



**THE POLITICS OF ECONOMIC LIBERALIZATION:
ARGENTINA AND BRAZIL
IN COMPARATIVE PERSPECTIVE**

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ABSTRACT

The recent trends toward economic liberalization in Latin America provide an unusual opportunity to analyze a number of important questions in the political economy of development and underdevelopment. Why has virtually every Latin American country suddenly reversed the direction of the economic policies that had been in place for a full half-century or more? Why is the pace of such change rapid in some countries and slow in others? What are the already discernible and likely future consequences of such changes for development? What are their implications for theories of development and underdevelopment? What conceptual, theoretical, and methodological tools are available and fruitful for analyzing these topics? This paper examines these questions with particular reference to the difference in the pace of change toward economic liberalization between Argentina under Menem and Brazil under Collor.

RESUMEN

Las tendencias recientes hacia la liberalización económica en América Latina proporcionan una oportunidad excepcional para analizar un buen número de cuestiones importantes referentes a la economía política de desarrollo y subdesarrollo. ¿Por qué virtualmente cada uno de los países de América Latina ha cambiado repentinamente la dirección de las políticas económicas que habían estado vigentes durante medio siglo o más? ¿Por qué el ritmo de este cambio es rápido en algunos países y lento en otros? ¿Cuáles son sus probables consecuencias futuras, y ya en alguna medida perceptibles, para el desarrollo? ¿Cuáles son sus implicaciones para las teorías del desarrollo y subdesarrollo? ¿Qué instrumentos conceptuales, teóricos y metodológicos, están disponibles y son fructíferos para analizar estos temas? El presente trabajo analiza estas cuestiones haciendo referencia especial a la diferencia en el ritmo del cambio hacia la liberalización económica entre Argentina bajo Menem y Brasil bajo Collor.

The recent trends toward economic liberalization in Latin America provide an unusual opportunity to analyze a number of important questions in the political economy of development and underdevelopment. Why has virtually every Latin American country suddenly reversed the direction of the economic policies that had been in place for a full half-century or more? Why is the pace of such change rapid in some countries and slow in others? What are the already discernible and likely future consequences of such changes for development? What are their implications for theories of development and underdevelopment? What conceptual, theoretical, and methodological tools are available and fruitful for analyzing these topics? This paper touches on all these questions. However, it gives greatest emphasis to the issue of why the pace of change toward economic liberalization has been more rapid so far in Argentina (and also Chile and Mexico) than in Brazil (and also Peru and Venezuela).

Recent theoretical work on state-market relations in developing countries tends to focus on the question of the appropriate mixes of state/nonstate components in development (e.g., Hirschman 1981; Berger 1984, 1986; Lal 1983, 1992; de Soto 1989; North 1990; Perkins and Roemer 1991; Vogel 1991; Doner 1992; Wade 1992). Such work is extremely important. But notwithstanding its many virtues, it has relatively little to say about why the recent trends have occurred and even less about why some countries have liberalized faster than others. A partial exception to the second generalization is Grindle and Thomas (1991). However, although their book is comprehensive and systematic, it seems to be more a checklist of clusters of variables that might be drawn upon for theoretical purposes than a theoretical argument. Some other recent efforts to study the politics of policy-making in Latin America and other developing countries (e.g., Nelson 1990; Haggard 1990) appear to have been conceived and written before the recent sea changes in the direction of economic liberalization were fully apparent; thus, they do not capture empirically or exploit methodologically and theoretically the innovations these changes express.

Regarding our principal concern in this paper, explanations for differences in the pace of change in different cases, we find that political explanations are more sustainable than economic, cultural, or sociological explanations. More specifically, the political variables we find to be relevant as explanatory factors include the partisan relationship of the elected president to the historical legacy of statism in the most recent presidential election; the nature of the party system; presidential leadership; and the degree of consensus within civil and political society on the economic situation and policies and political arrangements to deal with it. However, before getting into our explanations for differences in the rates of change, it is necessary to say a few words about the concepts we shall use, the overall trends regarding development models in Latin America, the research opportunities they present, and the explanations for the overall trends.

Approaching the Subject: Concepts, Trends, Opportunities

A revolution is underway in approaches to development in Latin America. This revolution has gone farther among policymakers than scholars, yet it provides important new opportunities for scholars to learn about the political economy of development. In order to pursue these opportunities we need clear concepts and an appreciation of the methodological and theoretical significance of the current historical moment.

Imagine a continuum along the dimension “degree of state control of the private sector of the economy.” (Although this dimension includes various elements that may go in either consistent or contradictory directions—more about that shortly—it can also be aggregated into one single dimension conceptually and empirically.) At one end of the continuum is total state control; at the other end is no state control at all. Now divide the continuum into four sections or types, from left to right: very high state control, fairly high state control, fairly high private control, very high private control. Let us call the four sections socialism, state capitalism, welfare liberalism, and raw savage capitalism respectively. (Of course, different labels could be used as long as they are clear and useful.) So far the exercise is strictly abstract; no cases have been identified.

