratic systems, that individuals follow policy issues, track the performance of elected representatives, participate in civil society and perhaps most importantly, vote. The fulfillment of these requirements takes resources such as time and money. Research on voting patterns in the developed world has consistently demonstrated that there is a positive relationship between socioeconomic status and turnout at the individual level. (Powell, 121) The inverse is also well-established in the literature:

> People with lower individual means (education, income, experience) have fewer resources to cover the costs of participation (processing the required information, reaching a decision, finding the time to vote). They are also more likely to develop apathetic attitudes towards the political system, and thus are more difficult for parties and institutions to motivate to vote. As a result, they usually vote less. It has been shown that participation increases with age (up until a certain threshold), income and social integration. (Anduiza, 647)

A core reason for this relationship rests in the unique resource requirements of democratic citizenship. Individuals must have the time, means, information, and policy knowledge to engage leaders. They must have the wealth and organizational capacity to engage civil society. Finally, they must have the resources, stability, and information to cast an informed vote. The bulk of the research on the link between socioeconomic status and voting has focused on established industrial countries. Much less attention has been given to this relationship in the study of the developing democracies of Latin America. The exception is a 2003 study by Canton and Jorrat who performed an individual level socioeconomic analysis of voter turnout in Argentine presidential elections from 1983-1999. (Canton & Jorrat, 2003) Their findings confirmed trends found in research on developed democracies: turnout was found to be directly related to a person's economic wellbeing. Unfortunately, individual level data on the scale required to replicate Canton and

Jorrat's study for all of Latin America simply does not exist. We must rely instead on broader measures at the macroeconomic level which can at least give some indication of the relative size of the pools of voters and non-voters based on socioeconomic conditions. In other words, I assume that declines in macroeconomic performance will push greater numbers of people into lower socioeconomic status, making them less likely to vote and thus driving down turnout at the aggregate level. Likewise, positive macroeconomic performance should be linked to increased voter participation.

The Impact of Political Consequences

The political consequences associated with the implementation of the Washington Consensus are many. During the period of statist development, the state controlled most economic activity and had an array of policy options at its disposal. Due to the shift toward market-based economic policy, the state controls little economic activity and has lost its array of policy options. The significance of this in terms of participation is that it has undermined the most historically important mobilizational and representative institutions in the region: organized labor, political parties, and legislatures. At the heart of this impact are the particular disincentives for both individual and collective action that are associated with the neoliberal model. As Kurtz notes,

> [Market reforms] raise significant barriers to collective political action and thus induce a decline in the organizational and mobilizational capacity of civil societyÖ[reforms] create collective action problems that inhibit the formation of groups (or for that matter the formation of collective interests) that are essential antecedents of political participationÖthey can also reduce the scope of political decision making–that is, the set of issues properly thought of as regulated by public policy– which reduces the incentives for individuals to engage in political activity. (Kurtz, 272)

Thus, beyond depressing individual motivation to participate, Kurtz argues that the reforms have seriously undermined those groups or institutions in society which might mobilize otherwise apathetic citizens to go to the polls. In the Latin American context, labor unions and political parties have been the primary agents of mobilization.

Unions

The basis of the collective action problem with regard to unions rests in labor market changes. Reforms have brought a shift in labor market structure, heavily favoring non-union sectors over the unionized sector. The traditional base, the organized and politically active unionized sector, around which mobilization of the working (or even peasant) classes would occur has severely weakened. This fragmentation has made collective action a logistical impossibility. Additionally, because governments are engaged in a small and rapidly shrinking amount of economic activity, labor mobilization against the state beyond the ballot box (e.g., protests, strikes, etc.) has become a largely useless endeavor. Thus, the Washington Consensus has critically undermined the capacity of one of the most effective vehicles for mobilization, organized labor, to fulfill its historic function.

Political Parties

The impact of market reform on the political parties of Latin America has been equally significant. The implementation of the Washington Consensus has in many ways stripped parties of the two primary mechanisms they have historically utilized to mobilize voters: policy alternatives and tangible benefits. Prior to marketization, parties enticed people to the polls by presenting them with clear choices in the form of programmatic alternatives. Though the cost of such intense ideological competition was frequently polarization and occasionally serious violence, there is no denying that parties in most countries in the region were routinely able to project elections as high-stakes affairs in which voters felt compelled to participate. Not so today, liberalization and globalization have placed ever-increasing pressure on governments, and by extension the parties which hope to control them, to deliver policy options that are consistent with investor expectations. Because of the enormous political and economic risks associated with enacting (or even promising) policies in conflict with the market model, party platforms have become overwhelmingly more responsive to investor expectations than to popular demands.

The second key mobilizational mechanism used by parties was based on their ability to reward their backers in tangible ways. Preceding marketization, the universal characteristic of Latin American party systems was patronage, "which entails an exchange of material benefits for political support." (Roberts, 44) These benefits took the forms of employment, favors, contracts, or subsidies. In the neoliberal context of fiscal prudence and ever-declining state activity, parties are increasingly less able to deliver these material rewards. As a result, the entire logic of the old system has effectively vanished, and with it, much of the mobilizational capacity of parties.

