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Cover Page Footnote

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Latin American governments, like governments throughout the world, continuously strive to create and maintain system stability. According to political scientists Ernest A. Duff and John F. McCamant, stability characterizes a political system that "manage[s] change within its structures … Political actors can depend upon certain procedures and relationships which adjust to the changing requirements of society" (Duff and McCamant 1125). They should be able to adapt to any societal condition to maintain adequate social welfare and public connectedness to and involvement in society. Individuals residing in stable political and social environments are more likely to participate in the labor force and live in developed urban areas. They also reap the benefits of quality education and healthcare systems (ibid 1131-1132). However, in order to evaluate the degree to which Latin American countries are stable, one must consider the factors contributing to overall system stability.

This paper set out to demonstrate that there is a strong correlation, if not a direct causal relationship, between the structure of a country's economy and its level of stability. Throughout their research, Duff and McCamant claim that "stability results, on the one hand, from the views that the population has of the political system and, on the other hand, from the strength of the system itself" (Duff and McCamant 1125)[1]. A system is strong when the government is able to meet the changing needs of its citizens, always promoting progress and development. This strong system is best accomplished if political actors operate autonomously, or without the influence of outside actors. However, in order to understand how a government manages to enforce progress and under what circumstances the people become involved in their societies, one must look at other structural factors. It is in this regard that an economic system comes into play.

Political economists like Eduardo Lora, Juan Luis Londiño, and Barbara Stallings argue that in Latin America, where income distributions are more skewed than anywhere else in the world, stability depends on liberalizing economic reform. The question for Latin Americans thus becomes how governments can bring together market reforms and system stability. It is likely that the answer is by means of social programming. If governments redistribute funds to public education, health care, and social security while they open markets, they will maintain strength and preside over citizens who are satisfied with their position in and contributions to society.

This paper examined the likelihood that Latin American countries will achieve system stability only if market liberalization is accompanied by government social programming. Due to the fact that liberalization necessitates a minimal government presence in the economic realm, political officials often lack the ability to provide social and developmental assistance to the poor. Therefore, they must make a greater effort to center their political tasks on implementing substantial social programming. It could be assumed, then, that if they successfully combine market and social programming initiatives, government officials will be more likely to maintain the support of citizen coalitions within their respective countries.

The research findings, however, suggest that the interplay between market liberalization and social programming is only a starting point in determining Latin American levels of stability.

[1] See Appendix 1.

The strength of each respective country's electoral coalitions, rather than the economy or social initiatives, proves to be a better indicator of a given system's overall stability. Economics and social programming are important. Both impact the extent to which governments have the ability to provide for their citizens. However, satisfaction with the government is reflected only in citizens' willingness to fulfill their prescribed roles in electoral coalitions. The coalitions' success to some degree results from citizen reaction to economic and social initiatives, and therefore proves to have more of a direct causal link to system stability.

Literature Review

Market Liberalization in Latin America

Political scientists Liliana Rojas-Suarez and Steven Weisbrod claim that open markets allow citizens from all sectors of society to experience a degree of financial prosperity. So long as market reforms "are aimed at reducing financial fragilities, they produce a more stable fiscal and monetary environment, thereby decreasing the amount of government resources needed to deal with systematic financial difficulties" (Rojas-Suarez and Weisbrod 213). Liberalization should minimize private financial barriers, increase employment opportunities and wages, and expand upon the availability of domestic as well as international economic transactions like commodity importing and exporting. By increasing trade and banking services that are simultaneously conducive to the needs of business owners and everyday consumers, open markets should "encompass a number of sectors simultaneously … and thus benefit a much larger segment of the population" (ibid). Equal opportunities for monetary payments and savings will increase each Latin American country's respective stability. This stability, however, comes at the expense of abandoning the economic models that existed until the 1980s.

Demonstrating Latin America's shift away from what Stallings and Peres refer to as the Import Substitution Industrialization (ISI) model[2] to an open economy ideally measures stability because of the market's tendency to greatly determine the extent to which citizens can prosper financially and socially.

[2] In the ISI model, government expenditure comprised the majority of a country's GDP, there were extensive state regulations, and a great number of state-owned businesses. It depicts what is commonly referred to as a "closed economy." See Stallings and Peres.

Governments' "major overhaul of their economic approach" (Stallings and Peres 38) influences Latin Americans' prosperity to such an extent that it is correlated with the success of political regimes, democratic or authoritarian. A country's economic standing largely determines governments' ability, although not always their inclination or tendency, to disperse social assistance to poverty-stricken individuals and maintain the support of the citizenry. Every economic advance, according to Stallings and Peres, puts increasing pressure on governments to "maintain economic progress while simultaneously increasing the equity in societies" (ibid 35). So long as government programming counteracts the fact that liberalization will do "little to close the huge divide between the privileged few and the poor" (Thompson 3), open economic policies can become a part of Latin America's progression toward development and system stability.

Many researchers describe market liberalization as a logical step in Latin American governments' attempts to democratize. The democratic institutions "sputtering into life" (Shifter 114) have been said to progress "not only because they have occurred in little more than a decade, but also because they have taken place in some of the continent's poorest countries … and in the midst of civil strife" (Karl 72). Some extent of economic reform is possible in all sectors of Latin America through democratization. However, to claim only fully democratic states benefit from market reform discounts some authoritarian and military regimes' reliance on the open economy. In Chile alone, the fact that Augusto Pinochet was "an active adherent of economic policy reform" (Teichman 72) led three military rulers to initiate market liberalization. General Lorenzo Gotuzzo became known for his removal of price controls, Jorge Cauas for his cuts in government expenditure, and Sergio de Castro for his vast privatization (ibid 74). Democratic and authoritarian regimes alike are concerned with the implications of market liberalization, as it largely determines the extent to which they will garner citizens' approval.

According to Leslie Armijo and Philippe Faucher, the wealthy and the impoverished believed that an open economy, rather than the ISI system, resulted in societal progress. Liberalized imports and domestic finances, open capital accounts, privatization, and tax reform would allow for growth as well as system stability. This would remain true so long as governments could keep their "veto points" (Armijo and Faucher 16) to a minimum by

maintaining throughout the liberalization process the social programming that serves as a safety net for the poor.

