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Democracy in Brazil and the Southern Cone: Achievements and Problems

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This paper analyzes the achievements and failures of the new democratic governments in Argentina (1983–), Uruguay (1985–), Brazil (1985–), and Chile (1990–). My comparisons focus on four fundamental issues: economic performance, the ability of governments to address the pressing problems of poverty and inequalities, the quality of democratic practice, and the degree to which these governments and the democratic regimes have won popular support and legitimacy. Focusing on these questions is not to deny the significance of others, nor am I suggesting that citizens of these countries would see these four as the most pressing. I focus on governments and necessarily, but with regret, do not discuss civil society in any detail.

I develop four principal arguments. First, I argue that the performance of democracy has varied enormously in the four countries discussed in this paper. In its very early phases, democracy in Chile has been a great success both politically and economically. By contrast, the first three democratic presidents in Brazil have been failures in most respects. Democracy in Argentina remains fragile, and democracy in Uruguay registers some important failures and other successes.

Despite the fact that these countries share roughly comparable levels of development, face many similar challenges, and are 'new democracies,' the differences among them outweigh the similarities. Of all the new democracies in the world, none has been as successful as Chile, and among the new democracies that have been failures, none has been as surprising a failure as Brazil. Therefore, few interesting generalizations can be made about the state of democracy in these four countries. Discussion of the significant differences in democratic performance, and some effort to explain them, permeates my analysis.

My second argument is that it is a remarkable and unprecedented achievement that these countries have maintained democracy for what is by now a relatively long time. Only at one other period, 1946–51, were all four countries democratic at the same time; Argentina, however, was semidemocratic, and Brazil had a narrow electorate at that time. This achievement is all the more noteworthy in the cases of Argentina and Brazil in view of their poor records in resolving social and economic problems and also of their weak democratic heritage and institutions. In the past, neither country was able to sustain democracy with poor social and economic results.

Third, although it is important to celebrate the dawning of democracy, it is equally important to remain attentive to the profound problems confronting these new democracies. In none of these countries does democracy seem imperiled at present, but to thrive, democracy must do more than merely survive. Even in terms of meeting the formal procedural definition of democracy, there is ample room for further democratization in Argentina, Brazil, and Chile. This fact has not always received the attention it deserves.

In addition, all four democracies face substantive problems, even though the magnitude of these problems varies greatly. The four countries face two common challenges: ameliorating sharp inequalities, which were exacerbated during the past two decades, and combating widespread poverty. Especially in the Brazilian case, there is reason to doubt whether democracy can be consolidated and whether solid institutions can be built without ameliorating inequalities. Democratic institutions are weak in Brazil and—to a lesser degree—in Argentina. Democracy has not been consolidated when democratic institutions are as weak as they are in those two countries. The burden of the debt crisis has diminished over time, but it is still a significant fetter in Uruguay, Brazil, and Argentina. Rampant inflation and sluggish or erratic growth still plague Brazil. The economic successes achieved in Argentina are fragile, and in Uruguay they are modest.

Last, I argue that several factors—the strength of democratic institutions, especially whether or not a party system is institutionalized; leadership and luck; the economic legacy of military rule; and policy choices—account for these wide variations in democratic performance. Having a reasonably institutionalized party system helps facilitate democratic governability because it establishes mechanisms of accountability, creates more solid linkages between elites and common citizens, and provides a mechanism by which executives can organize support in congress and in society. Chile and Uruguay have relatively institutionalized party systems; the Brazilian party system is inchoate; and the Argentine system is in between. Effective leadership can help a country take advantage of its opportunities and minimize its liabilities. In the short-term, the economic legacy of military rule has also helped explain outcomes in the new democratic period. A relatively favorable economic legacy in Chile helped smooth the path for the first democratic government. Conversely, the new democracies in Argentina and Uruguay inherited particularly daunting problems, making it more difficult to achieve favorable results under democracy.

Democracy: The Formal Institutional Dimensions

Most of this paper analyzes the quality and performance of democracy. However, before discussing these issues, I briefly assess the formal institutional dimensions of democracy. This exercise reveals that the new democracies in Argentina, Brazil, and Chile are less democratic than is usually supposed. Even on this formal dimension of democracy, there are interesting differences among the four countries.

As used here, the term 'democracy' refers to a political regime that meets three basic procedural criteria: (1) Competitive elections must be the route to forming governments. There must be competitive popular elections for the legislature, and in a presidential system for the president as well. Fraud and coercion may not determine the outcome of democratic elections.

Elections must offer the real possibility of alternation in power even if no actual alternation has occurred. (2) There must be broad adult citizenship. In recent decades, this has meant nearly universal adult citizenship, though foreigners residing within the territory of most democracies are excluded. (3) Democracies must protect minority rights and must ensure respect for basic civil liberties such as freedom of the press, freedom of speech, the right to *habeus corpus*, etc.

Without belaboring this definition at length, I want to point out three important implications. First, on the formal institutional side, all four countries discussed in this paper today more or less qualify as democracies. In all four countries, who governs is largely determined by competitive elections. Electoral participation is open to virtually the entire adult population of citizens. Civil liberties are generally guaranteed, though in this respect Brazil is worse off than the other three countries.

Second, even though this definition of democracy is more stringent than many others, it is limited to procedural issues. As a result, and as has become apparent to hundreds of millions of people throughout Latin America in the past decade or so, democracy is not a panacea. To the contrary, it is compatible with widespread inequalities, with relatively mediocre social and economic results, and with other problems. A more difficult question, however, is whether *consolidated* democracy is compatible with egregious social inequalities or profound forms of social discrimination. At a minimum, egregious inequalities and profound social discrimination make the consolidation of democracy problematic. This point is particularly important in analyzing democracy in Brazil, which is plagued by some of the deepest income and regional inequalities in the world as well as profound problems of social discrimination.

Third, even though we typically think of countries as being democratic or nondemocratic, it is more useful to think of democracy as a continuous variable. I refer to all four countries discussed here as democracies, but they are democratic to varying degrees. Argentina, Brazil, and Chile still have important fetters that make them obviously less democratic than is optimal.

In terms of the formal dimensions of democracy, the best situation is found in Uruguay, where elections constitute the means of forming governments and where elected governments set policy, where virtually the entire adult population of Uruguayans effectively enjoys formal citizenship rights, and where the standard for civil liberties and human rights is high.

The other three countries diverge more perceptibly from the above definition of democracy, even though they can all make reasonable claims to being polyarchies.¹ In Argentina, two troubling limitations to formal democracy have recurred during the Menem years. The president has sometimes shown little regard for democratic institutions and has undermined mechanisms of accountability. Institutions that are constitutionally designed to provide checks

¹ I use the term 'polyarchy' synonymously with democracy. This term originated with Robert A. Dahl. See his *Polyarchy: Participation and Opposition* (New Haven: Yale University Press, 1971).

and balances have instead devolved into sycophantic wings of the president's personal power. Freedom of the press and freedom of speech have not always enjoyed exemplary protection.

Of the countries surveyed here, Brazil has the worst record in terms of the formal dimensions of liberal democracy. The first two parameters of liberal democracy are reasonably secure. Competitive elections determine who governs, and virtually the entire adult population of Brazilian citizens can participate in determining who rules. On the third dimension, however, Brazilian democracy is troubling. Formally equal before the law, Brazilian citizens nevertheless have very unequal citizenship status.² Violence against peasant leaders and Indians, and police use of torture, among other problems, undermine basic civil liberties.