Legislatures and Executives

At the beginning of the dual transition, there was a great deal of concern that the drastic and difficult reforms called for by the Washington Consensus would be virtually impossible to carry out in a context of representative democracy. (Armijo et al., 162-164) Agreement slowly emerged in the region that the only way to overcome this challenge was to somehow insulate economic policymaking from public demands. This ultimately led to the appearance of what Guillermo O'Donnell labeled "delegative democracy" throughout the hemisphere. (O'Donnell, 1994) This new "species" of democracy differs in fundamental ways from classical representative democracy. In "delegative" systems, presidential candidates feel no compelling need to follow through on their campaign promises once elected to office.

This means that presidents in such systems see themselves not as representatives of the people (and therefore obliged to be responsive to popular demand), but as leaders chosen to do what they think is best for the country, even if it is in conflict with the wishes of voters. In order to carry out this delegated mandate, executives must effectively exclude not just the demands of the public at large, but also of their elected representatives, the legislators. (O'Donnell, 59-61) According to Lasagna and Cardenal, this creates

> . . . a vicious circle with pernicious consequences for democracy. Presidents demand more power to govern on the pretext that parties and legislatures are weak institutions, but this accumulation of power, rather than resolving the problem, further aggravates it, weakening the key instruments society has for enforcing accountability, further distancing citizens from the public interest, and deteriorating democratic life. (Lasagna & Cardenal 132)

As the legislature becomes less and less able to impact public policy, citizens will naturally become less and less concerned with who occupies its seats, and it is reasonable to assume that turnout, especially for legislative elections, will decline.

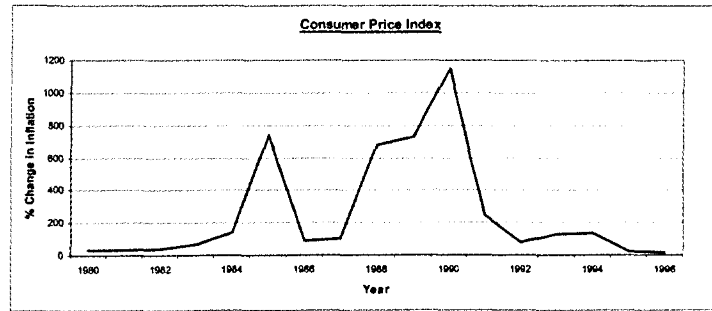
In sum, the basic assumption underlying the political consequences hypothesis is that if unions are shrinking and becoming marginalized, parties are becoming programmatically indistinguishable and unable to offer material rewards to their backers, legislatures are largely sidestepped when it comes to policymaking, and presidents enact policy based on technocratic criteria rather than in response to popular demands, it is hardly surprising that Latin American voters have concluded that voting is largely a futile endeavor.

Overview of Descriptive Evidence:

Before moving on to a more detailed explanation and test of my main hypotheses, it is appropriate to first take a broad overview of economic and political conditions in Latin America during the post-reform period to see whether there are indications that the sorts of trends we described above are in fact present.

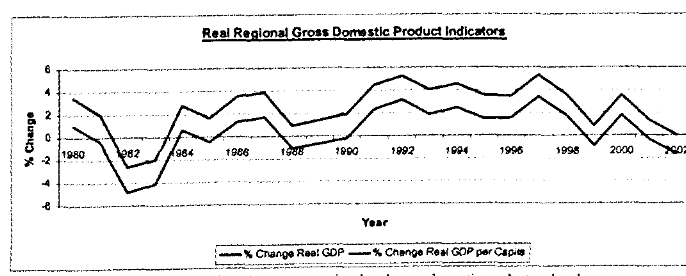
Economic Performance

In assessing the record of the Washington Consensus in terms of economic performance to date, the best that can be said is that the results are mixed. The biggest success of reform by far was the curbing of hyperinflation. Inflation rates dropped from a staggering regional average of 1,152 percent in 1990 to average rates of less than 20 percent by the late 1990s. (World Bank, 2004)



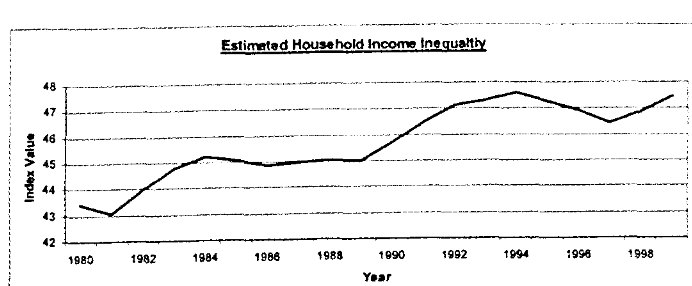
(World Bank, 2004) This graph displays the average regional inflation rate as measured by the change in the *consumer price index* (CPI) from 1980-1996. CPI reflects price level changes of a basket of consumer goods.