The economic literature consulted in this study shows that government regimes of all types have resorted to market liberalization in an effort to ensure growth, and subsequently stability, within their countries. Officials relied on the profit resulting from the increased internal and external capital flow of market liberalization. They believed that their countries could truly develop only when providing for the growing need for business and consumer activity. If business is propelled without first taking into account the social assistance that such activity will necessitate, however, market liberalization will result in more societal harm than good. Market liberalization necessitates special attention to social programming because such economic reforms not only cater specifically to the wealthy, but also largely remove government officials from a society's economic realm. Their lack of economic influence limits the extent to which governments can assist the poor, making it important that they put greater effort into centering the policies they do control on social initiatives.

Latin America's Safety Net: Social Programming

Carol Graham asserts that, "by reducing the short-term dislocations caused by market-oriented reforms, safety nets ease the political constraints that such reforms pose for new or fragile democratic governments" (Graham 1995: 143). State funded assistance programs, like the Emergency Social Fund that operated in Bolivia in the 1980s, assured the poor access to quality education, health care, and workers benefits. They also had the opportunity to participate in society's economic and political realms. However, once a country has initiated the process of market liberalization, the upkeep of most social safety nets becomes difficult. The economic focus shifts from being largely public to private, taking many monetary initiatives out of the government's direct control and leaving politicians less room to formulate mass assistance initiatives. Therefore, because market reform "provides a favorable context for adopting new approaches to protecting the poor" (ibid 142), governments must struggle to find a balance between liberal economic policies and the social programming that often assures public support.

Present-day Mexico is perhaps the best example of a Latin American country in need of mass government social initiatives. It

once had a "strong reputation for effective state-led economic development and sustained state-dominated political stability" (Grindle 47), but has in the last year become a country in which citizens constantly expect social crises. The middle class faces the threat of recession and an unstable currency, the economic status of once well-off professionals increasingly drops below the poverty line, and unemployment rates are rampant. However, despite Mexicans' growing concern that "the middle class is disappearing" (O'Brien 21), the country's liberalized market keeps Mexico at the forefront of international investors' business ventures. It, along with Chile and El Salvador, is ranked among Latin America's economically-promising, "investment-grade countries."

According to political economist Maria O'Brien, Latin American countries' market strengths and weaknesses are "in black and white, with few shades of gray between them" (O'Brien 20). Those that are strong, or black, are "able to access their market almost at will on their own terms" (ibid). While Latin American countries are at different stages of development both socially and politically, those like Mexico display strength in the international realm with their open markets despite the citizens' individual struggles. However, if these international market strengths are to persist, citizens' domestic plights need to be resolved. To keep the middle class from "falling, falling, falling" (Thompson 3), a situation initiated by the uneven distribution of economic benefits, the government must reinstate the million jobs lost since Vicente Fox's inauguration in 2000 and aid the growing number of families stricken by poverty.

Aid is attainable through increased efforts to more evenly distribute wealth, increase education and health care spending, and make more loans available to Mexican businesses. However, it necessitates that Mexico and Latin America as a whole no longer "adopt the economic tenets of globalization as gospel" (ibid 4). Governments will need to re-enter the economic realm to ensure that liberalization will function only in conjunction with profound social programs. This re-entrance, however, greatly conflicts with the notion of minimized government involvement in open markets.

The Latin American shift towards a liberal market economy has decreased the importance of government intervention in economic affairs. As a result, "the role of the state in Latin American economic development is undergoing fundamental reconsideration. Even while political scientists have been bringing the state back in,

economists have been busy trying to take it out" (Fishlow 61). There is an increasing need to recognize the differing functions of countries' economic and political realms, giving the notion of Latin American stability two prongs. Market liberalization will indeed bring about the stability of tax reform, limited government expenditure, and increased credit and interest rates to maintain monetary flows throughout the system. However, governments must find some way to balance economically-induced stability with that of the political realm.

For the last several decades, political scientists and economists have debated the extent to which a country's government should involve itself in the economy. As evidenced by Carol Graham's theory, the way individual governments choose to answer this question largely determines their political roles in society. Should officials opt to back away from economic involvement in an effort to liberalize and promote growth, they must be aware of the increased need for attention to society's poor. Only when they assure their citizens access to substantial education, health, and social assistance can government officials be certain their countries will thrive under a liberalized market system.

The literature consulted in this study presents two theories, economics and social programming, that conflict in their attempts to explain Latin American system stability. Theorists like Stallings and Peres maintain the liberal economy is the most important factor in creating a stable system, while those like Graham claim that even more important is social programming. It becomes necessary, then, to reconcile the opposing theories and determine the extent to which they both play a role in maintaining a stable system.

Methodology

Evaluating my hypothesis that economic reform and social programming must play equal roles in creating system stability involved a three-pronged methodology. Data was collected on individual Latin American countries' stability levels, the extent to which they operate liberal economies, and the degree of social programming initiatives implemented by the government. Indicators used to represent each of the three areas mirrored and expanded upon those used in past studies, and were taken from data compiled by various international financial organizations.[3]

[3] The organizations consulted include the World Bank, United Nations, the Economic Commission for Latin America, and USAID.

Measuring Stability

The extent to which market liberalization and social programming influences Latin American system stability was determined through testing initially based on Duff and McCamant's 1968 model for system stability. Throughout their research, Duff and McCamant measured stability in the 19 major Latin American countries[4] by means of two indicators of societal progress and development: social welfare and social mobilization. Together, these indicators effectively analyze "the attitudes of the population and the capabilities of the political system" (Duff and McCamant 1126). Welfare, or a country's ability to "fulfill some basic human needs" (ibid 1131), refers to the resources necessary for survival and economic and social advancement. It is defined in terms of overall economic intake, level of education, and extent of health care. The mobilization to which Duff and McCamant refer is the extent to which individuals are involved with and informed about the societies in which they live.[5] Once data for the individual aspects of social welfare and mobilization were obtained, the authors proceeded to create total stability index scores for each country and concluded their study by ranking them from most to least stable.

The methods Duff and McCamant used to measure Latin American system stability formed the foundations of this study. However, they were ultimately updated and expanded upon to reflect 2002 statistics and encompass indicators of the typical open economy and government social programming. It manages to not only rank each of the 19 countries' stability in terms of social welfare and mobilization, but also explain the variations in their respective rankings. Through taking into account the impact of a liberal, open economy, for example, this reasoning largely reflects the authors' secondary claim that

> the most important reason why economic development sometimes fails to produce political stability is that while

[4] Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela

[5] The specific measurements of social welfare used in Duff and McCamant's article include GDP per capita, percent of literacy, and percent of 13-18 year olds in school, daily calories and protein per capita, and doctors and hospital beds per 10,000 people. Mobilization was measured in terms of newspapers, radios, and televisions per 1,000 people, percent of the economically active population in labor unions, and percent of urbanization.