In contrast to the situation in Argentina and Brazil, where the main problem is practice that deviates from constitutional democratic norms, in Chile important constitutional norms from the military period are still in place. Whereas Argentina, Brazil, and Uruguay have new democratic constitutions or reactivated old ones, in Chile the 1980 constitution is still in effect, though it has been modified in important ways. This constitution was of authoritarian inspiration, and many of its measures constrain democratization. These nondemocratic measures have systematically benefited the armed forces and the Right.

The 1980 constitution provided for expanded political powers of the armed forces. In democracies, the armed forces should be subordinate to elected civilian politicians; this is not the case in Chile. Until 1997, the president may not remove or appoint the heads of the armed forces. As a result, General Pinochet, dictator from 1973 until 1990, remains as the head of the army until this day. In other respects, too, the military retains considerable autonomy vis-à-vis civilian authorities. The 1980 constitution also created the National Security Council, which is dominated by military leaders and which has broad policy powers, including appointing two of the seven members of the Constitutional Court. These military prerogatives have given rise to thorny conflicts between the armed forces and the Aylwin government.

Another restriction to democratic competition in contemporary Chile stems from the fact that nine of the forty-seven members of the Senate are appointed in nondemocratic fashion, rather than elected. Four of these appointed senators are named by the National Security Council from among retired commanders-in-chief of the Army, Navy, Air Force, or National Police. The sitting justices of the Supreme Court designate two senators who must be retired justices of the Supreme Court and one senator who must be a retired Attorney General of the Republic. The president personally appoints two senators, one of whom must be an ex-rector of a university, the other a former cabinet member. Pinochet and his minions designated all nine of the appointed

² On this theme, see Roberto DaMatta, "The Quest for Citizenship in a Relational Universe" in John D. Wirth, Edson de Oliveira Nunes, and Thomas E. Bogenschield, eds., *State and Society in Brazil: Continuity and Change* (Boulder: Westview, 1987), pp. 307–35.

senators in the current congress. The presence of these nine appointed senators has significantly affected some policy arenas in supposedly democratic Chile.³

Finally, the electoral system for the lower chamber, which was designed by Pinochet's advisors to benefit the Right, is of dubious democratic inspiration and consequences. Each electoral circumscription has two deputies. Unless a party receives at least twice as many votes as its closest competitor, it cannot receive more than one of these seats. Because of this electoral system, and because the districts where Pinochet did well in the 1988 plebiscite were deliberately overrepresented and those where he fared poorly were underrepresented, the Right has a notably higher share of congressional seats than votes. Conversely, the Left has a significantly lower share of seats than votes.⁴ All electoral systems are somewhat disproportional, but this one was designed by the authoritarian regime to overrepresent the Right.

Democratic Survival and Consolidation

The great achievement of democracy in Brazil and the Southern Cone in this recent period has been its survival. A decade ago, few people would have predicted that democracy would still be intact in most of Latin America, including Argentina and Brazil, given poor social and economic results and widespread corruption. In countries whose history is replete with military coups when democratic governments mismanaged things, this is a remarkable achievement. In the past, democracy has broken down despite much better governmental performance.⁵

³ For discussions of the nondemocratic implications of the 'reserved domains' in democratic Chile, see J. Samuel Valenzuela, "Democratic Consolidation in Post-Transitional Settings: Notion, Process, and Facilitating Conditions" in Scott Mainwaring, Guillermo O'Donnell, and J. Samuel Valenzuela, eds., *Issues in Democratic Consolidation* (Notre Dame, IN: University of Notre Dame Press, 1992), pp. 57–104; Timothy R. Scully, "The Politics of Economic Liberalization in Chile" forthcoming; Timothy Scully and Alejandro Ferreiro Y., "Chile Recovers Its Democratic Past: Democratization by Installment," *Journal of Legislation* Vol. 18, No. 2, pp. 317–29; Alan Angell, "What Remains of Pinochet's Chile?" University of London, Institute of Latin American Studies, Occasional Papers No. 3; J. Samuel Valenzuela, "Hacia una recuperación de la democracia en Chile," forthcoming.

⁴ In the Senate, the Right obtained 42.2% of seats with 33.9% of the votes, while the Left won 12.5% of the seats with 20.6% of the votes. Figures come from Scully, "The Politics of Economic Liberalization," op. cit. (n. 3), p. 11, citing Genaro Arriagada, "Después de los presidencialismos ... ¿Qué?" in Oscar Godoy, ed., *Cambio de régimen político* (Santiago: Ediciones Universidad Católica de Chile, 1990), p. 78.

⁵ This is not to suggest that governmental performance is the only or even the main determinant of whether democracy survives. Developments in Brazil, Argentina, and several other Latin American countries suggest that democracy can survive despite poor government performance. On this point, see Juan Linz and Alfred Stepan, "Political Crafting of Democratic Consolidation or Destruction: European and South American Comparisons" in Robert A. Pastor, ed., *Democracy in the Americas: Stopping the Pendulum* (New York: Holmes and Meier, 1989), pp. 41–61.

Argentina has now enjoyed more than a decade of uninterrupted democratic government. The military regime of 1976–83 collapsed after driving the economy into ruins in the early 1980s and after its bellicose adventure in the Falklands in early 1982, paving the way for a return to civilian government. The transition to democracy was consummated in December 1983, when Raúl Alfonsín assumed the presidency and the armed forces retreated to the barracks.

The survival of democracy in Argentina is remarkable considering not only the poor economic and social performance of the 1983–91 period but also Argentina's past difficulties in establishing stable democracy. Despite having been one of the most developed Latin American countries throughout the whole of the twentieth century, and despite having less pronounced social inequalities than most other countries in the region, Argentina had a lengthy history of authoritarianism and limited democratic experience between 1930 and 1983.⁶ Democratic institutions were weak, and a party system had never been well institutionalized. Powerful corporate actors, especially unions, business groups, and the military, had exercised veto power under democracy, effectively preventing the country from changing course.

If, as now seems highly likely, democracy lasts until 1998, it would be Argentina's longest period ever of polyarchy, surpassing the 1916–30 period, when important suffrage restrictions still existed. After 1930, Argentina had a short fling with democracy in 1973–76, and semidemocratic regimes from 1946 to 1955, 1958 to 1962, and 1963 to 1966. When Carlos Menem assumed the presidency, it marked the first time in Argentine history that a transfer of power to an opposition party had occurred at the national level. The fact that this transfer occurred peacefully, despite the crisis unleashed by hyperinflation, revealed an unprecedented resilience of Argentine democracy.

Brazil, too, has already experienced its second longest democratic period ever; indeed, this is only the second democratic period in Brazilian history. Although the inaugural date for Brazilian democracy is less clearly demarcated than that of the other three cases, in most respects it is reasonable to use March 15, 1985 as the beginning point.⁷ This was the day when José Sarney assumed the presidency, ending the twenty-one-year period of military rule. In 1964, high inflation, by the standards of the times, and economic stagnation contributed to the breakdown of

⁶ On the cycles between authoritarianism and democracy, see Marcelo Cavarozzi, *Autoritarismo y democracia (1955–1983)* (Buenos Aires: Centro Editor, 1983). On the authoritarian nature of Argentine society and the significant support for authoritarian rule in the late 1970s, see Guillermo O'Donnell, "Democracia en la Argentina: Micro y macro" in Oscar Oszlak et al., *"Proceso," crisis y transición democrática* (Buenos Aires: Centro Editor, 1984), Vol. I, pp. 13–30.

⁷ Until 1988, the constitution implemented by the military regime largely remained in place, although it was amended in important ways in the first three years of democratic rule. Because Neves and Sarney were elected in a process that was not intended to be fully democratic, and because the authoritarian constitution remained in force until 1988, even from the formal institutional side, Brazil had some nondemocratic features until Fernando Collor de Mello was inaugurated in March 1990.

democracy. In the 1990s, democracy has survived despite more visible corruption, inflation rates twenty times higher, and a much longer recession. Like Argentina and Uruguay, Brazil has already experienced a transition from one governing party to another. In a testimony to the country's institutions, in 1992 it also recorded the first impeachment of a democratically elected president in recent Latin American history.