Total State Control	Socialism	State Capitalism	Welfare Liberalism	Raw Savage Capitalism	No State Control
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Now let us use the four types to locate Latin American cases and illustrate the significance of the current massive changes in development models. Especially from the 1930s to the 1980s most Latin American countries, while capitalist, had very high levels of economic control by the state. In other words, during that period most of them were in the state-capitalist category. For example, that certainly was the case for Mexico since Cardenas, Brazil since Vargas, and Argentina since Perón. Most other Latin American countries also fitted the state-capitalist category. One possible exception is Costa Rica; one might argue that it was in the welfare liberalism category. But there were not many exceptions, and even the Costa Rican case is debatable. The major exception after 1959 was Cuba, which fitted firmly into the socialism category.

During the half-century from 1930 to 1980 or so there were many policy and academic debates in Latin America (and among foreign Latin Americanists) about what kind of state capitalism to have and whether to move from state capitalism to socialism, but fewer policy and academic debates about moving to welfare liberalism or raw savage capitalism. The thinking of the vast majority of decisionmakers and intellectuals within most Latin American countries was so firmly

embedded in the range of state capitalist models, and occasionally socialist alternatives to them, that they never considered moving to welfare liberalism—let alone raw savage capitalism. Relatively small minorities of policymakers and thinkers within many countries did call for greater liberalism, but they were never successful in moving their countries' policies out of state capitalism into welfare liberalism. They were usually designated 'monetarists,' later 'Chicago Boys,' or simply 'liberals,' which in Latin America tended strongly to connote elitism, authoritarianism, and reaction; with a few notable exceptions they were marginal players in both the political arena and the academy during this period.

The raw savage capitalism model, with very low state involvement, did sometimes operate in reality in certain *sectors* of the economies of many countries—particularly in the poorest and most socially retrograde countries and areas—but *nowhere* was it a model of *national* development endorsed or favored by influential political leaders or intellectuals. (Anyone who thinks, superficially, that Chile after 1973 is a case of raw savage capitalism needs to think again; to cite just one datum that is highly inconvenient for that hypothesis, not even Pinochet denationalized the copper industry.) As a national political model, raw savage capitalism has been (and remains) much more a negative symbol for proponents of state capitalism and socialism to beat upon than a widely desired, realistic, politically viable option.

In sum, during the half-century before the late 1980s and the 1990s most policy and intellectual debates in Latin America were about what kind of state capitalism and, after 1959, whether state capitalism or socialism. Defenders of more liberal models of economic development were on the defensive vis-à-vis either of the options on the left-hand side of the spectrum.

Recently, those 50-year-old patterns have changed dramatically. The socialist model has largely disappeared as an option in policy and theoretical debate, at least for the moment. The model of welfare liberalism is now admissible to the debate. There is movement, in varying degrees in different countries, toward the liberal end of the spectrum. Whether this means movement only as far as the right end of the state capitalism category or actually into the welfare liberalism category, the direction of the change is clear and virtually uniform in the region. In short, a process of economic liberalization has been going on that is unprecedented since the 1930s. It constitutes a revolution in ideas and policies regarding state/private-sector relations.

No one predicted in the last five to twenty years what is now going on throughout most of the region; if anyone had predicted it, he or she would have been regarded as hopelessly uninformed or ideological, if not a denizen of the lunatic fringe. Yet it has happened. Wherever countries were located on the spectrum before, by the early 1990s most of them (with the exception of Cuba) were moving, at varying speeds, toward a smaller state role and a larger private-sector role than they had previously.

In addition to being intrinsically fascinating and important as political and economic events in the region, these changes also provide an unusual opportunity for the researcher interested in the comparative study of the political economy of development. Methodologically, they offer the chance to study two major questions: What accounts for the similarities, and what accounts for the differences, in the overall trend toward economic liberalization?

Explaining the Overall Trend

One of the striking features of the current situation is that no matter what the party, ideology, generation, previous history, personality, etc., of the leadership of the various national governments, the broad trend toward liberalization is the same. Not only the right but most of the center and left (or at least the center-left) speaks of liberalizing the economy. Pinochet and Aylwin; Alfonsín and Menem; Belaúnde Terry and Vargas Llosa and Fujimori; Carlos Andres Pérez; the Collor government with a weak party base or the Salinas government with a strong party base—no matter what these or other differences, the overall direction of the change is nearly everywhere the same, that is, to move toward more liberalization. This overall trend is a notable phenomenon which requires explanation. Even where the changes are mainly rhetorical they are significant because they differ so strongly from previous rhetoric; such changes alter profoundly the agenda and terms of discourse among policymakers and hence the kinds of goals they pursue.

What accounts for the overall trend toward liberalization? This question has received little systematic study, but a number of explanations are 'in the air,' and the following are perhaps the major ones:

1. Imposition from the external environment. This explanation takes a variety of forms. The debt crisis is often mentioned as a contextual factor that made Latin American countries even more vulnerable than usual to external pressures for economic liberalization. Apocryphal stories circulate of IMF and World Bank officials making comments such as, "We've got 'em [Latin American governments] by the short hairs now and we won't let go until they make liberal reforms." This explanation is consistent with various (though not all) versions of the dependency perspective on Latin American development.
2. *Moda* or fad, fashion. This is the notion that once the trend started it gained momentum simply as a fad or fashion: everybody's doing it. It is a kind of 'domino theory' of economic policy-making. Another version of (or name for) this explanation might be an assimilation or diffusion theory of economic policy-making, in which liberalizing ideas and policies tried in one place spread to other places.
3. Pragmatism. This explanation asserts that Latin American leaders are problem-solvers who more or less suddenly came to similar conclusions. It stresses that in the 'conjuncture' of the '80s and '90s, movement in the

direction of liberalism was more likely than other approaches to get good economic results. The policies of leaders changed accordingly.