> the economy is making it possible for the political and economic systems to satisfy the demands of the population, it is also raising the level of expectations (Duff and McCamant 1127).

Expectations were largely translated into citizens' need for increased social programming to offset the often devastating effects of market liberalization on their overall well-being. Nonetheless, this study, like in 1968, necessitated an analysis of modern-day rates of social welfare and mobilization throughout Latin America. Rather than being a final step in the research process, however, it characterized the beginning.

Indicators of social welfare and mobilization were like those used in Duff and McCamant's research in that they reflected Latin American countries' levels of economic intake, education, and health care. They also showed the extent of citizens' access to communication, the labor force, and urban living environments. However, the lack of some data availability caused certain indicators, while in accordance with the 1968 study's intentions, to differ from the originals. In measuring social welfare, for example, the indicator for the percent of 13-18 year olds in school was replaced by the percent of high school-aged citizens actually in high school. The health indicators of calorie and protein allowances were replaced by life expectancy and infant mortality rates per 1,000 births, and health care services were represented by people per doctor and people per hospital bed.[6] The figures were then combined into two index scores for system stability, which were compared with each country's economic liberalization and the extent to which individual governments aided their citizens with "safety nets," or social programs.

Measuring Economic Liberalization

Liberalization initiatives were measured in accordance with indicators employed by Stallings and Peres. It was their contention that an open system consisting of liberalized imports and domestic finances, open capital accounts, privatization, and tax reform would increase international import and export interaction, thus lending to the countries' overall stability. It was in this way that government

[6] Data for these indicators was obtained from the United Nations Department of Economic and Social Affairs, the World Bank, and the Economic Commission for Latin America.

officials would "help to lower both the poverty that had climbed to new levels during the 1980s and the inequality that was higher than any other part of the world" (Stallings and Peres 39). This study employs percent of personal and corporate income taxes, private investment, domestic credit and interest rates, government expenditure, and inflation rates as indicators of a liberal market, and thus government counter-poverty initiatives.[7] Data was translated into an interval level scale, and each country was placed into a "liberalization category" for each indicator based on its individual value. These categories were labeled "low," "middle," and "high."

In the most open economies, it is expected that tax rates, government expenditure, and inflation remain low. Private investment, domestic bank credits, and interest rates should remain high, as they would thus signify a greater level of capital flow throughout the economic system. Greater capital flow is a desirable characteristic of progressing societies, but it is equally important that researchers keep in mind the fact that "the poor, or particular groups of the poor, are adversely affected by certain adjustment measures. The most severe…are prolonged economic crises that necessitate adjustment" (Graham 1994: 4). The fact that impoverished citizens stand to struggle with various liberalization initiatives makes it necessary to determine the extent to which the open economy must work in conjunction with social programs to maintain stability.

Measuring Social Programs

Throughout her writing, Graham maintains "the extent of safety-net programs depends to a large extent on political factors" (Graham 1995: 143). Throughout the liberalization process, governments must provide citizens with demand-based social funds like Bolivia's ESF and Chile's Fund for Solidarity and Social Investment[8] to minimize the negative effects of skewed income distributions and general economic hardship among the lower classes. This study employed the following variables as typical indicators of government social programming: the percent of government expenditure on social services, the percent of the GDP geared toward education spending, the percent of the GNP geared

[7] Data for these indicators was obtained from the World Bank and the 2001 CIA World Fact Book.

[8] The Fund for Solidarity and Social Investment was a government-sponsored social assistance program that provided Chile's poorest communities with a series of outreach programs and ministries.

toward health spending, and the percent of total revenue comprised of social security taxes.[9] The greater the percentage in each of these areas, which were eventually combined to reflect a single index score for each country, the greater the extent of government-sponsored programs in Latin America. More important, however, is the extent to which high levels of social programming can interact with highly-liberalized markets to produce system stability.

Data Analysis

In order to remain consistent with Stallings and Peres' findings, data employed by this study should reflect a positive correlation between Latin American countries' degree of market liberalization and their social welfare and mobilization. It is also important, however, to ascertain the degree to which it is necessary for governments to initiate social programs to cushion their liberalization efforts. Therefore, in examining data trends, I sought out findings that were consistent with the following possible relationships between market liberalization, social programming, and stability:

• High levels of market liberalization, high levels of social programming, and high stability, reflecting that liberalization needs to work in conjunction with social programming to produce a stable system.

• Low levels of market liberalization, low levels of social programming, and low stability, again reflecting that liberalization works in conjunction with social programming to produce stability.

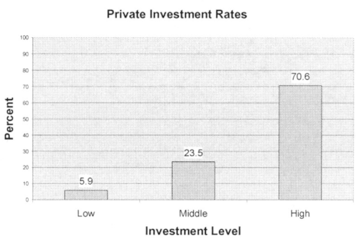
• High levels of market liberalization, middle or low levels of social programming, and high stability, reflecting that liberalization is needed to produce system stability, but that social programming is not greatly influential.

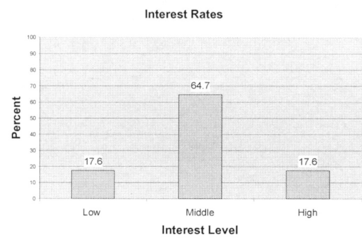
• Low levels of market liberalization, high levels of social programming, and high stability, reflecting that social programming, rather than liberal markets, is the determining factor in a country's stability level.

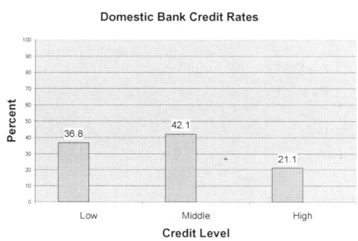
[9] Data was obtained from the World Bank's 2001 World Development Report and World Development Indicators.

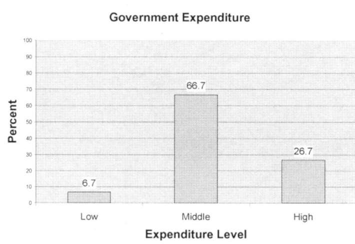
How liberal are Latin America's markets?