The survival of democracy in Uruguay and Chile is less surprising in some respects because both countries had solid histories of democracy before the last military dictatorships. In Uruguay, the democratic government of Julio María Sanguinetti took office in early 1985 after nearly twelve years of military rule. Democracy has therefore survived for nearly a decade now. Chile was the last of these four countries to restore democracy. President Patricio Aylwin, a Christian Democrat supported by a broad coalition known as the Concertación, took office in March 1990 after nearly seventeen years of military rule.

Not only has democracy survived for a considerable time in three of the four countries, the possibility of a successful coup in the foreseeable future is low. All four new democracies have partially defused the explosive military and human rights problems that threatened them at the moment of democratic instauration. At that moment, these intertwined problems loomed as potentially destabilizing challenges for the new democratic governments. On the one hand, many democrats demanded some redress of heinous human rights violations; ethically it seemed proper—and even necessary—to punish the worst offenders. On the other hand, the armed forces resisted any punishment and still had the means of subverting the whole democratic process.

Today, all four democracies have made progress in subordinating the armed forces to civilian authorities, and the need to avert a coup is no longer a central consideration in public policy. Except in the Argentine case, where a series of aborted coups served as a constant reminder, it is easy to forget in retrospect how vexing these problems were. The coup threat was especially present in Argentina; during Alfonsín's administration, nationalist officers on several occasions led uprisings. Under President Menem (1989–present) the threat of a coup has subsided, although the price Menem paid to achieve this objective—especially freeing the leaders of the 1976–83 dictatorship—was high.⁸

In Uruguay, the coup threat was largely defused during the Sanguinetti administration. The government was able to secure passage of a law that, by establishing a statute of limitations, effectively granted immunity to members of the armed forces accused of human rights violations

⁸ On the military situation in the new democracies, see Alfred Stepan, *Rethinking Military Politics: Brazil and the Southern Cone* (Princeton: Princeton University Press, 1988). On the military question in Argentina, see Carlos Acuña and Catalina Smulovitz, "Ni olvido ni perdón? Derechos humanos y tensiones cívico-militares en la transición argentina," *Documentos CEDES* #69, 1991.

during the dictatorship. In an effort to have this law repealed, the leftist party known as the Broad Front and a minority faction of the Blancos garnered enough signatures to establish a plebiscite in April 1989, but the majority of the population voted against repealing the law. In Brazil and Chile, the initial coup threat seemed less grave, but the armed forces retained sweeping prerogatives. On this score, too, civilian governments have made progress since the earliest period of democracy.

Why has democracy survived despite seemingly adverse conditions? Some domestic political actors are more committed to democracy than before. The great majority of intellectuals and of political elites firmly support democracy; this was not true in the past in Argentina, Brazil, and many other Latin American countries.⁹ Other actors may not have become profound converts to the democratic cause but, given the prevailing winds, they would be embarrassed to advocate antidemocratic causes. Business, which historically was ambivalent about democracy in Argentina and Brazil, has now accepted it as the *modus operandi*. An anti-authoritarian conviction has grown in civil society, even though the strength and breadth of this conviction is debatable.

Most of the Left has changed profoundly in all four countries. Although it comprised a small percentage of the population, the revolutionary Left had a profound impact in all four countries sometime between the late 1960s and 1976. Today the revolutionary Left is virtually nonexistent, though nonrevolutionary leftist parties are important political contenders in Brazil, Uruguay, and Chile.

The collapse of revolutionary socialism has had profound consequences for the Latin American Left.¹⁰ The demise of the revolutionary Left has reduced political polarization and has encouraged conservative actors to believe that democracy will not endanger their existence. Together with the changes at the international level, the transformation of the Left inside Latin American countries has created a more moderate, less polarized ideational context for democratization.

Ideological change has been most dramatic on the Left but is far from limited to it. Across much of the political spectrum, actors are more committed to democracy than they were in the past. The Catholic Church, which until the 1960s often supported authoritarianism, is a bulwark of

⁹ On this theme, see Robert A. Packenham, "The Changing Political Discourse in Brazil" in Wayne A. Selcher, ed., *Political Liberalization in Brazil: Dynamics, Dilemmas, and Future Prospects* (Boulder: Westview, 1986), pp. 135–73; Francisco Weffort, "Why Democracy?" in Alfred Stepan, ed., *Democratizing Brazil: Problems of Transition and Consolidation* (New York: Oxford University Press, 1989), pp. 327–50; Bolívar Lamounier, "Representação Política: A Importância de Certos Formalismos" in Lamounier, Francisco C. Weffort, and Maria Victória Benevides, eds., *Direito, cidadania e participação* (São Paulo: Tao, 1981), pp. 230–57.

¹⁰ See Jorge G. Castañeda, *Utopia Unarmed: The Latin American Left after the Cold War* (New York: Knopf, 1993).

democracy in Chile and Brazil. Political elites of the major parties in all four countries supported coups in the 1960s and 1970s; today, political elites of the major parties appear committed to democracy, even if their actions have not always strengthened it.

Compared to the 1960s and 1970s, politics has become less ideologically polarized in most of Latin America, including the Southern Cone countries. In Chile and Argentina, political polarization is minimal. This is especially noteworthy in Chile, given the profound polarization that plagued democracy between the late 1960s and 1973. In Chile, the revolutionary Left nearly disappeared, in part a victim of brutal repression, in part a product of changing times. The Socialist Party, which for decades had flirted with Leninism and had supported a revolutionary line, underwent a profound transformation, eschewing its authoritarian heritage and moving toward the political center. The Christian Democrats, who in the 1960s and early 1970s sometimes tried to outflank the Left on the left, established centrist positions. Equally important, they renounced their aversion to party alliances and their commitment to their 'own path'. After decades of bitter hostility, the Socialists and Christian Democrats worked effectively together in the 1988 plebiscite and the 1989 and 1993 elections. The party system has a stronger centripetal dynamic than it did in the 1960s and early 1970s. The rigid, ideological lines that characterized party politics during that earlier time have given rise to flexibility, compromise, and moderation.¹¹

In Argentina, Peronists and Radicals were once implacable foes, perceiving each other as enemies. Today, they remain competitors, but no longer consider each other enemies.¹² The dominant faction in both parties has moved toward the center-right, and there are no major party alternatives beyond these two.

In Uruguay, the Broad Front supported a revolutionary socialist line in the early 1970s. Today it is a moderate leftist party, even though some factions are quite radical.

Brazil is a partial exception to this general trend toward less polarized party systems. Brazil's party system has a strong left pole, headed by the Workers' Party (PT), and a strong right pole, with the Party of the Liberal Front (PFL) and the Reformist Progressive Party (PPR) being the most important. The party system is less polarized now than in the 1961–64 period, but more so than at other points in Brazilian history.

¹¹ For a discussion of the changes the major parties underwent during military rule, but also of continuities in Chile's electoral politics, see Timothy R. Scully and J. Samuel Valenzuela, "From Democracy to Democracy: Continuities and Changes of Electoral Choices and the Party System in Chile" in Arturo Valenzuela, ed., *Politics, Society and Democracy: Latin America* (Boulder: Westview, forthcoming). On the transformation of the Socialist Party, see Ignacio Walker, *Socialismo y democracia: Chile y Europa en perspectiva comparada* (Santiago: CIEPLAN-Hachette, 1990).