Seismic historical events, particularly the collapse of the Soviet empire, are also cited as explanations and used to bolster one or more of the three theoretical explanations above.

A case can be made for each of these explanations. Perhaps all of them have some validity. In this paper we seek not to assess these explanations but to record them and stress that explaining the overall trend is a different task from explaining variations within it. Both topics are important, but the latter is our main focus in this paper and we turn to it now.

Explaining the Variations

Although the broad direction of change is the same almost everywhere, there are also important variations in different cases which also need to be conceptualized, described, and explained.

Economic liberalization, that is, reduced control by the state over the market and the private sector, is an aggregate concept that has a number of elements or subdimensions. Among these are privatization of state enterprises, more liberal trade policies, more liberal investment policies, deregulation of ongoing private-sector enterprises, reductions in state subsidies, budget deficits, state bureaucracies, and moves toward bureaucratic decentralization. Obviously, economic liberalization can occur on some of these subdimensions without necessarily occurring on others. It can go up on one subdimension and down on another. Countries vary in the scope of the economic liberalization occurring in them.

Another measure of variation is the length of time liberalization has been going on. For example, Chile began much earlier than most other countries; Mexico liberalized before Argentina. The velocity of liberalization also is different in different places. Once it began in Mexico it moved quite rapidly; by contrast, the pace of change in Brazil has been slow. Duration times velocity yields the total extent of change, which then constitutes still another variable of liberalization. There are variations in the discrepancy between the rhetoric and the reality of economic liberalization. The durability of reforms may also emerge as a source of variation.

We know some things about these variations, but there is also a great deal we do not know which needs to be monitored and studied as the process unfolds. Thus, a full, systematic accounting of the variations throughout Latin America is impossible at this time. That having been said, there still seems to be an informal, partly impressionistic, but rather general consensus about which countries are in aggregate terms farther along than others in the process of economic liberalization. In this loose ranking Chile and Mexico (and perhaps also Bolivia about whose reforms I know little) are seen as the cases where liberalization has gone farthest. Argentina is

seen as not quite as far along but still in the 'more liberalized' category. By contrast, in the 'less liberalized' category are the cases of Brazil, Peru, and Venezuela, where there is a perception of a higher ratio of rhetoric to reality.¹

These distinctions seem valid as working assumptions in research on the causes of variations in liberalization in different countries. In what follows we shall draw upon these distinctions, particularly the one between the cases of Argentina and Brazil. In both countries the rhetoric of the government is favorable to economic liberalization, yet in Argentina the process of implementing the rhetoric has gone faster and farther across a broader set of subdimensions than it has in Brazil. The contrast between the two cases is sharp.

Why have the policies of economic liberalization announced by their respective governments been implemented so much more fully and speedily in Argentina (and, by extension, Chile and Mexico) than in Brazil (and, by extension, Peru and Venezuela)? Before presenting my hypotheses, it may be useful to record the following. When I went to Brazil in early August 1991 I was aware of the gap between rhetoric and reality in the Brazilian case and the more rapid pace of change in Argentina compared to Brazil. But I did not know the depth and scope of the differences. During the first month, spent entirely in Brazil, the gap between rhetoric and reality in that country became vividly apparent, but I could not explain it and in fact found it increasingly puzzling. Almost no one had an alternative to economic liberalization; almost everyone acknowledged this; but many of those same people were strongly against it! This seemed odd, even bizarre, but there it was. The country was in a deep crisis that was simultaneously economic, political, and ethical, but few politically significant actors supported the *reforma do estado* proposed by the president. In an effort to understand why not, I got deeper and deeper into the many layers of Brazil's crisis, but I still could not understand why the reform effort was so bogged down.

After a month I had become seriously worried about the state of Brazil. I was also becoming concerned about the state of my research on its program of economic liberalization. I was learning a lot about Brazil's crisis, but I still could not explain why the reform effort was stalled. My time in Brazil was running out. My dilemma was difficult: How could I begin the Argentina part of my research when I still had not gotten a handle on the Brazil case? Yet to stick to my schedule I had to leave for Argentina. So I did. What happened then was interesting. Within a few hours of beginning to soak in and read about the Argentine situation, I began to have insights about what was happening in Brazil. Within a few days I had formulated the early versions of the hypotheses I report in this paper. During my month in Argentina and a final week back in Brazil, I refined and

¹ The following are among the more useful published descriptive accounts of the degree of economic liberalization in different countries: Krauze 1992, Glade 1991, Vernon 1988, Ratliff and Fontaine 1990.

tested the hypotheses through further field research and (in Brazil) two seminars to social scientists.