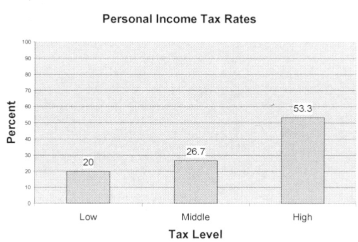
Data shows that Latin America's markets are by and large only moderately liberalized (See Appendix 2). The only indicator reflecting a great degree of liberalization is the region's high average of private investment. Interest rates and bank credit, both of which should be high in a liberalized economy, only fall in "the middle of the road," as does the average rate of government expenditure, which should ideally be low. The region as a whole has high personal and corporate income tax rates, and appears to show no dominant trend in its inflation levels.

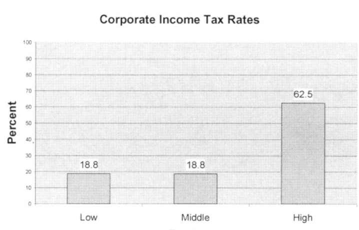


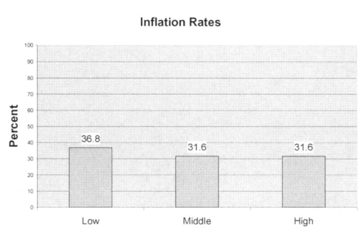












Important in this aspect of the project however, is the extent to which each of the 19 Latin American countries is individually liberalized (See Tables 1.1 and 1.2). In accordance with the original standards set forth by Stallings and Peres, the countries with the most liberalized economies appear to be Bolivia and Ecuador, two of the region's poorest countries. They are unlike the other countries in that they both boast low personal income tax rates, and, respectively, middle and low corporate income tax rates. Moreover, while Bolivia displays a great deal of liberalization through high interest rates and low inflation, Ecuador is liberalized primarily through high levels of private investment and domestic banking credits. Examples of moderately-liberalized countries include Mexico, whose high privatization and interest rates are offset by high tax rates, low banking credit, and only "middle" inflation rates. Also in this category is Uruguay, with high private investment, interest rates, and low inflation but high government expenditure and corporate income taxes.

Countries with little liberalization include Costa Rica and Venezuela. Costa Rica has high taxes, government expenditure, and inflation, which is offset only by middle-range interest and credit ratings. Venezuela has the same high tax rates as Costa Rica, but adds to its market deficiencies low private investment and back credit and high levels of inflation. According to Stallings and Peres, it should then follow that in ranking these six "example" countries, Bolivia and Ecuador should be the most stable. Next, we would expect to see Mexico and Uruguay, and, lastly, Costa Rica and Venezuela. Due to the fact that some literature theorizes that stability cannot result from liberalization without government intervention, however, the validity of Stallings and Peres' argument requires an analysis of Latin American countries' level of social programming.

Do liberalized markets work in conjunction with social programs?

Social programming data and index scores (see Tables 2.1 and 2.2) reflect that the Latin American region is led by Uruguay and Panama in terms of high government fund allocation to social services, education, health, and social security. Falling at the bottom of the scale is the highly liberalized Ecuador and, lower still, Paraguay. The countries whose rankings are most important in this portion of the study, however, are those who epitomize the three

levels of Latin American market liberalization. Highly liberal Bolivia received a programming index score of 3.84, the fourth highest of the 19 countries. Equally liberal Ecuador, however, ranked at -4.57, the second lowest. Uruguay, which is only moderately liberalized, had the highest programming score of 7.66, and Mexico, also moderately liberalized, had an average programming score of .36. Costa Rica's low market liberalization failed to prevent it from achieving the fifth highest programming score of 2.39, and Venezuela's low liberalization level corresponded to an equally low level of programming. It ranks 13th, with a score of -1.54.

The combined market liberalization and social programming data for the "example countries" leads one to assume the following:

• In Bolivia, high liberalization and high social programming should combine to result in high social welfare and mobilization, the indicators of stability.

• Should Ecuador's high liberalization level and low social programming combine to produce high levels of stability, the country will be consistent with Stallings' theory that market liberalization is the most important factor in determining system stability. Social programming, then, would be all but discounted.

• Uruguay's moderate degree of market liberalization and extremely high social programming should combine to produce at least relatively high stability.

• In Mexico, moderate market liberalization and moderate social programming should produce only moderate stability.

• Should Costa Rica have high stability, it will disprove Stallings theory, discounting market liberalization solely in favor of social programming.

• Venezuela's low levels of market liberalization and social programming should produce low overall stability.

The stability trends, however, seem to largely discount Stallings' and Peres' argument as well as Carol Graham's assertion that social programming is a necessary precursor to Latin American stability.

How stable are Latin American countries?

Social Welfare

Social welfare data and index scores (See Tables 3.1 and 3.2) show that this area of Latin American stability is led by Uruguay, with the highest score of 6.46. In this case, the original hypothesis appears be correct. Sufficient levels of market liberalization and a high degree of social programming in Uruguay combine to produce a stable system. However, the same cannot be said of the five other countries employed as the "example cases" in this study. Ecuador's high level of market liberalization and low social programming produce a relatively low amount of social welfare. The country is rated 12th with a score of -1.01, which all but discounts Stallings' assertion that liberal markets are a necessary precursor to system stability.

Costa Rica, however, does the opposite. The country has low liberalization, high social programming, and a relatively high degree of social welfare. It ranks 8th out of 19 countries with a score of 1.49. It would seem to show that social programming is more conducive to stability than market liberalization, but this theory, too, is discounted by the cases of Mexico and Venezuela. Mexico's average liberalization and programming produce relatively high social welfare. It ranks fifth with a score of 2.69. Venezuela's low liberalization and programming, on the other hand, fail to prevent the country from achieving high social welfare. It ranks seventh with a score of 1.97. Similarly, the fact that Bolivia had a high degree of market liberalization and social programming did not prevent extremely low social welfare. It ranks 17th, above only Guatemala and Haiti, with a score of -4.80. One can conclude from these findings that something in addition to market liberalization and social programming must play a role in determining a country's stability. The data on social mobilization confirms this.