¹² See Marcelo Cavarozzi, "Peronism and Radicalism: Argentina's Transitions in Perspective" in Paul W. Drake and Eduardo Silva, eds., *Elections and Democratization in Latin America, 1980–85* (La Jolla: Center for Iberian and Latin American Studies/Center for US-Mexican Studies/Institute of the Americas, University of California, San Diego, 1986), pp. 143–74.

In addition to these broad ideological changes, in several countries the most likely advocates of authoritarianism have lost confidence that military regimes represent a viable alternative. The Argentine and Uruguayan militaries governed so ineptly that the old assumption that authoritarian regimes would be more efficient has been shattered.

Finally, international political opinion in the west is more solidly prodemocratic than ever before. This change results partly from the end of the Cold War. For most of the period between 1947 and 1989, the US was so concerned with the Soviet threat that it embraced 'friendly' dictators and opposed left-leaning governments whether or not they were democratic. In the mid-1980s, the US began to more actively support democratic transitions, and the Clinton administration, despite its relative lack of interest in Latin America, has continued to support democracy. The support of the US and Latin American countries for democracy has had a demonstration effect and an equally important deterring effect. Western countries that leave the democratic fold face international ostracism, as was witnessed in the failed coup in Guatemala in 1993.

Emphasizing the fact that democracy has survived in all of these countries, of course, does not imply that it will continue to do so. The breakdown of democracy in Peru in 1992 and even more dramatically the coup attempts in Venezuela that same year suggest that democracy is far from impregnable. Moreover, although it is important to celebrate the survival of democracy, this does not imply that democracy is *consolidated*. The notion of consolidation implies more than mere survival. In consolidated democracies, actors expect democratic rules to prevail into the foreseeable future; elections are the sole means of determining who governs; and democratic institutions acquire reasonable solidity.¹³

Particularly in Brazil, democracy remains somewhat fragile and is not consolidated; Argentina and Chile are also doubtful cases of consolidation, though for somewhat different reasons. In the Argentine case, it is questionable whether democratic institutions have acquired the solidity associated with consolidated democracies; the Chilean case is dubious above all because of the antidemocratic constitutional provisions discussed earlier. Among the countries analyzed here, Uruguay has the strongest claim to being a consolidated democracy though it, too, confronts difficulties. This means that democracy still faces serious problems despite some significant achievements.

¹³ On the notion of democratic consolidation, see Guillermo O'Donnell, "Transitions, Continuities, and Paradoxes" in Mainwaring, O'Donnell, and Valenzuela, eds., *Issues in Democratic Consolidation*, op. cit. (n. 3), pp. 17–56; Valenzuela, "Democratic Consolidation in Post-transitional Settings," op. cit. (n. 3).

Economic Performance

The countries discussed here share the important similarity that their new democracies have so far survived. Along the four dimensions (economic performance, poverty and inequalities, quality of democratic practice, and legitimacy and support) analyzed in the next sections, however, they diverge markedly. This divergence is especially obvious in economic performance. Chile has done well under democracy, while Brazil has fared poorly. Argentina and Uruguay have mixed records, with some successes but several significant shortcomings.

A decade ago, many observers expressed cautious optimism regarding the capacity of democratic governments to govern democratically and to begin solving major social and economic problems. Analysts were well aware of the serious challenges confronting Latin America's new democracies. Nevertheless, they still believed that several key countries were well situated to confront these challenges. Analysts expected that democratic governments would be able to slowly improve the dismaying social and economic situation that prevailed at the time.¹⁴ Almost nobody foresaw what a disaster would result in most of the new democracies in Latin America. The magnitude of the disaster varied, with Peru representing the nadir, but the first democratic governments in Brazil and Argentina were also failures.

In the 1990s, many analysts began to express optimism that Latin American economies had turned the corner and were beginning to resume growth. My fundamental argument in this section is that only one of the countries analyzed here—Chile—has really done so. Serious problems continue to exist in the other three cases. Still, it appears the worst of the debt crisis is over, and it is possible that Argentina, Brazil, and Uruguay are working their way out of their problems.

Argentina

Between 1983 and early 1991, the Argentine economy was a basket case. Since 1991, macroeconomic results have improved dramatically; indeed, upon first blush they appear to be excellent. However, the recent economic expansion is fragile and has had high social costs.

Any assessment of the Argentine economy since 1983 must take into account the disastrous economic legacy of military rule. The military badly mismanaged the economy, leaving a legacy of a \$46 billion dollar foreign debt (the second highest debt in Latin America, after the war-ravaged Nicaraguan economy, as a percentage of exports), a 344% inflation rate in 1983, a public sector deficit that reached an alarming 11% of GDP that year, a decline in industrial productivity,

¹⁴ For an example of this cautious optimism, see Fernando Henrique Cardoso, "A democracia na América Latina," *Novos Estudos CEBRAP* No. 10 (October 1984), pp. 45–56.

increased social inequalities, and a standard of living that was lower in 1983 than in 1970.¹⁵ Moreover, in contrast to the situation in Chile, Argentina began its period of democracy without having undergone any substantial economic readjustment. For decades there had been little investment and growth; Argentina had a semiclosed, largely inefficient economy.¹⁶

Despite these serious initial problems, Alfonsín could have begun the process of economic stabilization and restructuring, but his administration mishandled economic policy. The great initial mistake was the failure to communicate effectively to Argentine society the gravity of the economic problems and the attendant need for low expectations. To the contrary, Alfonsín inflated expectations and suggested that slowing inflation, addressing the debt problem, promoting growth, increasing real wages, and redistributing income could all be done simultaneously. It is comprehensible why he inflated expectations as a candidate, but it is unfathomable why, in a context of grave economic difficulties, Alfonsín continued to promise, until early 1985, far more than any president could have accomplished. His discourse fueled expectations, and the excessive optimism in turn contributed to growing popular dissatisfaction with economic results. Accompanying this discourse were equally unrealistic—in this context—expansive Keynesian policies which failed to acknowledge the severe policy constraints imposed by the foreign debt, the fiscal deficit, and rampant inflation.

However grave it may have been, the initial economic situation does not account for the disastrous economic performance of Alfonsín's administration. During Alfonsín's first year and one-half in office, misguided policies exacerbated the initial difficulties and fueled inflation, which doubled to 688% in 1984. In response, in June 1985 Alfonsín unveiled an unorthodox stabilization and adjustment plan. Initially successful in curbing inflation, the Austral Plan gradually unraveled as the government proved incapable of unfreezing prices without producing new inflationary bursts and without unleashing intense conflict among different actors seeking to recoup their losses. Inflation fell to 82% in 1986 but jumped back to 175% the following year.

¹⁵ Comisión Económica para América Latina y el Caribe (CEPAL), *Balance preliminar de la economía de América Latina y el Caribe 1993*, December 17, 1993, p. 45. Unless otherwise stated, all economic data in this paper come from CEPAL's annual publication, *Balance preliminar de la economía de América Latina y el Caribe*.

¹⁶ On this theme, see Carlos Waisman, *Reversal of Development in Argentina* (Princeton: Princeton University Press, 1987); and Carlos Waisman, "Argentina: Autarkic Industrialization and Illegitimacy" in Larry Diamond, Juan J. Linz, and Seymour Martin Lipset, eds., *Democracy in Developing Countries: Latin America* (Volume 4), pp. 59–109 (Boulder: Lynne Rienner, 1989). For more detailed assessments of Argentine democracy since 1983, see Carlos Acuña, "Politics and Economics in the Argentina of the Nineties (or Why the Future No Longer Is What It Used to Be)" in William C. Smith, Carlos H. Acuña, and Eduardo Gamarra, eds., *Latin American Political Economy in the Age of Neoliberal Reform* (New Brunswick: Transaction, 1994), Vol. II; William C. Smith, *Authoritarianism and the Crisis of the Argentine Political Economy* (Stanford: Stanford University Press, 1989), pp. 267–97; Edward C. Epstein, ed., *The New Argentine Democracy: The Search for a Successful Formula* (Westport: Praeger, 1992); Vicente Palermo, "Menemismo: Will it Last?" in James Brennan, ed., *Peronism* (forthcoming).