Beyond this very significant triumph, market reforms have generally not lived up to expectations. Real GDP growth has been tepid at best. Despite showing an average growth rate of around 3.9 percent over the 1990-1996 period, growth slowed to an average 2.4 percent over the 1997-2002 period. More significantly, creation of wealth is not keeping pace with the population growth, as GDP per capita growth has lagged behind real GDP growth by around two percent and has actually been negative in three out of the last four years. (World Bank, 2004)



(World Bank, 2004) This graph displays the average regional real gross domestic product and real gross domestic product per capita growth rates from 1980-2002.

Significantly, evidence suggests that this shortfall in growth has been borne largely by the lower income groups. The Estimated Household Income Inequality index (EHII) indicates that inequality has increased more than 10 percent since the onset of the debt crisis, a disturbing trend in a region already plagued by some of the most unequal wealth distribution in the world. (University of Texas Inequality Project, 2004)



(University of Texas, 2004) Increasing regional estimated household income inequality (EHII) indices indicate increasing inequality. A score of 0 indicates perfect equality while a score of 100 indicates perfect inequality. The EHII index is calculated using combined statistics on both wage inequality and economic resource control.

Finally, reforms have failed to create jobs. The regional unemployment rate has risen from 7.3 percent in 1990 to 9.5 percent in 2002, reaching double digits from 1999-2001. (World Bank, 2004)

It seems clear, then, that in most regards the market reforms at the heart of the dual transition have thus far not lived up to expectations. Of course, there are many reasons behind this suboptimal performance, some of which are undoubtedly beyond the control of Latin American policymakers. From a political perspective, though, these reasons may be irrelevant, for as Kurtz notes, "if neoliberal [market] policies are not causally responsible for Latin America's economic problems, the political fact remains that they have become associated with them in the popular mind." (287)

Political Performance

It is, of course, much more difficult to assess the political impact of the reform era. Nonetheless, there are indications that the sort of damaging consequences of neoliberalism on mobilizational institutions described earlier are indeed present in the region.

In assessing the record of the Washington Consensus in terms of political performance, the results are grim. The dual transition period has witnessed the flexibilization and informalization of the economy. Evidence demonstrates that the unionized, politically-influential formal employment sector is shrinking. During the 1990-2002 period, this focal point of political organization diminished by more than five percent. (See Table 4)

As the size of the formal sector has declined, its mobilizational ability has been undermined. One way to measure union mobilization is in terms of strike and lockout rates, which give some indication of how active the organized labor sector is. The data show that labor action is increasingly less likely. The average yearly regional strike rate has declined from a high of 310 during the 1985-1989 period to 113 during the 2000-2003 period. (See Table 5) The assertion is that the decline in strike rates does not reflect satisfaction (in light of increased unemployment and inequality with lagging GDP per capita growth) with Washington Consensus economic policy, but rather, it reflects an incapacitated organizational ability caused by labor market changes

The impact of neoliberal reform on representative institutions transcends labor unions. Political parties, legislatures, and executives have also lost significant ground in terms of public opinion. Polling data indicates that average regional confidence in these institutions has declined 10, 12, and two percent respectively since 1997. (See Table 6) In a region of ideological uni-polarity, fiscal limitation, technocratic policy-making, and unresponsive leadership, citizens now view those institutions which once represented their interests as no longer effective

The loss of credibility of representative institutions is linked to the perception that these institutions have surrendered their traditional power and policy influence during the reform era, particularly to the private business sector. When asked who wielded the most power in their respective countries, more people identified big business as the most powerful sector than

Table 4: Formal Sector Employment

Country	*1990-1994*	*1995-1999*	*2000-2002*
Argentina	48.0	50.7	55.5
Brazil	59.4	54.9	54.0
Chile	62.1	61.2	62.0
Colombia	54.3		44.4
Costa Rica	58.8	56.7	55.0
Ecuador	44.4	36.3	46.7
El Salvador			48.2
Honduras	42.4	41.1	34.9
Nicaragua			45.6
Panama	64.0	62.9	60.1
Paraguay		41.9	39.1
Peru	47.3	44.6	42.3
Uruguay	60.9	58.7	57.8
Venezuela	61.4	55.5	48.5
Regional Average	**54.8**	**51.3**	**49.6**

(International Labor Organization, 2003) Figures indicate the average percentage of the total labor force which is "formal" for the period in question. Formal laborers normally work under contract, enjoy employer benefits, and have a working environment subject to state regulation.

Table 5: Latin American Strike and Lockout Rates

Country	1980 - 1984	1985 - 1989	1990 - 1994	1995 - 1999	2000 - 2003
Argentina		431			
Bolivia	273	211	51	81	
Brazil	226	2067	883	800	396
Chile	56	67	213	156	105
Colombia	183	123	320		
Costa Rica	22	15	22	12	
Dominican Republic				2	
Ecuador	91	104	64	11	
El Salvador	22	40	28	155	25
Guatemala	14	18	24	12	
Honduras	38	36	53	58	63
Nicaragua		47	65	8	0
Panama	12	8			
Peru	714	686	293	75	47
Venezuela	113	36	7	18	31
Regional Average	**155**	**310**	**177**	**143**	**113**

(International Labor Organization, 2005) A strike or lockout is generally defined as an occurrence that causes the disruption of enterprise activity, though different nations adopt specific variations of this definition.