The basic point, in short, is that the Brazilian case only became clear when contrasted with the Argentine case. The converse was equally true: that knowing about the Brazilian case illuminated the Argentine situation. It was much more difficult, to the point of impossibility, to explain either case if one did not make the comparisons. In my view the experience illustrates vividly the value of comparative research. Now let us turn to our specific hypotheses to explain the contrasts between the two cases.

First Hypothesis

The Structure of the Situation for the Elected President: Carlos Saul Menem as Richard Nixon

In Argentina, a candidate for president (Carlos Menem) from the (Peronist) political party that created the massive state apparatus of the last fifty years, pledged himself (once elected) to dismantle much of that very same state apparatus. He implemented his pledge with remarkable success. In Brazil, a president (Fernando Collor de Mello) who as the candidate of the right/center-right won a fairly narrow victory over the candidate of the left/center-left (Luis Ignacio Lula da Silva) in 1989, pledged himself, in a parallel fashion, to liberalize Brazil's economy. But Collor had more limited success in implementing his program. Comparative examination of the two cases leads strongly to the conclusion that Menem's structural situation was a significant element in his success compared to Collor's. Menem's party created the massive state; he and it are strongly identified with its values and virtues; if he is now reducing its role, so goes the logic, there must be a good reason. Menem is like Nixon going to China. He had credibility stemming from his structural situation. Collor lacked that kind of credibility—partly for reasons he made himself (as we shall see shortly), but partly for structural reasons over which he had no control. He is The Right which frequently opposes the state; naturally, The Left opposed him. Collor was in the position of a Democrat in the US who, having 'lost' China, later seeks to open relations with it. While his efforts were not completely doomed, they were very severely constrained by this structural condition in a way Menem's were not.

This hypothesis is further supported when one looks at the fate of the reform efforts of the Alfonsín government that preceded Menem's. President Alfonsín of the middle-class, centrist Unión Cívica Radical party also tried from 1983 to 1989 to reform the state through privatization and other measures. He had very little success. The Peronists, who in Menem's presidency tended to support the reforms, strongly opposed Alfonsín's less ambitious efforts in the same direction. Menem's brother Eduardo, a Peronist legislator, led the opposition to

Alfonsín's liberalization initiatives. When his brother became president, however, Eduardo Menem was one of the leaders in the reform effort.

Fernando Collor was in a sense the Alfonsín of Brazil. Does Brazil need a Brazilian Menem to reform the nation? Will it get one?

It might be argued that the structural situation of Menem posed not only opportunities but also dangers for him; that the situation of Collor posed not only dangers but also opportunities for him; and that therefore our hypothesis about structural situations is weakened. The observations about dangers and opportunities in the two cases are true, but events show that they do not work against the hypothesis. It is true that Menem ran the risk of being called a traitor by the Peronists and of failing to gain the confidence of the non-Peronists because of his Peronist past. It is also true that Collor had in principle the chance to retain the support of the right because of his neoliberal declarations and to woo the support of the left through his economic populism (such as the massive seizure of bank assets during the early months of his administration). Yet what actually happened was different in both cases. Menem gained increasing support from both the Peronists and non-Peronists. Collor increasingly lost support from both his natural allies and his potential adversaries. The explanation for those patterns lies, I believe, in the different degrees of political skill and leadership manifested by the two leaders. We shall go into that part of the explanation later. But note that this explanation is consistent with the first hypothesis, not at odds with it. It is, I believe, impossible to understand these two different cases without taking the structural situations of the two presidents into account. Now let us turn to the second hypothesis about the party systems of the two countries.

Second Hypothesis

Political Party Systems: Weak in Brazil, Stronger in Argentina

The second explanation for the greater degree of implementation of the liberalizing reforms in Argentina than in Brazil relates to the party systems of the two countries. Our hypothesis here is straightforward and perhaps not controversial, but it is still important. It is that Argentina's stronger, better organized, more disciplined political parties make implementation of programs more likely than the weak, poorly organized, undisciplined Brazilian political parties. Stronger party systems make it easier to get things done.

Argentina has a stable party system that organizes the nation's politics reasonably well. The Unión Cívica Radical (UCR) was founded in 1890 and the Peronist Party in 1946. There is thus continuity in the two main parties. Well over half, and in recent elections 70% or more, of Argentine voters identify with and regularly vote for one or the other of these two parties. The main presidential candidates come from the two parties. While there are many provincial parties

not linked to them, both the Radicals and the Peronists also operate at the provincial level and frequently do well. At both the national and provincial levels the Peronists and the UCR are by far the most significant parties in the country. They are very important components of the national political machinery.

Brazil's parties are very different. Its party system is notoriously weak (Mainwaring 1990; Power 1991; Jaguaribe et al. 1992). There are many more parties than in Argentina but none is as important as the UCR or the Peronists. Although there are some lines of continuity, the Brazilian parties of the '80s and '90s are almost completely different from those of earlier decades. In the 1989 presidential election the three most-voted candidates (Collor, Lula, Brizola) all came from relatively small parties; not one came from either of the four largest parties (PDS, PFL, PMDB, PSDB) in the Congress. In short, the Brazilian party system is much weaker than Argentina's. This difference is a second major explanation of why economic liberalization has been implemented more in Argentina than in Brazil.