Social Mobilization

Social mobilization data and index scores (See Tables 4.1 and 4.2) show that Uruguay's stability level dominates the Latin American region. It holds the highest mobilization index score, a value of 18.63, and is well above second-place Argentina, which is valued at 12.95. However, Uruguay is again the only country that

appears to conform to Stallings and Peres' contentions about the importance of market liberalization and Graham's assertion of the need for social programming. Ecuador's high market liberalization and low social programming translate into only average mobilization, a ninth-place score of 1.59, and Costa Rica directly follows with the average score of -2.31. There is a large gap between this country and its predecessor is in itself rather excessive. However, the data for Bolivia and Venezuela best shows the inaccuracy of Stallings and Graham's contentions.

Despite low market liberalization and social programming, Venezuela nonetheless brandishes an extremely high level of mobilization stability. It ranks third, with an index score of 12.53. On the other end of the spectrum, Bolivia's high liberalization and programming rates do not change the fact that the country has a mobilization rate that is even lower than its welfare. It ranks 16th, above only Paraguay, Guatemala, and Haiti, with a score of -8.99. Therefore, regardless of the fact that Mexico's average mobilization matches its average liberalization and programming, the overall data necessitates that researchers find an alternative explanation for Latin American stability levels. Even in Uruguay, where there appears to be a positive correlation between market liberalization, social programming, and stability, it is likely that some intervening factor plays a role.

Searching for an Alternative Explanation for Latin American Stability

Coalitions in Latin America

Several political scientists go beyond evaluating Latin American stability in terms of market liberalization and social programming to look instead at the impact of coalitions. They refer to electoral coalitions between a society's poor, elite, and governing officials. According to Edward L. Gibson, Latin America's political systems are dependent upon the formation of metropolitan coalitions to give support to a ruling party's development strategies. Also needed is a peripheral coalition functioning "largely as an electoral coalition, which carries the burden of generating electoral majorities" (Gibson 340). The two groups rely on the membership of both the wealthy people who stand to benefit from participation in coalitions and the poor who do not.

While the metropolitan coalition consists of urban citizens from well-off, professional sectors, the electoral coalitions rely on individuals who are for the most part poor, rural dwellers.

> The secret of governments' success was due largely to their ability to make effective the dualistic nature of their societies in the coalitional realm by bringing together the most antagonistic sectors of society and giving them distinct tasks in the creation and reproduction of populist power (Gibson 342).

Local elites in the metropolitan coalition were given control over the economic realm. The rural poor were expected to mobilize in favor of their initiatives and, subsequently, the policy initiatives of the government. However, in many Latin American countries where the poor outnumber the wealthy, it became difficult to engage the mass citizenry in such mobilization efforts. They opposed the inequalities of the system, and rejected many social programs and economic reforms simply because they were not made on their terms. Successful coalitions were thus often unattainable.

Political economist Hector E. Schamis describes throughout his writings "the politics of neutralizing the losers [and] empowering the winners" (Schamis 237-238). The losers to which he refers are peasants, who have little say in development and reform efforts, and the winners are the elites who control virtually all of society's social and governing aspects. The hierarchical power structure makes the fact that Latin American governments are withdrawing from the economic realm and implementing social programs irrelevant to their overall stability. While governments focused on market reforms may to some extent limit rent-seeking behavior[10], the fact remains that dominant citizen groups have more say in political initiatives due to their societal influence. "The politicization of economic [and other] policies leads to inefficient allocation and resources are continuously wasted in efforts to influence policymakers" (ibid 240). Beyond the material resources, impoverished citizens often feel elites and government officials overlook their human resources, or contributions to and opinions about society. This feeling more often than not leads to displeasure with and revolts against society's functionality, creating instability.

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[10] Rent-seeking, or clientelism, refers to the tendency for governments to do favors for or cater to dominant societal groups in exchange for political support.

Applying Coalition Failures and Successes to Specific Countries

Bolivia

Bolivia is perhaps the Latin American country that best exemplifies the effects of failed metropolitan and peripheral coalitions. It is highly unstable regardless of high levels of market liberalization and social programming. Elite opposition, along with the international shift away from drug reliance, convinced governing officials to look down upon and punish peasants who rely on cultivation as an income base. These peasants, therefore, more often than not revolt against their "superiors" than support their policy initiatives.

Coca profits allow the residents of Bolivia's coca-producing regions access to hospitals, roads, schools, low-income housing, and social services necessary for basic functioning. "The national government did not have the resources to compete, and the otherwise poor population did not ignore, the apparent benefits accruing to itself and the region in general" (Menzel 5). Over one million Bolivians, by means of their involvement in coca production, not only have the funds necessary to purchase simple commodities, but also a relative sense of stability and desire for political involvement. "When growth is at a crawl, income per head has shrunk, unemployment is increasing, and the value of real wages continues to decline" (Keller 4), citizens must rely on income-producing methods by which they have continuously been supported. The income prospects associated with land exploitation and cultivation have long cushioned the peasantry's grim circumstances.

"Coca production is but one more link in the long chain of peasants' fight for survival" (Justiniano 100). It provides them with a means of income while they migrate from area to area, realizing that stable, centrally-located work is difficult to come by. Their living standards are comparable to the lowest levels in Africa, ranging from general health and life expectancy to educational deficits, and leaders' inability to continuously provide for their growing needs only widens the circle of rural poverty. Therefore, "peasants have nothing to lose. As long as coca provides a family livelihood, they will protect their coca crop at all costs" (ibid). The lengths to which they will go to protect this life-saving crop are virtually limitless, evidenced by their non-compliance with the Zero-Option policy.

"Growers promised civil war if President Sánchez de Lozada tried to dislodge Chepare residents" (Lehman 212) from the coca fields, and eventually forced the cultivation process to return to "business as usual" (ibid). This was significant for peasants because they maintained a degree of involvement in the profitable coca industry and made their often overlooked presence known throughout the country. They will continue to fight for this recognition as long as elites and government officials downplay the importance of their means of subsistence.

Bolivia's high liberalization and social programming initiatives were an overall failure in terms of stability because their benefits were aimed at the wrong sector of the population. While social assistance efforts like the ESF briefly increased the overall employment and wage rate, and made improvements to the country's infrastructure, middle- and upper-class citizens continue to be the primary recipients of any market gains and opportunities for social advancement because they are thought to contribute to societal development in the most productive manner. The poor, on the other hand, rely on "unproductive" coca cultivation as a self-initiated, informal social program.