Table 6: Confidence in Institutions

Institution	1997	1998	1999 - 2000	2001	2002	2003	2004	Change
Political Parties	28	21	20	19	14	11	18	**-10**
Legislatures	36	27	28	24	23	17	24	**-12**
Presidents	39	38	39	30		31	37	**-2**

(Latinobarometro, 2004) Figures indicate the percentage of poll respondents who expressed some confidence, confidence, or strong confidence in these institutions.

Table 7: Power Perceptions in Latin America

Country	Business	The State	Political Parties
Argentina	70.38	11.66	12.87
Bolivia	34.26	36.93	21.85
Brasil	42.24	24.00	14.22
Chile	68.49	12.50	3.04
Colombia	47.02	13.05	10.95
Costa Rica	38.42	45.17	16.41
Ecuador	46.75	15.67	12.64
El Salvador	47.30	36.05	6.54
Guatemala	29.49	45.92	7.83
Honduras	42.90	34.01	11.24
Nicaragua	36.75	41.76	12.14
Panamá	45.50	19.01	16.38
Paraguay	32.20	35.59	15.68
Perú	33.09	33.50	2.96
Uruguay	42.01	43.01	10.07
Venezuela	28.69	34.33	9.48
Average	**42.84**	**30.14**	**11.52**

(Latinobarometro, 2002 in United Nations Development Program, 2004) The figures represent response to the question, "In your opinion, which of the following has the most power in this country?"

those citing the state and political parties combined. (See Table 7) If, indeed, most citizens feel that their governments and parties are more or less inconsequential relative to private economic interests, then what incentive is there to vote?

Modeling Voter Turnout in Latin America:

At this point, I have shown the significance of the turnout decline, reported opinion data on discontent, provided some conceptual justification for my hypothesized link between market reform and that decline, and supplied some preliminary descriptive evidence that indicates the presence of the trends I suggested are at work. I now turn to a more rigorous test of my two hypotheses, which in specific form are the following:

Hypothesis One: Declines in socioeconomic conditions resulting from the implementation of market reforms will produce declines in electoral turnout.

Hypothesis Two: Declines in the strength, effectiveness, and performance of the major mobilizational institutions (i.e., unions, parties and legislatures) resulting from the implementation of market reforms will produce declines in electoral turnout.

Both of the major hypotheses have a number of sub-hypotheses, which are essentially single indicator linear relationships between various independent variables to our dependent variable, voter turnout. These are:

Table 8: Single Variable Hypotheses

	Independent Variable	Relationship to Turnout
ECONOMIC	Real GDP per Capita	Positive
	Inflation	Negative
	Inequality	Negative
	Unemployment	Negative
POLITICAL	Privatization	Negative
	Trade Liberalization	Negative
	Labor	Negative
	Financial Liberalization	Negative
	Consumption Taxation	Negative
	Overall Structural Reform	Negative

Voter Turnout

The dependent variable in the regression model is voter turnout. The model independently considers turnout in two types of elections: legislative and presidential. The data include results from 17 Latin American nations covering democratic elections from 1980-2003. Turnout has been tabulated for 78 presidential elections and 85 legislative elections. In this analysis, turnout is defined as the percentage of registered voters who cast valid votes. The data are from a compilation of electoral statistics developed by Dr. Jeff Ryan using official government sources. A full listing of the original sources is available in the Turnout Reference Appendix.

Economic Hypothesis Variables

Most comparative political research, especially that dealing with the developing world, is limited by the availability and reliability of necessary data. Nonetheless, the economic variables for which I have been able to gather sufficient data should provide a reasonably good test of my hypotheses.

Percent Change in Real GDP per Capita measures the ability of an economy to generate wealth in real terms relative to the population size. The coverage of this variable is 1979-2002.

Inflation measures the rate at which prices are increasing and is a measure of overall economic stability. The consumer price index (CPI) will be used as the inflation measure in this research. This shows the rate at which prices of basic consumer goods are increasing on an annual basis. The coverage of CPI is from 1979-2002.

Inequality is an indicator of the distribution of resources within a nation. The Estimated Household Income Inequality (EHII) index will be used as the measure. This index combines inequality data on wages and pay with that of absolute resource control. (Galbraith & Kum, 2004) This means that it can account for the disparity in earning between low-wage workers and high-income salary employees while simultaneously considering the relative differences in net assets among various holders. A score of zero indicates perfect equality while a score of 100 indicates perfect inequality. The coverage of the EHII index is 1979-1999.

Rate of Total Unemployment measures the percentage of the active labor force that is unable to obtain employment. The coverage of unemployment statistics is 1980-2002.