Third Hypothesis Presidential Leadership

Our third hypothesis is about the skill and capacity of the presidents of the two countries. It is that President Menem was a more skillful, capable leader than President Collor, and that this helps explain why economic liberalization has gone faster and farther in Argentina than in Brazil.

President Menem displayed remarkable skills and capabilities as a leader, which he used to engineer a massive transformation in the policies and attitudes of his own party and the country as a whole. He accurately perceived popular attitudes, selected the workable ones, added his own ideas, pushed them to their limits, and stopped before he exceeded those limits. He combined continuity and change in such a way that the symbols of continuity facilitated the changes rather than hindered them. Thus, even as he pushed for massive reductions in state involvement in communications, oil and gas, airlines, railroads, electric power, and shipping (Ratliff and Fontaine 1990), and for a major reorientation of Argentine foreign policy from the Third World to the First World (Russell and Zuvanic 1991), all of which ran the risk of alienating his traditional constituencies, he also used symbols and stylistic actions to retain those constituencies. The sideburns, leather jackets, fast cars, soccer and basketball games, glamorous girlfriends, and all the rest may seem superficial and unimportant, but they are not; they are powerful symbols with political consequences. They helped him retain his Peronista political base in moments of stress

and transition from traditional policies.² Critics who for such stylistic reasons as these called Menem a 'gangster' inadvertently attested to his skill in wielding political symbols.

At the same time that he used such symbols to bring the bulk of the Peronist coalition along in the direction of his massive economic reforms, Menem also reached out effectively to liberal segments of Argentine political and civil society in ways that gained their trust. Given the history of distrust in Argentina over the last half-century, this too was a remarkable accomplishment. He thereby contributed to the transformation of Argentine radicalism, which now like Peronismo also has a liberal wing even stronger than its more traditional statist wing. President Alfonsín had not been nearly as skillful in these terms. When Argentine public opinion did not agree with him, Alfonsín cursed the public. (In Brazil, President Collor and ex-Minister Zelia Cardoso similarly used aggressive language and gestures toward their critics.) Menem eschewed such behavior. The other major UCR leader, Eduardo Angeloz, the governor of Córdoba, was closer to Menem in these terms than to Alfonsín. He ran for president once—losing to Menem—and may run again. But so far no president since Perón has displayed the political adroitness and leadership of Carlos Menem.

Collor was a less skillful leader than Menem. In ambiguous situations Menem maintained his natural base among Peronists and acquired new support among liberals; Collor's actions, by contrast, eroded his natural base and did little if anything to help him with his natural opposition. Among political elites Collor's natural or traditional constituency was the center-right and right, and his potential opposition was the left and center-left. He could have gotten support from both groups (the best of all possible worlds), support and opposition in the predictable ways given his natural bases of support and opposition, or opposition from both (the worst of all possible worlds). In fact, he got the latter. For example, as president his first two major policy decisions were to declare: (a) (in his inaugural address) a sweeping program of economic liberalization, and (b) (the next day) a massive freeze of bank assets as a shock treatment for inflation. The measures were contradictory: the first was liberalizing, the second was statist. What happened politically? Neither the left nor the right supported either measure. The right paid more attention to the statist actions than to the liberalization promises for which they gave Collor little credit. The left paid more attention to his liberalizing rhetoric than to his statist action for which they gave him little or no credit. Menem, on the other hand, brought the Peronists along and successfully wooed the potentially oppositionist liberals; he used his leadership to resolve political ambiguities in his

² "Menem used Peronist language even as he conveyed new proposals. The public, far from considering this to be contradictory, understood it quite well. The public knew that Peronism had changed, was speaking of privatization, of producing, or integrating Argentina in the world, of foreign investment, and that none of this meant it was any less Peronista. When he announced his program and began to implement it, when he opened up to the entrepreneurs such as Born and Alsogaray, Menem did not lose any of his electoral support" (Mora y Araujo 1991a, 165).

direction. Thus, he contributed to a situation in which he got the best of both worlds. By contrast, Collor failed to sustain the support of his natural allies on the right and failed equally to acquire new support from his natural adversaries on the left. He contributed to a situation in which he got the worst of both worlds.

Menem and Collor both changed policy directions on some issues and/or were inconsistent at times. But Menem's changes and inconsistencies helped him more than hurt him, whereas Collor's damaged him profoundly. When Menem changed direction or was inconsistent, he was perceived as merely pragmatic on tactical issues,³ and that perception seems largely accurate. When Collor changed direction or was inconsistent, he was perceived not as pragmatic but as erratic and incoherent about both ends and means, and that perception also seems largely accurate.