Uruguay

While Bolivia's lack of cooperation between the elite and poor likely explains its low level of system stability, Uruguay's surprisingly high levels of social welfare can in some part be attributed to the peaceful coexistence of citizens across all social classes. "By Latin American standards, Uruguay is a relatively egalitarian society with a large middle class …. The incidence of extreme wealth and poverty still approximated the pattern of developed countries rather than that of developing countries" (Hudson and Meditz 69). While there is indeed an upper and lower class in Uruguayan society, the differences between the two groups are not strongly defined and neither is thought to have a greater government influence. Both stand to benefit from market initiatives and government-sponsored social programs, and both are needed equally for electoral and policy support. This is evidenced by the fact that unlike the social elites in bordering Argentina, Uruguay's landholders "never achieved the social and political preeminence" (ibid 70). Moreover, across the country, "the urban-rural divide was no longer very pronounced" (ibid 71). The virtual equality that characterized the relationship between classes was largely translated into cooperation between Uruguay's political parties.

Politicians know they will play an active role in Uruguay's political realm regardless of whether they are members of the dominant governing party. With coparticipación[11] "parties refrained from systematic opposition, thereby helping to ease the legislative passage of government policies" (Hudson and Meditz 173). Members participated equally in the legislative process regardless of opposing ideologies, but even the differences between them were not profound. Ideological differences result from allegiance to specific leaders and traditions rather than ties to particular political viewpoints, and social status and income are rarely labeled as the determining factors in individuals' party affiliations (ibid). Coalitions do exist, but the same equality among parties can be seen among the electoral and metropolitan realms. The fact that the government calls on equal involvement from all citizen classes gives one group no reason to oppose the initiatives of the other, creating a stable society in which government leaders can provide for their citizens' well-being.

Mexico

Mexico, like Uruguay, has a highly inclusive societal structure in which members of all social and economic groups can play a role in government policy-making. However, the process by which this political involvement comes about is chaotic, likely explaining the country's moderate stability level. The Mexican governing system is by and large run by society's elite, membership to which "is based on the possession of resources, sometimes political and sometimes economic" (Rudolph 281). Elites have more access to prominent political officials and sometimes the means for financial growth. The "chaos" involved in the functionality of Mexican elites, however, comes as a result of the fact that the label of "elite," unlike in other Latin American countries, has never been limited to society's professionals or the most economically well-off.

Elite classification is instead based on the principle of "mutual accommodation" (Rudolph 281), and accurately describes members of the middle class, business interests, union members, and even the Mexican peasantry. "The heterogeneity of this elite largely accounted for what analysts have described as the policy incoherence of the government and the shifting of emphasis from

[11] Coparticipación refers to Uruguay's tendency to allow members of its two major parties to equally take part in governing the country.

reform during one sexenio[12] to consolidation and conservatism in the next" (ibid). The system brings opposing coalitions together into a single group. However, the fact that each often has different interests based on their respective societal placement makes succinct policy agendas and passage difficult to accomplish. Mexico's stability is as a result often unable to reach its utmost levels.

Bolivia, Uruguay, and Mexico are representative of the three varying levels of system stability present throughout Latin America. When their political systems are analyzed together, they show that the functionality of citizen coalitions play a large role in determining the extent to which any one country can achieve stability. It is apparent, then, that stability necessitates the existence of coalitions prior to any substantial market reforms or government social programs. This is true because functional coalitions, more so than the dysfunctional, will create a political environment in which governing officials will more easily be able to implement policies necessary for their desired social and economic reforms.

Conclusion

In their 1968 study, Duff and McCamant claimed that "instability is brought about by a population that considers the political system to be illegitimate and/or ineffective, and by political institutions which cannot meet the needs and demands of society or lack the capacity to adjust" (Duff and McCamant 1125). Legitimacy and effectiveness, as demonstrated by Stallings, Peres, and Graham, can be restored in part by government efforts to liberalize the economy or install ample social programs within society. However, the results of this study show that society's citizen coalitions are more important in determining governments' ability to maintain stability. Only these coalitions will determine the ease with which governments can make economic, social, or other relevant policies.

Metropolitan coalitions were noted for "incorporating new social actors into the political process" (Gibson 366), and the peripheral coalition for "extending the parties' territorial reach throughout the more economically backward regions" (ibid). However, as evidenced by countries like Bolivia, coalitions between the two sectors become dysfunctional if they do not have equal opportunities to influence societal and government happen-

[12] Sexenio refers to a presidential administration. See Rudolph 283.

ings, lessening stability. Should governments want to create a more stable Latin America in the future, they must follow Uruguay's example and incorporate social and economic initiatives with the assurance that divisions among the citizenry will not put a damper on their societal role.

TABLE 1.1: Factors Influencing Market Liberalization in Latin America

Country	% Personal Tax[1]	% Corporate Tax	% Private Investment[2]	% Banking Credit	Interest Rates (%)	Govt. Expenditure[3] (% GDP)	% Inflation[4]
Argentina	35	35	92.6	34.8	3.0	14.1	-.9
Bolivia	13	25	59.7	66.2	23.1	18.5	4.4
Brazil	28	15	80.6	50.5	--	46.1	6
Chile	45	15	80.8	68.8	4.1	18.0	4.5
Colombia	35	35	55.9	40.5	9.1	12.8	9
Costa Rica	25	30	73.2	38.3	11.4	27.2	11
Dominican Republic	25	25	82.9	37.0	9.0	11.6	7.9
Ecuador	0	0	82.9	87.0	15.1	11.9	96
El Salvador	--	--	77.3	44.4	4.7	--	2.5
Guatemala	25	28	79.8	17.1	11.6	--	6
Haiti	--	--	--	24.1	15.5	--	19
Honduras	--	--	--	28.5	10.2	--	11
Mexico	40	35	81.4	29.1	16.3	14.3	9
Nicaragua	30	30	62.0	144.8	11.9	68.9	11
Panama	30	30	84.0	93.6	--	25.0	1.8
Paraguay	0	30	67.0	27.1	10.5	7.8	8
Peru	30	30	84.5	24.9	14.5	13.8	3.7
Uruguay	--	30	72.0	43.2	39.0	31.6	4.8
Venezuela	34	34	43.6	16.5	10.8	16.0	13

[1] All tax, bank credit (as percent of GDP), and interest rate data are 1999 statistics from the World Bank. World Development Report. New York: Oxford UP, 2001.