Political Hypothesis Variables

The problems of data availability for political variables are even more pronounced than for economic variables. As a result, I was forced instead to rely on an indirect test of this hypothesis using proxy indicators for the relationships I described earlier. Specifically, I will use measures of the reform itself, rather than of the impact of that reform. These variables take the form of a series of indices constructed by Eduardo Lora of the Inter-American Development Bank to measure the extent of reform in each of five particular areas, as well as a composite index measuring overall structural reform. Lora's dataset covers all of the countries in Latin America included in my analysis from 1985-1999.

Privatization Index is calculated as the ratio of the cumulative value of privatization to total GDP for the year in question. (Lora, 21) This indicator is not an ideal measure of state industrial involvement, as it penalizes those nations with nothing to privatize or that retain profitable industry

Trade Reform Index is the average of the average level and dispersion of tariffs. (Lora, 20) It is reasonable to assert that as tariff levels and dispersion have changed, the level of overall government involvement in regulating trade has changed with it.

Labor Reform Index has four components. They are level of flexibility for hiring workers, the cost of layoffs or termination, cost of overtime and holiday employment, and required contributions to benefit plans. (Lora, 21)

Domestic Financial Reform Index is the average of three indices. The first measures the level of government control over bank borrowing and lending interest rates. The second is the reserves to demand deposits ratio. The final is the quality of government intervention in the financial system. (Lora, 20)

Tax Reform Index is composed of five parts. It combines measures of the highest marginal tax rate for both individuals and corporations, the value added tax (VAT) rate, and the efficiency of VAT and income tax collection. (Lora, 21) The index displays the movement from progressive taxation on income to regressive taxation on consumption. The shift is one of government policy. It does not indicate a withdrawal of the state but a redirection that is a direct consequence of market reform.

General Structural Reform Index is the simple average of the previous five indices for the year in question. (Lora, 19) While it is unlikely that each dimension of this index contributes equally to the economic and policy consequences of reform, it is the only aggregate measure available. It can be used to gauge voters' general response to reform rather than to specific policy areas.

Model Specification

Multiple regression analysis provides the most suitable framework for testing my hypotheses. However, in its basic form, it has a fundamental limitation. It can consider only one cross sectional unit at a time. In the current research, a cross section is a Latin American country. Because we consider multiple countries or cross sections simultaneously, a variation on standard regression analysis is required. The most appropriate technique under these conditions is cross-sectional time series regression, which uses traditional multiple regression to calculate the proper

B value for each independent variable in each cross section. It then takes the summation of the calculations in order to determine the proper *B* values when all cross sections are considered simultaneously. (SAS Institute, 2005) Thus, when considering changes in the dependent variable, cross-sectional time series analysis indicates the explanatory capacity of each independent variable considered over all countries.

Two specifications have been made to the basic cross-sectional time series regression model to improve its accuracy and applicability to modeling voter turnout in Latin America. First, all independent variables have been lagged one year. This is because individuals need time to process and react to economic and political changes. Second, indicator, or dummy, variables have been included. These variables detect the significance of unmeasured qualitative or quantitative effects which cause variation in the dependent variable. They measure the importance of things other than the previously described independent variables. The inclusion of dummy variables has been specified for country specific effects and/or time effects. By lagging the independent variables and including the dummy variables, I hope to produce a more comprehensive and robust picture of electoral turnout.

Using these basic specifications, I then estimated a series of models designed to test a broad array of different combinations of the various hypothesized relationships described above. For each of these combinations, models were estimated separately for presidential and legislative elections. For both of the main hypotheses, I tested each of the specified independent variables (economic and political) alone and in all possible combinations with each other, as well as in combination with the country and time dummy variables. I then estimated a "kitchen sink" model which included both economic and political variables (as well as the dummies.)

Results and Analysis:

Presidential Turnout

Table 9: Presidential Model Results

Model	Independent Variable	Estimate(B)	Pr	R2	Country*	Time*
E1	GDP	0.5052	0.0837	0.891	X	X
E2	Inflation	0.00199	0.2002	0.888	X	X
E3	GDP	0.816	0.009	0.906	X	X
	Inflation	0.0038	0.019			
E5	Inequality	-0.80972	0.3695	0.915	X	X
E6	Unemployment	1.7382	0.2608	0.968	X	X
P1	Privatization Index	-7.95575	0.1682	0.9	X	
P2	Trade Reform Index	-13.0354	0.009	0.916	X	
P3	Labor Reform Index	-13.1002	0.6605	0.894	X	
P4	Financial Reform Index	-12.5601	0.0207	0.911	X	
P5	Tax Reform Index	-32.5733	0.0195	0.911	X	
P6	General Reform Index	-26.047	0.0058	0.918	X	
KS1	General Reform Index	-31.69	0.005	0.921		X
	GDP	0.1999	0.5143			
	Inflation	-0.00084	0.6612			

Statistical significance is established at a Pr value of .05 or less.
*Indicates that the dummy variable was included in the model. Results are suppressed.