Menem seemed to realize from the earliest days of his administration that statist shock strategies, even heterodox ones, were losing effectiveness as solutions to inflation in Latin America, and so he opted for a slower but more effective and less interventionist solution. Collor was much less clear on this point. His economic policies in his first eighteen months included various shock therapies: none of them worked and inflation worsened. After the first year and a half Collor did change direction and adopt a more gradualist approach. While it seemed to be slowly having its effect, nevertheless Collor's political base became extremely weak. His errant choices wasted valuable time and squandered his political capital, not only in the political class but also among the masses. Elected as a television populist with great mass appeal, Collor's public support had declined to very low levels after less than a year in office. While it occasionally improved slightly, it never rose substantially thereafter.

Fourth Hypothesis **Consensus in Civil Society Increasing in Argentina,** **Deteriorating or Increasing Slowly in Brazil**

Until very recently Argentina was one of the most deeply divided political systems in Latin America. Today it is one of the most consensual. This seems incredible, but it is true. It is a fourth reason why policies of economic liberalization have been implemented more successfully in Argentina than Brazil.

The divisions in Argentina from 1930 to 1982 are well known and well documented (most recently and brilliantly in Lewis 1990). In that context, the election of 1983 which ended military rule was a near miracle that provided the first indication of the growing consensus on democracy

³ See note 2 above.

as a process. Yet the Alfonsín government's economic policies lacked widespread support, and it ended prematurely (though still democratically) in July 1989.

The new President, Carlos Saul Menem, did not run on a clear platform of economic reform. On the contrary, he was vague and noncommittal during his campaign about his economic policies. It was only after being elected that he began to show (and perhaps fully realize himself) his inclination toward liberal economic policies. When this happened critics said, with some reason, that he was implementing a program for which he had no mandate. During his first two years Menem got some support from the political class, but it was less clear where the mass of the population stood. While Menem was able to make considerable progress in getting his policies carried out, he was vulnerable politically because he had not campaigned on the platform he subsequently implemented.

In 1991, however, in a series of gubernatorial and legislative elections on August 11, September 8, and October 27, Menem got his popular mandate. Now the public knew very clearly what Menem's economic policies were, and it supported them overwhelmingly. The Partido Justicialista (PJ) won 14 governorships compared to 3 for the UCR and 4 for various small provincial parties. It increased its plurality in the 254-seat federal Chamber of Deputies from 112 to 119. By comparison the UCR share fell from 90 to 85. The vast majority of the governors and legislators who comprised the PJ victory were supporters of Menem's policies. In addition, the Angeloz wing of the UCR, whose economic policies are similar to those of Menem, became stronger compared to the more statist Alfonsín wing. In October 1991 Alfonsín announced that he would not stand for reelection as chairman of the national committee of the UCR, and the faction he headed dissolved itself.

The elections of August-September-October 1991 were a de facto plebiscite in favor of Menem's program of economic liberalization. Domingo Cavallo, who as economics minister was the main architect of that program, was referred to as 'Santo Domingo.' Menem was portrayed on the cover of the newsweekly magazine *Noticias* (12 September 1991) wearing a toga and a wreath on his head with the headline reading, "Yo, El Supremo." If one combined the electoral support for all the parties that supported Menem's policies—the PJ, the Angeloz factions of the UCR, the liberal UCeDe (whose leader was the very symbol of Argentine free-market thinking, Alvaro Alsogaray), and various other small and provincial parties—then one could safely conclude that at least 70%–80% of the Argentine electorate supported those policies.

The 1991 elections were not only an overwhelming mandate for Menem's policies but also a window on the profound changes within Argentine civil and political society. There was now more consensus on economic policies in Argentina than at any time since the first Peronato (1945–55), if not longer. This time the emerging consensus was not about intensifying state capitalism; it was about moving in liberalizing directions (an excellent short statement of this point

is Mora y Araujo 1991b; note that it was published before the crucial September 8 election whose results it accurately predicted).

But in a still deeper sense the change was about something else. It was about the growing pragmatism in Argentina among both citizens and the leaders they choose. The old political culture stressed abstract formulas and visions and promises; often it was about abstract conceptions of justice, vengeance, and retribution for past wrongs, both real and imagined. The new political culture is different; it stresses the present and future more than the past and concrete results more than abstract visions and promises. As the Argentine sociologist Mora y Araujo (1991a, p. 11) puts it, Argentine society “is actively seeking new leaders. It is doing so through trial and error though without jeopardizing the [democratic] institutional order.” Mora y Araujo stresses a “new political reality” in which citizens with a new political culture and political style want leaders who reflect these new attitudes. The leaders who respond to those wishes are the leaders whose popular support is greatest. Few in Argentina have understood this new reality better than Carlos Menem:

Menem’s support is neither ideological nor philosophical. Menem appears as a guarantee that things happen because they need to happen rather than for doctrinaire reasons. The highly articulated, logically structured world of the doctrinaire theorists and analysts is not the world in which most mortals feel comfortable; and the voters who win elections belong to this majority. Those who espouse doctrines and make logical analyses can do many things but they do not win elections (Mora y Araujo 1991a, p. 165).

The situation in Brazil has some parallels with that in Argentina but also important differences. Traditionally, Brazil has had a more pragmatic and consensual political culture than Argentina. Until recently, Brazilians were generally optimistic about the future, and their leaders had more political ‘space’ in which to work than did those in Argentina. Brazil’s economy grew more consistently than Argentina’s from the ‘50s through the ‘70s and even into the ‘80s.