[2] Private investment rates are based on 1997 data from the World Bank. World Development Report. New York: Oxford UP, 2001.

[3] Government expenditure rates are based on 1990-1999 data from the World Bank. World Development Report. New York: Oxford UP, 2001.

[4] Inflation rates shown are 2000 consumer price inflation rates from the CIA World Fact Book, 2001. (www.cia.gov/cia/publications/factbook).

TABLE 1.2: Market Liberalization Scores[1]

Country	% Personal Tax	% Corporate Tax	% Private Investment	% Banking Credit	Interest Rates (%)	Govt. Expenditure (% GDP)	% Inflation
Argentina	2	2	2	1	0	1	0
Bolivia	0	1	1	1	2	1	0
Brazil	1	0	2	1	--	2	1
Chile	2	0	2	2	0	1	0
Colombia	2	2	1	1	1	1	1
Costa Rica	1	2	2	1	1	2	2
Dominican Republic	1	1	2	1	1	1	1
Ecuador	0	0	2	2	1	1	2
El Salvador	--	--	2	1	0	--	0
Guatemala	1	1	2	0	1	--	1
Haiti	--	--	--	0	1	--	2
Honduras	--	--	--	0	1	--	2
Mexico	2	2	2	0	2	1	1
Nicaragua	2	2	1	2	1	2	2
Panama	2	2	2	2	--	1	0
Paraguay	0	2	1	0	1	0	1
Peru	2	2	2	0	1	1	0
Uruguay	--	2	2	1	2	2	0
Venezuela	2	2	0	0	1	1	2

[1] Scores were assigned based on the market liberalization interval categories into which each country was placed (see Appendix 1). Countries categorized as "low" received a score of 0, those categorized as "middle" received a score of 1, and those categorized as "high" received a score of 2.

TABLE 2.1: Social Programming in Latin America

Country	% Social Services[1]	% Education	% Health	Social Security Taxes[2]
Argentina	63.6	3.5	4.0	1
Bolivia	51.2	4.4	1.1	22
Brazil	33.0	5.1	3.4	6
Chile	71.3	3.6	2.4	4
Colombia	45.2	4.1	4.9	5
Costa Rica	59.6	5.4	6.9	1
Dominican Republic	44.2	2.3	1.6	0
Ecuador	32.1	3.5	2.5	7
El Salvador	--	2.5	2.6	13
Guatemala	--	1.7	1.5	5
Haiti	--	--	1.3	1
Honduras	--	3.6	2.7	2
Mexico	48.1	4.9	2.8	9
Nicaragua	36.2	3.9	4.4	1
Panama	65.2	5.1	6.0	10
Paraguay	31.5	4.0	2.6	4
Peru	--	2.9	2.2	9
Uruguay	75.8	3.3	1.9	13
Venezuela	--	5.2	3.0	0

[1] The percentage of public expenditure on social services in general, and education and health services specifically, is based on 1990-1998 data from the World Bank. World Development Report. New York: Oxford UP, 2001. (Social service is measured as a percentage of total expenditure, health is a percentage of the GDP, and education is a percentage of the GNP.)

[2] Data for social security taxes (as a percent of total revenue) was based on 1992-1999 statistics from the World Development Indicators. New York: World Bank, 2001.

TABLE 2.2: Social Programming Index Scores

Country	Index Score[1]
Uruguay	7.66
Panama	5.74
Chile	4.49
Bolivia	3.84
Costa Rica	2.39
Argentina	2.18
El Salvador	1.50
Peru	.43
Mexico	.36
Colombia	-1.04
Honduras	-1.51
Guatemala	-1.54
Venezuela	-1.54
Haiti	-3.35
Dominican Republic	-3.82
Brazil	-3.97
Nicaragua	-4.47
Ecuador	-4.57
Paraguay	-5.32

[1] Index scores are based on each indicator's standard deviation, or distance from the mean. For countries with values for all four indicators of social programming, each indicator was weighted at 25% of the final index score. For countries with three indicators (Guatemala, Honduras, Peru, and Venezuela), each indicator was weighted at 33.33% of the final index score. For countries with two values (Haiti), each indicator was weighted at 50% of the final index score.

TABLE 3.1: Social Welfare as a Measure of Stability in Latin America

Country	GDP per Capita ($)[1]	% Literate[2]	% High School[3]	Life Expectancy[4]	Infant Mortality per 1,000 births[5]	People per doctor[6]	People per Hospital Bed[7]
Argentina	7,678	93.7	77	75	19	479	492.7
Bolivia	995	85.7	40	64	60	2,960.2	754.0
Brazil	3,484	85.3	66	64	33	407.2	358.7
Chile	4,669	95.7	85	76	10	1,976.3	503.6
Colombia	1,930	91.8	76	71	23	1,077.8	920.8
Costa Rica	3,964	95.6	40	76	13	1,261.3	710.7
Dominican Republic	2,982	83.6	79	74	40	1,062.2	863.1
Ecuador	1,088	91.3	51	72	32	715.1	670.2
El Salvador	2,103	78.9	36	70	31	2,860.9	1,329.5
Guatemala	1,659	68.8	35	67	42	3,074.9	1,819.6
Haiti	432	49.9	--	50	71	7,304.3	2,124.4
Honduras	919	74.6	36	69	36	5,554.5	1,439.4
Mexico	5.805	91.3	66	72	30	792.7	1,320.2
Nicaragua	478	68.6	51	69	36	2,648.3	1,058.4
Panama	3,508	91.9	71	76	21	792.4	394.5
Paraguay	1,405	93.3	61	74	24	1,243.1	763.4
Peru	2,085	90.0	84	71	40	1,012.1	617.1
Uruguay	6,009	97.8	84	76	16	278.4	461.0
Venezuela	5,017	92.7	49	74	21	885.4	644.7

1 GDP data was obtained from the United Nations Department of Economic and Social Affairs. "Indicators on Income and Economic Activity," 2000.

2 Literacy percentages were obtained from the United Nations Department of Economic and Social Affairs. "Indicators on Literacy," 2002.

3 High school percentages were based on 1997 data from the World Bank. World Development Report. New York: Oxford UP, 2001.

4 Life Expectancy data was obtained from USAID. Economic and Social Database: Latin America and the Caribbean. "Population, Health, and Nutrition," 2002.