The model of presidential election voter turnout in Latin America revealed minor support for economic indicator variables in isolation from one another. The test results demonstrate that the interaction between real GDP per capita and inflation has a statistically significant impact on turnout. A one percent decline in real GDP per capita will cause a .82 percent decline in voter turnout. This is the direct relationship anticipated by the economic consequence hypothesis. Inflation also produces a significant result, but in an unexpected direction. A one percent decline in inflation will cause a .004 percent decline in voter turnout. The economic consequence hypothesis expectation was that increases in inflation would cause decreases in turnout. On the basis of these conflicting results and absent support for other economic variables, the economic consequence hypothesis is rejected for presidential elections.

The voter turnout model revealed robust support for political consequence variables in isolation. When tested independently, the trade, financial, and tax reform indices all achieved high levels of statistical significance and caused voter turnout to change in the direction anticipated by the political consequence hypothesis. As reform increased, turnout declined. When the indices were tested simultaneously, however, they were found to display mutlicollinearity, meaning they explain the same variation in the dependent variable and share the statistical significance of each independent variable in isolation. (Billingsley, et al., 681) This suggested that the overall reform process may be more important than any single aspect of reform. To explore this possibility, a model using only the aggregate general reform index was estimated. It achieved a high level of statistical significance. An increase of 0.1 in the general reform index was found to cause a 2.6 percent decline in turnout. On the basis of these findings, the political consequence hypothesis is accepted for presidential elections.

The model of voter turnout revealed no support for the importance of the interaction between economic indicator and political indicator variables, or the "kitchen sink" model. This suggests that the previous findings represent the proper explanation of the decline in voter turnout for presidential elections. Turnout is primarily a function of the political consequences of market reform.

Legislative Turnout

Table 10: Legislative Model Results

Model	Independent Variable	Estimate (B)	Pr	R2	Country*	Time*
E1	GDP	0.647	0.009	0.93	X	X
E2	Inflation	0.00117	0.5232	0.7022	X	X
E3	Inequality	-1.2319	0.176	0.9422	X	X
E4	Unemployment	-0.2831	0.5267	0.9307	X	X
P1	Privatization Index	-14.6023	0.1103	0.8034	X	
P2	Trade Reform Index	-23.4531	0.0027	0.8377	X	
P3	Labor Reform Index	-44.6943	0.319	0.794	X	
P4	Financial Reform Index	-19.0428	0.0113	0.8248	X	
P5	Tax Reform Index	-59.155	0.001	0.8447	X	
P6	General Reform Index	-47.9488	0.0007	0.8493	X	
KS1	General Reform Index	-58.5895	0.0002	0.8631	X	
	GDP	0.64546	0.0767			

Statistical significance is established at a Pr value of .05 or less.
*Indicates that the dummy variable was included in the model. Results are suppressed.

The model of legislative election voter turnout in Latin America revealed minor support for economic indicator variables in isolation. The test results demonstrate that real GDP per capita has a statistically significant impact on turnout. A one percent decline in real GDP per capita will cause a .65 percent decline in voter turnout. This direct relationship is anticipated by the economic consequence hypothesis. However, the failure of the other economic indicator variables to achieve significance casts doubt on the original economic consequence hypothesis. This hypothesis can only be accepted in modified form for legislative elections: as real GDP per capita declines, voter turnout will decline.

The voter turnout model revealed considerable support for political indicator variables in isolation. When tested independently, the trade, financial, and tax reform indices were statistically significant and had the inverse relationship to voter turnout anticipated by the political consequence hypothesis. Consistent with the finding for presidential turnout, the individual reform indices were found to display mutlicollinearity. When the general reform index was tested, it was robustly significant. An increase of .1 in the general reform index was found to cause a 4.7 percent decline in turnout. On the basis of these findings, the political consequence hypothesis is accepted for legislative elections.

The model of voter turnout in Latin America revealed no support for the importance of the interaction between economic indicator and political indicator variables. This suggests that the previous findings represent the proper explanation of voter turnout decline for legislative elections. It is principally a function of the political consequences of market reform but real GDP per capita also has explanatory capacity.

Discussion of Results:

The previous section analyzed the results of the model of voter turnout in Latin America according to their application to either presidential or legislative elections. This section will merge those finding in order to explore the model results as they apply to each of the hypotheses. By doing this, broad trends in voter turnout can be determined and the applicability, or lack thereof, of each hypothesis can be analyzed. The analysis of each hypothesis will proceed in two steps. First, the independent variables that achieved significance across both presidential and legislative elections will be evaluated. Second, those independent variables that failed to achieve significance will be explored. By merging the results from presidential and legislative elections, a vision of the forces that drive voter turnout in Latin America will emerge.