But the late ‘80s and ‘90s (so far) have not gone well in Brazil. It has not been possible to increase or even identify a consensus of the sort just described for Argentina. The end of military rule in Brazil in 1985 did not include the popular election of the new president; that occurred only in 1989. In the final run-off in that presidential election the electorate divided almost evenly between left (Lula, who got 47% of the popular vote) and right (Collor, with 53%). The winner, Fernando Collor de Mello, and his policies were popular initially but lost support over time. Thus, in April 1990 Collor’s economic policies had an 89% approval rating and his personal popularity stood at 70%, but by October 1991 those numbers had declined to 24% and 19% respectively (Gallup Polls reported in *The New York Times*, 1 Dec. 1991, p. 11). An enormous variety of economic, social, and even ethical or spiritual problems beset the country and its leaders—inflation, a fiscal crisis, international debt, capital flight, low investment and savings rates,

continuing social and economic inequality, massive poverty in many sectors, crime, urban decay, gang murders of adolescent children, corruption, and much more. By the end of 1991 the traditional Brazilian optimism had eroded to an extent rarely seen in modern Brazil. There was talk of 'ungovernability' and the possibility of impeachment of high officials, including President Collor himself.

The economic situation improved slightly in 1992: inflation decreased very slowly, and an important agreement on the international debt was reached. The democratic political institutions, imperfect and fragile as they may be, held their own in the face of crises and tensions that in the past have threatened and eventually destroyed them. There is some reason to think that the kind of pragmatism in economic policy described above for Argentina is becoming more widespread in Brazil. That was the stance taken by Marcilio Marques Moreira, the economics minister, since his appointment in 1991, and it had some degree of popular support. If so, it may reflect one of the forces at work in Argentina, namely, a regionwide trend toward greater practical realism in economic affairs. But at the moment this process is still less developed in Brazil than in Argentina. It was possible in 1991 to say about Argentina (Mora y Araujo 1991a, p. 165):

There is [in Argentina] a strategic goal and a strategic style. The goal is to insert Argentina in the modern world, and today this can only mean to insert it in the First World. The style is to move forward gradually, minimizing conflicts as much as possible and trying not to take any steps that are not strictly necessary. The idea is to reach the goal not by means of a shock but rather by the slowest means compatible with reaching it.

Although this sort of description might possibly be made of Brazil's policies during the last year or two, it could hardly be made of them during the first year and a half of the Collor government, when Zelia Cardoso de Mello was economic minister and shock strategies were often the order of the day. Whether Brazil should follow the same strategy as Argentina is, of course, debatable. Brazil is a bigger, more complex economy in which the case for economic nationalism is arguably stronger than it is in Argentina. But this is just the point. In Brazil the issue is less settled, less consensual.⁴ Even if Brazil is moving toward a pragmatic consensus it is doing so more slowly than Argentina, and its leaders have perceived and acted upon it more slowly. Whether this is good, bad, or mixed, it is part of the fourth explanation of why Brazil has implemented its policies of economic liberalization less completely than Argentina has.

⁴ For valuable data from recent Brazilian opinion surveys at both mass and elite levels, as well as thoughtful analyses and debates about them, see Lamounier 1992; de Souza and Lamounier 1992; Lamounier and de Souza 1990, 1991.

Implications for Future Research⁵

Alternative Explanations

There are some other plausible explanations for the patterns we have found. For instance, it is argued that certain particulars of the Brazilian case make the process of economic liberalization slower there. One of these is the new Constitution of 1988, which reflected an explosion of desires for economic democracy and social justice that are hard to square with liberalization. A second possibility is that the very success of the Brazilian model of economic development in recent decades (until the last few years) makes Brazilians understandably more reluctant to abandon it than the Argentines were to abandon their largely unsuccessful model. Another possible explanation is that the greater size and complexity of Brazil compared to Argentina naturally makes the process slower in Brazil.

It seems reasonable to explore such possible explanations in future research. Having said that, let me add that some of them may be subsumable under one of the four hypotheses advanced above. For instance, all three of the explanations in the preceding paragraph can be seen as aspects of, or explanations for, the lower level of consensus in Brazil (hypothesis four). Also, Argentina's troubles are decades old, and though liberal solutions have been proposed before (e.g., 1976–80, 1983–89), it is only after 1990 that they were implemented successfully. Why did Argentina not abandon its failing model earlier? Why did it not stay with it even longer? Will Brazil make adjustments quickly or stay with the same models for decades as Argentina did? The second argument in the preceding paragraph needs to address such questions.