5 Infant mortality rates were based on 1998 data from the World Bank. World Development Report. New York: Oxford UP, 2001.

6 The number of people per doctor was obtained from the Economic Commission for Latin America. Statistical Bulletin for Latin America and the Caribbean, New York: 2001. (With the exception of Argentina, Guatemala, and Honduras, for which only 1980 figures were available, all data was drawn from information for 1999-2000.

7 The number of people per hospital bed was obtained from the Economic Commission for Latin America. Statistical Bulletin for Latin America and the Caribbean, New York: 2001. (With the exception of Haiti, for which only 1980 figures were available, all data was drawn from information for 1990-2000.)

TABLE 3.2: Social Welfare Index Scores

Country	Index Score[1]
Uruguay	6.46
Chile	6.43
Argentina	6.01
Panama	3.17
Mexico	2.69
Colombia	2.35
Venezuela	1.97
Costa Rica	1.49
Peru	1.34
Paraguay	.90
Brazil	.25
Ecuador	-1.01
Dominican Republic	-2.60
El Salvador	-3.10
Nicaragua	-3.97
Honduras	-4.77
Bolivia	-4.80
Guatemala	-5.48
Haiti[2]	-11.46

[1] All index scores were computed in terms of each country's standard deviation, or distance from the mean. GDP is most indicative of a country's ability to provide for its citizens, and therefore comprises 50% of the final score. All other social welfare indicators are equally weighted at 8.33% and added to comprise the other half of the index score. (Signs on standard deviations for infant mortality, people per doctor, and people per hospital bed were reversed to show that negative numbers reflected greater stability and positive numbers reflected less.)

[2] Education data for Haiti was unavailable. Therefore, the country's final index score was computed by weighting the GDP at 50% and the five remaining indicators at 10%.

TABLE 4.1: Social Mobilization as a Measure of Stability in Latin America

Country	Newspapers per 1,000[1]	Radios per 1,000	Televisions per 1,000	% in Labor Force[2]	% Urban[3]
Argentina	123	681	289	41.0	88
Bolivia	55	675	116	37.0	7
Brazil	40	444	316	47.0	81
Chile	98	354	232	40.0	86
Colombia	46	581	217	43.4	75
Costa Rica	94	271	387	27.8	59
Dominican Republic	52	178	95	47.6	65
Ecuador	70	419	293	40.3	63
El Salvador	48	464	675	48.4	60
Guatemala	33	79	126	36.0	40
Haiti	3	55	5	38.5	36
Honduras	55	386	90	31.7	53
Mexico	97	325	261	41.1	74
Nicaragua	30	285	190	40.8	56
Panama	62	299	187	35.7	56
Paraguay	43	182	101	37.0	56
Peru	0	273	144	35.7	73
Uruguay	293	607	241	60.6	92
Venezuela	206	468	185	63.3	87

[1] Data on newspapers, radios, and televisions per 1,000 are based on 1996-1998 statistics from the World Bank. World Development Report. New York: Oxford UP, 2001.

[2] Labor force percentages are based on 1999 statistics from the World Bank. World Development Report. New York: Oxford UP, 2001.

[3] Percentages of urban residences were obtained from the United Nations Department of Economic and Social Affairs. "Indicators on Human Settlements," 2000.

TABLE 4.2: Social Mobilization Index Scores

Country	Index Score[1]
Uruguay	18.63
Argentina	12.95
Venezuela	12.53
El Salvador	10.71
Brazil	6.90
Colombia	5.74
Chile	4.17
Mexico	1.97
Ecuador	1.59
Costa Rica	-2.31
Peru	-4.63
Nicaragua	-5.25
Panama	-5.41
Dominican Republic	-5.68
Honduras	-7.15
Bolivia	-8.99
Paraguay	-9.59
Guatemala	-16.07
Haiti	-18.55

[1] Index scores were computed based on each indicator's standard deviation, or distance from the mean. Each of the five indicators were weighted at 20% of the final index score.

APPENDIX 1: Stability Measurement Flaws

Throughout the course of my research, it became increasingly apparent that Duff and McCamant's work stopped short of measuring political system stability. Several political scientists indicate that social welfare and mobilization are necessary characteristics of a stable system, but are not an adequate measure of stability. M. Stephen Weatherford claims stability results when citizens view a political system as legitimate, giving it high approval ratings. Factors contributing to legitimacy include overall government accountability, efficiency, procedural fairness, and distributive fairness (Weatherford 150). Harry Eckstein adds that the notion of stability "implies effective decision making … in pursuit of shared political goals or in adjustment to changing conditions" (Eckstein 184). In order to function properly, government policies must reflect the needs and wants of the people.

The authors claim (1) that high social welfare and mobilization are precursors to people's political system approval, and (2) that measuring approval, and thus stability, requires collecting public opinions. The second assertion presents a problem for studies of the Latin American region due to the lack of sufficient public opinion data. One available source, Ronald Inglehart's 1997 World Values Survey, asks respondents to rate the current political system, determine the extent to which government officials act in the interest of all citizens, and rate their satisfaction with current political officials' job performance. However, such questions are problematic because they focus on satisfaction with current administrations rather than the political system in general. Moreover, Inglehart's data set includes only 8 of the 19 countries examined in this research project, impeding my ability to obtain complete results. It was therefore necessary to measure stability along the lines of Duff and McCamant, using indicators that lead to stability rather than reflect it.

APPENDIX 2: Market Liberalization Interval Categories[1]

Personal Income Tax:	0-15:	Low
	16-29:	Middle
	30+:	High
Corporate Income Tax:	0-15:	Low
	16-29:	Middle
	30+:	High
Private Investment:	0-50:	Low
	51-70:	Middle
	71+:	High
Domestic Banking Credit:	0-30:	Low
	31-60:	Middle
	61+:	High
Interest Rates:	0-5:	Low
	6-15:	Middle
	16+:	High
Government Expenditure:	0-10:	Low
	11-25:	Middle
	26+:	High
Inflation:	0-5:	Low
	6-10:	Middle
	11+:	High

[1] Data was obtained from the United Nations' 2000 "Indicators on Income and Economic Activity" and 2002 "Indicators on Literacy," The World Bank, USAID, and the Economic Commission for Latin America. All listed numbers refer to percentages, and categories were determined through categorical estimations.

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