Economic Consequence Hypothesis: Economic Deterioration --Turnout Decline

The assertion that economic underperformance is driving the decline in voter turnout in Latin America found little support in either presidential or legislative elections. The only independent variable to achieve statistical significance in each election type was real GDP per capita. In some ways, the fact that this variable was the only one which achieved significance does more to undermine the economic hypothesis than to bolster it. Recall that this hypothesis was derived from the voting literature that linked an individual's socioeconomic status to turnout. My assumption was that macroeconomic changes in each of the four variables would either expand or shrink the pool of people in the traditional 'non-voting' categories and thus shape overall turnout. Yet among these four variables, GDP per capita is clearly the weakest indicator in this regard, since it tells us very little about who is suffering or prospering during periods of growth or contraction. The strongest indicator, based on the assumptions underlying the economic hypothesis, would clearly be unemployment, followed by the more intermediate strength of inflation and inequality variables.

The failure of unemployment, inflation, and inequality to achieve statistical significance in both election types thus severely weakens the economic consequence hypothesis. It is possible, of course, that my inability to uncover a relationship between economic performance and electoral participation is due to the lack of more appropriate data. Nonetheless, the findings remain puzzling, particularly the lack of significance for unemployment. One would expect that high and chronic unemployment rates would create a substantial pool of poor, marginalized citizens who would withdraw from the political arena. A possible explanation for the weakness of this variable, though by no means a strong one, is that the relationship between unemployment and turnout is non-linear, where initial rises in joblessness actually produce more political activity which then drops off as time goes by and hopelessness sets in.

Something similar may be going on with inflation as well. Following years of hyperinflation, Latin Americans may well have developed a substantially higher tolerance threshold for variations in the consumer price index. The enormous variation in the values of this indicator, which range from roughly –2 percent to nearly 12,000 percent, may also be an important reason for the lack of significant findings. Meanwhile, inequality may have failed to achieve significance due either to a similar regional tolerance for high inequality or because changes in the concentration of wealth are difficult for ordinary people to discern. Taken as a whole, then, the findings call into serious question the importance of economic performance as a driver of voter turnout in Latin America.

Political Consequence Hypothesis: Political Impact of Reform--Turnout Decline

The hypothesis that the political impact of market reform is driving the decline in voter turnout in Latin America found robust support in both presidential and legislative elections. The trade, financial, tax and general structural reform indices were all significant across both election types. The significance of the tax reform index indicates that as the preferred method of taxation has shifted from income and trade to consumption, turnout has declined. Recall that consumption taxation often assumes a regressive character as lower income groups devote a higher percentage of their income to consumption than higher income groups.

The findings of significance for both the trade and financial liberalization indices are also consistent with the assumptions underlying the political hypothesis. As the state has surrendered more and more control over the trading and financial sectors to private market forces, it has become less and less relevant in policymaking terms. In sharp contrast to the statist era, the decisions which effect citizens most directly are now more or less made outside the political arena, rendering participation in elections a less meaningful activity. Though these indicators are, as noted earlier, only indirect measures of the political consequences of market reform, it seems more plausible to assume that it is those consequences that people are responding to rather than the reforms themselves. It is difficult to imagine, for example, that Bolivian peasants and Honduran slum-dwellers base their decision to vote on adjustments to the reserves to demand deposits ratio.

Further support is indicated by the significance of the general structural reform index across both presidential and legislative elections. As the reform process has proceeded and the activities of government have declined, turnout has declined with it. Again, it seems very unlikely that any but the most sophisticated citizens are directly linking their turnout decision to the complex array of reform measures captured by the index.

The failure of the privatization and labor reform indices to achieve statistical significance in either presidential or legislative elections would seem, at first glance, to weaken the validity of the political consequence hypothesis. However, the lack of significance is more likely a function of how these indices are calculated by Lora than of a lack of an underlying relationship. Recall that the privatization index reflects the ratio of the cumulative value of privatization to total GDP for the year in question. This method produces some paradoxical and rather contradictory results, particularly from the perspective of this analysis. Specifically, it yields scores which have virtually nothing to do with the percentage of the national economy held directly by the state. A low score could, for example, indicate a state which had divested itself of unprofitable holdings but retained control of valuable assets, or a state which entered into the reform period with very little if anything to privatize in the first place. In other words, economies which were already overwhelmingly private at the onset of the Washington Consensus are effectively lumped in with economies which have failed to follow through on the privatization agenda. If we are to accurately measure the impact of privatization on turnout, it is clear that an alternative measure is needed.

Like the privatization index, the lack of significance of the labor reform index does not necessarily damage the validity of the political consequence hypothesis. The index relies on legal regulations about working conditions, pay, and termination.

There are a number of problems with this approach. One is that it does not consider enforcement of these regulations, which can vary dramatically. Another is that such regulations only relate to the formal sector, which as we have seen, accounts for a shrinking proportion of the overall labor force in many countries. Finally, in statistical terms, this index has shown the least variation (across countries and across time) of any of the reform measures. Because these scores are virtually flat for nearly every country throughout the entire time span, it is next to impossible for them to register significantly in any regression model.

On the basis of this model's explanatory capacity, then, the hypothesis that the political impact of Washington Consensus is driving the observed decline in voter turnout in Latin America is accepted.