An alternative explanation stresses regime type. Thus, many scholars and politicians are now urging that presidentialism be replaced by parliamentarism in Latin America. Brazil, Peru, and Venezuela are widely mentioned as examples of countries that cannot solve their problems with presidentialism. In the sense that all three countries are presidentialist and are experiencing serious problems, the prescription is plausible. However, it is well to keep other cases in mind. The presidential systems of Chile, Mexico, and Argentina are currently addressing their economic challenges more successfully. We thus have six cases of presidentialism in which three are doing well and three are doing poorly in economic terms: no basis there for a switch to parliamentarism. In fact, there are few experiences with parliamentarism in Latin America to look at. Is there an empirically based argument supporting the prescriptions for parliamentarism, or are they yet another example of searching for solutions in the untried 'other' system with little or no supporting

⁵ This section is informed by comments of colleagues and students who attended seminars I gave at the University of Brasília and IUPERJ in October 1991 and at Stanford in the spring of 1992 and also by those of various Brazilian colleagues with whom I have talked in the US since my return. I am grateful to all of these persons.

data? Are the difficulties facing countries like Brazil, Peru, and Argentina rooted in the regime type, as partisans of parliamentarism contend, or in the kinds of factors embodied in our four hypotheses?

Another explanation focused on regime type posits a positive association between authoritarianism and economic liberalization. It rejects or minimizes the notion that there are circumstances under which democratic processes can choose and successfully implement programs of economic liberalization. This view is consistent with the case of Chile under military rule and perhaps that of Mexico but not with those of Chile since 1990 or Argentina during the Menem years.

Other Countries to Study

Other countries besides Argentina and Brazil might be studied systematically to see how well the hypotheses presented here travel. Such an exercise would permit testing and refinement of the hypotheses and more analysis of the ways they relate to one another, particularly the weight to be given to each of them in different contexts.

Consider Chile, Mexico, Peru, and Venezuela. In Chile the military government imposed economic liberalism via a harsh authoritarian regime which essentially ignored or repressed opposing interests and arguments. Thus, the overall argument that a political explanation is more useful than a cultural, economic, or sociological explanation is consistent with the Chilean case. On the other hand, the four specific hypotheses offered above are not fully testable under such authoritarian conditions. When the military regime ended and the Aylwin government came in, the situation of Chile became more comparable to that of Argentina and Brazil, i.e., more democratic, and under these conditions the Chilean case appears to be consistent with all four of our hypotheses.

Mexico also is an authoritarian situation but of a much subtler kind mixed with some democratic elements. Mexico has a strong party system and relatively strong presidential leadership. Compared to the PRD the PRI is historically 'the Right,' but compared to the PAN it is historically 'the Left,' and hence in the latter comparison, if not the former, Salinas's reforms were like Nixon going to China. Total consensus was lacking, but there was much less dissensus on the economic reforms than one would have predicted just a few years ago. All in all, the Mexican experience seems consistent with the thrust of our four hypotheses, although the relationships among the variables and the weighting of them are different.

In Peru President Fujimori lacks a strong party base and the country is very dissensual. He has tried to be a strong leader, but he is out on a limb in many ways and his political fate is uncertain. He was not to the right of his main opponent in the last election, Mario Vargas Llosa, but he was very much to the right of his predecessor, Alan García of the APRA party. On this latter

comparison he cannot play the Nixon-to-China role. Thus, Peru seems, on our hypotheses, to have few of the features necessary for successfully implementing a liberalization program, and one's impression is that so far Fujimori has not been successful despite his efforts to do it. He would have a better chance if he were willing to pay the very high price of a quasi-coup and a semi-military regime, which he did in the spring of 1992, but the long-term efficacy of this solution is also in doubt.

The case of Venezuela, where President Carlos Andres Pérez had big problems in implementing his program of liberalization, is very interesting. During his first presidential term in the 1970s he was heavily into state-building. Hence, like Menem, his structural situation for liberalization appeared to be a strong one. He also had a relatively strong party and party system to work with. But despite these putative (by our first two hypotheses) advantages, he had serious trouble. He appears to have been out of touch with his electorate—too internationalized, some say—and was unable to build a domestic consensus. This may be a case where the first and second of our conditions were met but the third and fourth were not; if so, the two disadvantages seemed to outweigh the two advantages.

To reduce the effects of third variables one might compare systematically like-with-like cases such as Venezuela/Chile or Mexico/Brazil. Such comparisons would avoid problems of noncomparability that might arise in comparing countries whose economic structures are quite different, say, Brazil/Chile or Mexico/Venezuela.

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Is economic liberalization a good thing? This paper has not addressed this question.⁶ The hypotheses presented here may be judged true or false independently of answers to it. If the hypotheses are true, they are true for everyone. Those who think economic liberalization is a good thing can favor the conditions that make its implementation possible, and those who think it is a bad thing can oppose them.

Regarding our principal concern in this paper, explanations for differences in the pace of change in different cases, our effort here has been inductive, based on the cases of Argentina and Brazil with a few comparative references to Chile, Mexico, Venezuela, and Peru. We have chosen this strategy partly because there seems to be relatively little in the recent theoretical literature on these questions (for a similar judgment, see Grindle and Thomas 1991, p. xi). However, we view this effort not as incompatible with more general theoretical work about development and its conditions but as complementary to it.

⁶ I have addressed it in Pakenham 1992a, 305–10, and Pakenham 1992b, *passim*. In recent years I have found the following sources, among others, to be helpful on this question: Hirschman 1981; Berger 1984, 1986; Lal 1983, 1992; de Soto 1989; North 1990; Perkins and Roemer 1991; Vogel 1991; Doner 1992; Wade 1992.

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