Meanwhile, per capita income continued to decline. The coherence of economic policy making, and along with it the Alfonsín administration itself, disintegrated in 1988. Inflation soared to 388% in 1988 and 4923% the following year, with one hyperinflationary outburst. The hyperinflationary episode, which was accompanied by looting and growing social marginality, was traumatic for Argentina; it greatly increased actors' willingness to accept short-term sacrifices in order to achieve macroeconomic stability.¹⁷ Per capita income declined sharply during Alfonsín's last two years, leading to an overall decline during his presidency. Less measurable but equally important, the state continued the deterioration that had begun in the 1970s.

Largely because of the Radicals' mishandling of economic policy, Peronist candidate Carlos Menem easily won the 1989 presidential campaign. After taking office, Menem reversed his campaign promises and imposed tough neoliberal stabilization and adjustment measures. Menem's early efforts at achieving stabilization and growth through neoliberal policies failed, but since early 1991, when Domingo Cavallo became Minister of the Economy, the economy has grown and stabilized. Cavallo decreed in April 1991 that the Argentine peso would be kept at parity with the US dollar; this policy restored confidence in the peso and has been a linchpin of the efforts to lower inflation. The Menem/Cavallo team has also accelerated privatization of state-owned firms, deregulated the economy, cut back public sector jobs, increased tax collection, and modified labor legislation so that it is more favorable to firms.¹⁸ In a country where democratic politics has long been characterized by stalemates and 'impossible'—or at least difficult—games, the success in carrying out these objectives is impressive, regardless of how one assesses the consequences.¹⁹

In important respects, Cavallo—and by extension, Menem—has been successful. Most significantly, inflation fell drastically, from 1344% in 1990 to 84% in 1991, 18% in 1992, and 8% in 1993 (see Table 1). Hyperinflation wreaked such havoc in people's lives that they were more willing to make sacrifices to achieve economic stability and progress. Reasonable rates of inflation

¹⁷ On this point, see Vicente Palermo and Juan Carlos Torre, "A la sombra de la hiperinflación: La política de reformas estructurales en Argentina," forthcoming.

¹⁸ On the economic reforms, see Pablo Gerchunoff, ed., *Las privatizaciones en la Argentina: Primera etapa* (Buenos Aires: Instituto Torcuato Di Tella, 1992). For an analysis of why Argentina has carried out more state reform than Brazil, see Robert Packenham, "The Politics of Economic Liberalization: Argentina and Brazil in Comparative Perspective," Kellogg Institute Working Paper #206, April 1994. Packenham emphasizes that a Peronist president had more latitude than a Radical to enact policies that were, from a short-term perspective, harmful to labor's interests. On the politics of economic liberalization, see also Carlos Waisman, "Argentina's Revolution from Above: State Economic Transformation and Political Realignment" in Epstein, ed., *The New Argentine Democracy*, op. cit. (n.16), pp. 228–43.

¹⁹ The notion of impossible games came from Guillermo O'Donnell, who emphasized stalemates in democratic politics in Argentina. See especially *Modernization and Bureaucratic-Authoritarianism* (Berkeley: Institute of International Studies, 1973).

enabled people to plan the financial aspects of their lives and to live without the pervasive fear and insecurity that accompanied hyperinflation.

TABLE 1

**Inflation Rates, 1984–1993
(percentages)**

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993 ^a
Argentina	688.0	385.4	81.9	174.8	387.7	4923.3	1343.9	84.0	17.5	7.7
Brazil	209.1	239.0	59.2	394.6	993.3	1863.6	1585.2	475.1	1149.1	2244.0
Chile	23.2	26.4	17.4	21.4	12.7	21.4	27.3	18.7	12.7	12.2
Uruguay	66.0	83.2	70.6	57.3	69.0	89.2	129.0	81.5	58.9	52.3

Source: CEPAL, *Balance preliminar de la economía de América Latina y el Caribe 1993, Notas sobre la economía y el desarrollo*, No. 552/553, December 1993.

^a Preliminary estimates for 1993, subject to revision.

Cavallo became the darling of the international economic media and the conservative elite establishment. GDP expanded 8.9% in 1991, 8.6% in 1992, and 6.0% in 1993 (see Table 2). These figures were a vast improvement over Argentina's economic performance in recent decades. Perhaps the strongest indicator of Wall Street's imprimatur was a phenomenal 392% increase in the stock market index in dollar terms in 1991. Foreign capital flowed to Argentina at a rate unprecedented in recent decades. Total interest due on the debt as a percentage of exports of goods and services fell from 51% in 1989 to 22% in 1993.

TABLE 2

Growth of GDP and Per Capita GDP, 1984–1993

Growth of GDP										
	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993 ^a
Argentina	2.3	-5.1	5.2	2.7	-2.1	-6.2	-0.1	8.9	8.6	6.0
Brazil	5.7	7.9	7.6	3.6	-0.1	3.3	-4.4	0.9	-0.9	4.5
Chile	6.0	2.2	5.7	5.7	7.5	9.8	2.0	5.8	10.3	6.0
Uruguay	-1.2	1.7	8.3	7.7	-0.3	1.3	0.9	2.9	7.4	2.0
Growth of Per Capita GDP										
	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993 ^a
Argentina	0.9	-6.4	3.8	1.3	-3.3	-7.4	-1.3	7.6	7.4	4.8
Brazil	3.4	5.7	5.5	1.6	-2.0	1.4	-6.1	-0.8	-2.5	2.9
Chile	4.3	0.5	4.0	3.9	5.7	8.0	0.3	4.1	8.5	4.4
Uruguay	-1.9	1.0	7.7	7.1	-0.9	0.8	0.3	2.3	6.8	1.4

Source: CEPAL, *Balance preliminar de la economía de América Latina y el Caribe 1993, Notas sobre la economía y el desarrollo*, No. 552–53, December 1993, and December 1991.

^a Preliminary estimates for 1993, subject to revision.

A lengthy period (1943 to the late 1980s) of a semiclosed economy has ended. In a country that was devastated by hyperinflation in 1989, these successes should not be trivialized. Cavallo has become known as the crafter of an economic miracle in a country previously notorious for its capacity to squander impressive natural and human resources.

Despite this achievement, Argentina's economic situation remains fragile. The combination of a fixed exchange rate, the dollar/peso parity, and rising domestic prices has led to an overvalued peso; Buenos Aires today is one of the most expensive cities in the world. Prices have on average increased more than 50% since the parity of the dollar and peso was established in April 1991. In turn, overvaluation, plus economic reactivation, which stimulated an increase in demand for imports, has led to a trade imbalance and to serious problems for many local producers, who have reduced production and cut back on the number of employees. In 1992, there was a trade deficit of \$1.4 billion dollars—the first shortfall since 1989—followed by another of \$1.7 billion in 1993. The government has been reluctant to devalue the peso, both because doing so might shatter the confidence of investors in the local currency and could therefore unleash a selling spree, and because it would have direct inflationary pressures by increasing the costs of imports. Moreover, there has been little new productive investment in Argentina despite the influx of foreign capital; most of this capital has financed purchases of privatized state firms. Fiscal balance has been attained partially through the inflow of capital stemming from privatizations; this is a one-time effect.²⁰

The combination of the overvalued currency, the trade imbalance, the dependence on privatizations to balance the budget, and the paucity of new investment suggests that Argentina today may not be entirely immune to the kind of growth/bust cycle that it experienced in the late 1970s and early 1980s, and that Chile experienced from 1981 to 1983. The critical and still unresolved question is how sustainable this recent growth pattern is.