Conclusion:

The political consequences of Latin America's dual transition have clearly been profound. Throughout the region, powerful unions stand crippled, political parties are seemingly adrift, legislatures appear increasingly less able to fulfill their representational function, and executives are growing more unaccountable and insulated.

In the current geopolitical climate, governments in Latin America confront a harsh reality. Even moderate deviations from the reforms embodied in the Washington Consensus are met with serious reactions from the international system. Yet as they conform to the standards of that system, they may be undermining the very foundation of democratic governance. The danger lies in the possibility that traditional forms of political participation, like voting, may give way to more disruptive participatory mechanisms. For while it is obviously possible for elected civilian governments to oversee the painful transition from statist to market economies, it is by no means certain that they can do so without disrupting the very fabric of democratic rule: electoral participation.

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Turnout Reference Appendix: *Voter Turnout*

Special thanks must be extended to Dr. Jeff Ryan of the University of Arkansas for access to his database of Latin American voter turnout. The following are the sources used in the construction of his database.

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Dominican Rep.	Junta Central Electoral	http://www.jce.do/jce/
Ecuador	Tribunal Supremo Electoral	http://tse.satnet.net/tse/
El Salvador	Tribunal Supremo Electoral	http://www.tse.gob.sv/
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Venezuela	Consejo Nacional Electoral	http://www.cne.gov.ve/

Faculty comment:

In his letter to the Inquiry publication board supporting the publication of Mr. Younger's paper, Professor Jeffrey Ryan made the following remarks:

> Ryan's research project, which was funded in part through a SURF grant, is without question one of the most ambitious, well-crafted and innovative that I have supervised during my fifteen years at the university, including the half-dozen Masters theses I have directed. It focuses on a topic that I have been grappling with for a number of years—the relationship between macroeconomic structural reform and democratic participation in Latin America. The question is driven by a puzzling and disturbing observation: the widespread adoption of market reforms has coincided with a dramatic decline in voter turnout in the region.
>
> Despite the obvious importance of this trend for democratic consolidation in the hemisphere, surprisingly little literature exists on the topic. This is, I suspect, due in part to a central challenge confronting researchers trying to assess the relationship. Specifically, how is it possible to disaggregate the economic consequences of market reform from the political consequences of those reforms? Put differently, there are plausible reasons for suspecting that the socioeconomic "pain" caused by structural adjustment (e.g., unemployment, poverty, inequality, etc.) will depress turnout. There are equally persuasive reasons to assume that the political effects of this rapid macroeconomic transition, especially on representative institutions like labor unions and political parties, may result in a drop in voter participation. Since both occur simultaneously, the daunting task facing researchers is how to determine if one or the other (or neither) is actually related to rising abstentionism.
>
> I must confess that I was both surprised and impressed with the straightforward and even elegant solution that Ryan proposed to a problem that has left researchers (including myself) struggling. He first provided a sound conceptual justification for considering the two types of consequences separately. This justification was rooted squarely in the traditional literature on voting as well as the emerging literature on the political impact of neoliberalism. He then went on to devise an operationalization scheme which would enable him to transform those concepts into measurable variables. The next step was the arduous collection and compilation of the necessary data, which I know from experience, is no small feat when dealing with the developing world. Finally, he consulted a number of faculty on campus as well as the literature to determine the most appropriate statistical methodology for carrying out a rigorous test of his hypotheses. In this endeavor, I must confess, he was largely on his own, as the method he ultimately settled on, cross-sectional time series regression analysis, lies far beyond my zone of competence.
>
> His findings are troubling. His analysis indicates that it is not the economic shortcomings of market reform (which can presumably be corrected) which are driving people from the polls, but the far more pernicious impact those reforms have had on the groups which have historically mobilized citizens to participate.

The implications of these findings are profound not only in a research sense, but also in terms of the quality of democratic life in Latin America and other regions undergoing wholesale reform.

This thesis represents in a very real way the culmination of Ryan's undergraduate experience here at the University of Arkansas. Ryan is one of a handful of students I have had in the course of my fifteen year teaching career who balances all the most desirable traits we hope to see in a young scholar. He is intellectually curious, confident but not cocky, disciplined, responsible and exceptionally intelligent. In and out of class, Ryan has consistently exhibited a genuine interest in learning. This curiosity extends well beyond the "Hill." As you can see from his record, Ryan recently spent an academic semester studying in Cuba. Having spent a short time there, I can assure you that navigating Cuban society is challenging in nearly every sense, from going about routine daily necessities like eating and getting around to dealing with people whose perceptions of and attitudes towards US citizens are complex, to say the least. That Ryan was not only able to survive, but thrive in these conditions is clear evidence of his ability and eagerness to transform any situation, regardless of how difficult, into a positive learning experience.

My role in Ryan's project has been much more that of sounding board, of co-enthusiast, of listening partner than that of supervisor. This project is, in every sense of the word, a result of his hard work, his insights and his passion for learning. I am just grateful that I was along for the very rewarding ride.