Regardless of what happens in the final year of Menem's first term, it is clear that Argentine society and politics have changed in profound and irreversible ways in the past two decades.²¹ Argentina has become less of an industrial society, with fewer industrial workers and fewer unionized workers and with more self-employed. The old corporations that dominated political life for decades—the unions and military—have lost some of their power. In the former case, this change is sure to endure, and it probably will for the armed forces for the foreseeable future. The policies implemented by Menem have changed Peronism in lasting ways. It is unlikely

²⁰ For an early critical evaluation of the Cavallo plan, emphasizing its potential bottlenecks, see José M. Fanelli, Roberto Frenkel, and Guillermo Rozenwurcel, "Transformación estructural, estabilización y reforma del estado en la Argentina," Documento CEDES #82 (August 1992).

²¹ See José Nun, "Cambios en la estructura social de la Argentina" in Nun and Portantiero, eds., *Ensayos sobre la transición democrática* (Buenos Aires: Puntosur, 1987), pp. 117–37.

that Peronism will return to its statist, nationalistic, protectionist, anti-establishment past, particularly if, as seems likely, Menem is reelected in 1995.

In sum, although the Argentine economy has achieved rapid growth and low inflation since 1991, the overall economic results under democracy are paltry and the economic successes of the Menem period are still fragile. Nevertheless, even the skeptics must acknowledge the crucial importance that lowering inflation had for the vast majority of Argentines. Regardless of how successful his plan proves, Menem has transformed the Argentine economy with measures of unprecedented audacity.

Uruguay

The economic situation inherited by the new democratic government in Uruguay was in many respects similar to that in Argentina. Real wages declined by 50% under military rule and urban unemployment soared to 14%. Inflation was 66% in 1984 and 83% in 1985, and per capita income plummeted between 1982 and 1984. Uruguay's foreign debt on a per capita basis was slightly higher than that of the other countries analyzed here. As was the case in Argentina, the state had not undergone significant reform or modernization during the dictatorship. Moreover, like the new democracy in Argentina, the Uruguayan democracy inherited an economy that had performed badly over a protracted period of time and that was closed, protected, and inefficient.

Given roughly comparable economic situations, the Uruguayan economy performed better than the Argentine under the first democratic presidents. Sanguinetti approached economic issues in a nonconfrontational manner, seeking to establish a broad consensus. One advantage of his approach was that it allowed for healing and for democratic resolution of issues, incorporating the parties and Congress into negotiations. This practice was not only favorable for strengthening democratic institutions and reasserting democratic practice, it also made it impossible to impose the kind of heterodox shock plans that were disastrous in Argentina and Brazil, as well as several other Latin American countries.²²

But there were also disadvantages. The broad search for consensus impeded necessary structural adjustments. In a country with an economy that had languished for decades, Sanguinetti's approach did not promote significant revitalization.

Both the advantages and the disadvantages were apparent in the administration's modest but palatable economic results. Inflation was persistently high, never falling below the 57% figure for 1987 and surpassing three digits (129%) in 1990, the year Sanguinetti left office. Bolstered by two strong years (1986 and 1987), the overall growth performance was adequate but not spectacular. The foreign debt grew from 4.9 billion dollars in 1985 to 7.4 billion in 1990, an

²² On this point, see Guillermo O'Donnell, "Delegative Democracy," *Journal of Democracy* Vol. 5, No. 1 (January 1994), pp. 55-69.

increase that in relative terms far surpassed those in Argentina and Brazil. (Chile's foreign debt shrank during that period.) Investment remained very low, below 10% of GDP, and little progress was made toward state reform. Urban unemployment fell from 13% in 1985 to 9% by 1987 but then stubbornly persisted at that level. Clearly the country was not paving the way toward a rosy economic future.

Though these results do not inspire overwhelming enthusiasm and do not rival the results for the first few years of democracy in Chile, they were better than those obtained by the Sarney and Alfonsín administrations, the former of which took office with more propitious economic conditions. In fact, they were better than those attained by most first governments in new democracies around the world in the 1980s and 1990s. They were also superior to the results under military rule in Uruguay, and marginally better than those attained under democracy between the mid-1950s and 1973. Considering the burden imposed by the debt crisis, this feat should not be underestimated.²³

The downturn in economic activity and the upsurge in inflation in 1988–89 led to growing dissatisfaction with the Colorados and contributed to the Blancos' presidential victory in the 1989 elections. The 1989 campaign was characterized by debate about Uruguay's poor long-term economic performance. In both traditional parties, neoliberal rhetoric and analyses dominated. The elections brought Luis Alberto Lacalle, who represented a conservative/neoliberal faction of the Blancos, to the presidency. The Blancos won 39% of the vote, compared to 30% for the Colorados (their worst performance ever since the establishment of democracy). The leftist Broad Front won 21%, and the center-left New Space garnered 9%. The Broad Front won the mayorship of Montevideo—the country's second most important executive post, marking the first time under democracy that the Colorados and Blancos had not governed there.²⁴

Whereas Sanguinetti had focused mostly on political issues, Lacalle turned his attention to economic ones. Lacalle had a more ambitious economic project than Sanguinetti's; it included a short-term economic adjustment to attack inflation and a medium-term plan to privatize public firms, lower trade barriers, secure support for Mercosur, and reduce the size of the state.²⁵ But

²³ For an overview of the Sanguinetti period, see Juan Rial, "Transición hacia la democracia y restauración en el Uruguay: 1985–1989" in Raúl Alfonsín et al., *Agenda para la consolidación de la democracia en América Latina* (San José, Costa Rica: Instituto Interamericano de Derechos Humanos, Centro de Asesoría y Promoción Electoral, 1990), pp. 247–92.

²⁴ On the 1989 elections, see Pablo Mieres, "Elecciones de 1989 en Uruguay: Una interpretación del cambio del sistema de partidos," *Síntesis* No. 13 (April-June 1991); Carina Perelli and Juan Rial, "Las elecciones uruguayas de noviembre de 1989" in Rodolfo Cerdas-Cruz, Juan Rial, and Daniel Zovatto, eds., *Elecciones y democracia en América Latina, 1988–1991: Una tarea inconclusa* (San José, Costa Rica: Instituto Interamericano de Derechos Humanos, 1992), pp. 601–45.

²⁵ See Jennifer L. McCoy, "The Collective Dilemma of Economic Reform," forthcoming.

Lacalle met only modest success in pursuing these initiatives; some of his initiatives were blocked in Congress.

Economic results have once again been mixed under Lacalle. Growth was sluggish in 1990–91, accelerated in 1992, and was modest again in 1993. This meant that during eight of the first nine years of democratic rule, there has been at least a marginal increase in per capita GDP. Inflation dropped from 129% in 1990 to 82% in 1991, 59% in 1992, and 52% in 1993. The moderate economic success of the Lacalle administration has rested on a precarious base: the surging Argentine demand for imports plus a tourist influx from Buenos Aires that takes advantage of less expensive prices across the Río de la Plata. Both of these favorable factors could change suddenly, depending on the state of the Argentine economy. Low investment rates have continued to be the Achilles heel of the economy; without an increase in investment, there is little hope for good long-term economic performance.

Despite these shortcomings, the sustained modest results attained in Uruguay under difficult initial conditions have been better than those in Argentina under Alfonsín and in Brazil. In these latter countries, presidents sometimes circumvented and undermined democratic institutions in order to carry out their economic plans, with deleterious consequences for democratic practice and for institution building. In Uruguay, presidents have often been thwarted by Congress but they have still accomplished an economic record better than that of their Brazilian counterparts or Alfonsín.

Brazil

The initial set of economic constraints and opportunities facing the new democratic government in Brazil was more favorable than that in Argentina and Uruguay but on balance less favorable than in Chile. In some respects, the Brazilian military regime was the most successful of the four economically; growth and investment were much higher than in the other three countries. But rather than bequeathing a leaner, more efficient state, as the Chilean military regime did, it passed on a state that became increasingly balkanized, inefficient, and permeated by clientelistic and patrimonial practices under President Figueiredo (1979–85). These problems contributed to the difficulties of the post-1985 period.

Although the debt crisis created a severe recession between 1981 and 1983, by January 1985, when Neves and Sarney were elected, growth was on the rebound. For 1984, growth was 5.7%, and growth in the second semester was particularly vigorous, anticipating a robust 7.9% expansion in 1985.

Not only the immediate economic situation but also the overall economic legacy of military rule was more favorable in Brazil than in Argentina and Uruguay. The Brazilian military regime oversaw a process of rapid modernization and industrialization, whereas the Argentine and

Uruguayan regimes were economic failures. Although international opinion about Brazil's economic future was slightly less optimistic in 1985 than it had been in 1980, the country was still seen as one of the world's most promising.

Alongside these relatively more favorable circumstances, however, Brazil also faced serious social and economic problems. Although the growth figures for the 21-year period of military rule were impressive, the economy in March 1985 was unstable. Inflation rose from around 100% between 1980 and 1982 to over 200% per year in 1983–85. The vigorous growth that began in the second semester of 1984 fueled an already high inflation rate.

Sarney took office on March 15, 1985, and during his first year as president he did little to halt the increasing inflation. Then in February 1986, the government decreed the Cruzado Plan, a heterodox price/wage freeze combined with initial wage increases. Early results of the plan appeared promising; the economy continued to grow at an ever faster pace, inflation dropped to virtually zero, and income was redistributed to the poor. Sarney gained unprecedented approval ratings, and most Brazilians were enthusiastic about their country's future. Unfortunately, political manipulation of the plan doomed it.

Sarney's economic advisors told the president that the plan was creating serious imbalances and urged some revisions. But the pleas to significantly revise the Cruzado Plan fell upon deaf ears. Enthralled by the public approval ratings, Sarney insisted on deferring the economic adjustments until after the November 1986 elections. As a consequence, a black market emerged, currency speculation flourished, a trade deficit surfaced, and the public sector deficit escalated.

In the short-term, Sarney benefited politically from the Cruzado Plan; his centrist Party of the Brazilian Democratic Movement (PMDB) won 22 of 23 gubernatorial contests and won absolute majorities in both chambers of congress. Six days after the elections, Sarney announced major revisions to the Cruzado Plan, effectively signaling its abandonment. His political manipulation of the plan had a high toll; Brazil missed an opportunity to tackle serious problems and instead exacerbated them.

In 1987, inflation began to spiral out of control. It reached 395% that year (compared to 59% in 1986), 993% in 1988, and 1862% in 1989. Simultaneously, production began to tumble. After robust gains in 1985 and 1986, per capita GDP grew 1.6% in 1987, but then fell 2% in 1988, rose 1.4% in 1989, and dropped 6.1% in 1990. Having inherited an economy that was in relatively good shape despite inflation, Sarney bequeathed a disaster to his successor in March 1990.

Sarney's mismanagement of the economy led to disenchantment with the two parties that had supported him in 1985, the centrist PMDB and the conservative PFL. The disgruntlement

with these parties paved the way for the victory of Fernando Collor de Mello in the 1989 presidential elections.

Collor was president for only two and one-half years, but they were important years. He had a clear sense of where he wanted to lead Brazil—to the developed world—and of how he wanted to get there—through neoliberal economic policies, but with some social protections and with a greater role for the state than orthodox neoliberals would assign.

Collor announced a new heterodox stabilization plan the day after assuming the presidency. He froze prices and wages, and also froze individuals' bank accounts, thereby creating the impression of being bold, dynamic, and decisive. But it did not take long for his administration to start to unravel.

For better or for worse, state reform followed a more moderate pace than in Argentina. Privatization went slowly; markets were opened, but at a gradual pace; the number of public sector employees decreased only modestly; fiscal reform was largely a failure; efforts to enhance state efficiency also failed. Collor was dependent on the votes of clientelistic politicians who fundamentally opposed state reform.

By mid-1991, the Collor administration had increasing difficulties getting measures passed through Congress. A combination of the abrasive styles of Collor and Finance Minister Zélia Cardoso de Mello, the poor macroeconomic performance, and massive corruption started to tarnish the administration's image by mid-1991, when Cardoso de Mello was forced to step down in the aftermath of a highly publicized tryst with Justice Minister Bernardo Cabral, who was married at the time.

The macroeconomic performance remained poor. Inflation dropped to 1585% in 1990 and 475% in 1991, but then spurted to 1149% in 1992. The stabilization plan had a profound recessionary impact; per capita GDP dropped 6% in 1990, 1% in 1991, and 3% in 1992. Because the Brazilian economy is so crucial for Latin America, this poor performance dragged down the results for the region as a whole.

When Collor was impeached because of corruption in September 1992, Vice President Itamar Franco became the chief executive. For some time, Franco wavered between populist expansionism and stabilization policies. In 1993, per capita income expanded modestly (3%) for the first time in years, but inflation reached a record 2244%. It is too early to assess the economic results of Franco's government because of the very recent nature of the latest economic plan of Finance Minister Fernando Henrique Cardoso. If Cardoso's plan succeeds in bringing down inflation, it will add a huge merit to Franco's previously mediocre economic record.

When José Sarney assumed the presidency in 1985, Brazil had reasonable prospects of maintaining growth, addressing severe inequalities, and establishing a legitimate democracy. Nearly a decade later, the tally is negative. Despite the resumption of growth in 1993, per capita

income is lower today than it was in 1980. Countless stabilization plans have failed. After having been regarded as a country with an exceptionally promising economic future, in recent years Brazil has been the giant of South America that cannot get its house in order.

One of the least discussed but most pernicious processes of the post-1980 period in Brazil has been the weakening of the state. Once known for having many competent agencies and firms, the state was corroded by patrimonialism and clientelism, by the neoliberal policies of the Collor years that sometimes resulted in indiscriminate dismantling of the public sector, and by macroeconomic policies that sometimes tried to artificially suppress inflation by not adjusting prices for public sector goods. Rather than promoting public sector efficiency, as might ultimately have happened with a coherent and sustained process of neoliberal reforms, the reforms weakened the state.

Chile

The Chilean situation differs in two dramatic respects from that of the other countries: the economic legacy of military rule was better, and the current expansion is now old and consolidated. Chile began its new democratic period with an economy more poised to compete internationally, with low inflation, with high investor confidence, with public sector accounts in good order, and with a state that was functioning well. The new government inherited not only a relatively positive economic situation but, equally important, a state that could successfully implement policies.

Economically, both the short-term and the overall legacy of military rule had some positive features. After a sharp recession in 1982–83, the economy entered a period of stable and significant growth beginning in 1985. Between 1985 and 1990, when Aylwin took office, no Latin American economy performed as well as the Chilean, though growth was showing signs of sputtering by early 1990. During the 1980s the military government also maintained fiscal balance, and inflation remained low by Latin American standards, ranging from 13% in 1988 to a high of 26% in 1985.

Equally important, and in contrast to the situation in the other three countries, the Pinochet regime promoted a profound liberalization of the Chilean economy. The militaries in Argentina and Uruguay gave lip service to free markets, but they never traveled far down this path. In Chile, privatization was more extensive than in any other Latin American country. The number of public firms declined from 529 in 1973 to 41 in 1990.²⁶ Tariffs were sharply reduced. Export promotion and diversification were a major success; exports increased 8% per year between 1974

²⁶ Raúl E. Sáez, "Las privatizaciones de empresas en Chile" in Oscar Muñoz, ed., *Después de las privatizaciones: Hacia el estado regulador* (Santiago: CIEPLAN, 1993), p. 79.

and 1989, and nontraditional exports grew 15% per year.²⁷ Prices and capital markets were liberalized, and the size of the state was dramatically reduced.²⁸

The economic reforms under military rule meant that the new democratic government did not have to bear the burden of undertaking state reform. The same cannot be said for Argentina, Brazil, Uruguay, or any other Latin American country (or for that matter, for any Eastern European country). This fact has made things easier in democratic Chile. Even if one is skeptical that economic liberalization is a sure formula for economic success, given the economic context of Latin America in the early 1980s, some state reform was desirable.

Although the economic legacy of military rule was markedly more positive in Chile than in Uruguay or Argentina, the new government nevertheless had to confront problems. It was only during the last six years that the Pinochet regime managed to promote sustained economic growth. An earlier growth spurt in the 1970s had burst spectacularly with the economic crash of 1982–83, and the overall growth figures for seventeen years of military rule were paltry: 2.6% per annum, or about 1% per capita per year. Chile's foreign debt increased dramatically between 1973 and 1984, from \$3 billion to \$20 billion. Investment as a percentage of GDP remained lower than the historical Chilean norm; it was 15.7% between 1974 and 1981 and 15.4% between 1981 and 1989, a sharp drop from the 20.2% of 1961–71 and even marginally lower than the 15.9% of 1971–74.²⁹

Notwithstanding some successes in social policy, the social cost of authoritarian rule was high in Chile, as was also the case in the other three dictatorships. Average real wages were 8% lower in 1989 than they had been in 1970. Public social expenditures per capita were 9% lower in 1988 than in 1970 and only 1% higher than in 1980. In Santiago, the share of consumption of the 40% poorest households declined from 19.4% in 1969 to 12.6% in 1988 as the share of the wealthiest 20% increased from 44.5% to 54.9%. The proportion of households living in extreme poverty increased from 8.4% in 1969 to 14.9% in 1989.³⁰

²⁷ Ricardo Ffrench-Davis, "Desarrollo económico y equidad en Chile: Herencias y desafíos en el retorno a la democracia," *Estudios CIEPLAN* No. 31 (March 1991), p. 34.

²⁸ On the reduction in the size of the state, see Muñoz, ed., *Después de las privatizaciones*, op. cit. (n. 26); Eugenio Tironi, *Autoritarismo, modernización y marginalidad* (Santiago: Sur, 1990), pp. 131–56; Pilar Vergara, "Changes in the Economic Functions of the Chilean State under the Military Regime" in J. Samuel Valenzuela and Arturo Valenzuela, eds., *Military Rule in Chile: Dictatorship and Oppositions* (Baltimore: Johns Hopkins University Press, 1986), pp. 85–116; Oscar Muñoz and Héctor E. Schamis, "Las transformaciones del estado en Chile y la privatización" in Joaquín Vial, ed., *¿Adónde va América Latina? Balance de las reformas económicas* (Santiago: CIEPLAN, 1992), pp. 279–301.

²⁹ Ffrench-Davis, "Desarrollo económico," op. cit. (n. 27), p. 34.

³⁰ The data in this paragraph comes from Ffrench-Davis, op. cit. (n. 27), pp. 39–41. For an overview of the social costs of the Pinochet years, see Eugenio Tironi, *Los silencios de la revolución* (Santiago: Editorial La Puerta Abierta, 1988); Carol Graham, "From Emergency Employment to Social Investment: Alleviating Poverty in Chile," *Brookings Occasional Papers*

Despite these problems, which should not be minimized, the economic legacy in Chile was vastly better than in Argentina and Uruguay. In these two countries, the military regimes failed to modernize the state and economy. The state was less efficient by the end of military rule than it had been at the beginning.

Even given relatively positive initial conditions, the Aylwin government achieved excellent economic results. It promoted robust growth despite a downturn in the international economic situation; GDP expanded 5.8% in 1991, 10.3% in 1992, and 6.0% in 1993. Even as it significantly increased social spending, the government generated three successive and increasing fiscal surpluses. It also registered consistent surpluses in the balance of payments and the commercial balance. The total external debt, which in 1984 stood at 456% of Chile's exports and in 1990 at 180%, had by 1992 declined to 151%. The stock market boom that began in 1985 continued during the first four years of democratic rule; the stock market index increased 31% in dollar terms in 1990 and an additional 90% in 1991, 12% in 1992 and 10% in 1993, even as investors soured on several stock markets throughout the rest of Latin America. The export boom also continued. Investment as a percentage of GDP was much higher under Aylwin than during the Pinochet dictatorship; in 1990, investment as a percentage of GDP reached 19.5%, the highest figure in two decades,³¹ and by 1993 it surpassed 25%. Productivity has continued to expand.

In many policy areas, the Aylwin government continued policies initiated under Pinochet. These included opening the economy, maintaining fiscal balance, controlling the money supply, and promoting privatization. Nevertheless, the economic achievements of the Aylwin government should not merely be seen as the prolongation of an economic miracle initiated by Pinochet. Although the Aylwin government has generally followed the free market policies introduced under Pinochet, it did increase taxes and social spending.

Moreover, the high growth rates of the 1991–94 period represented a resumption rather than a continuity of growth. In 1988–89, attempting to buttress its electoral support with politically targeted social spending, the Pinochet government pursued policies that increased inflation, caused a commercial deficit, and prompted a slowdown in growth. The democratic government's adjustment policies of 1990 were successful; they not only reduced inflation and restored external equilibrium, they did so at a low social cost.

What does this rapid survey of the performance of these economies tell us? First, the worst of the debt crisis is over. This is clear not only from the improved macroeconomic situation in

(Washington, D.C.: The Brookings Institution, 1991); Patricio Meller, "Adjustment and Social Costs in Chile During the 1980s," *World Development* Vol. 19, No. 11 (1991), pp. 1545–61.

³¹ French Davis, "Desarrollo económico," op. cit. (n. 27), p. 45.

the 1990s, with the exception of Brazil, but also from the improved debt/export ratios (see Table 3). The debt crisis is not fully resolved, but it is not as crippling as it was a decade ago. Twelve years ago, when democracy was inaugurated in Argentina, all four economies were mired down in similar woes, created by varying combinations of external debt and domestic mismanagement. At that time, the similarities in economic situations outweighed the differences. Today, these four countries face very different economic situations.

TABLE 3

Debt as Percent of Exports, 1984–1993

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993 ^a
Argentina	481	491	610	717	525	538	412	444	443	436
Brazil	363	379	460	430	315	307	353	361	325	308
Chile	456	454	396	327	229	182	180	155	151	169
Uruguay	362	391	349	371	361	344	342	326	329	351

Source: CEPAL, *Balance preliminar de la economía de América Latina y el Caribe 1993, Notas sobre la economía y el desarrollo*, No. 552–53, December 1993.

^a Preliminary estimates for 1993, subject to revision.

Second, although the worst is over, serious problems continue to confront three of the four countries analyzed here. On balance, my interpretation is more critical and skeptical than that presented by some analysts, especially regarding Argentina. In all but the Chilean case, there continue to be reasons for concern, notwithstanding the flow of international capital to the region.

On the positive side, in Uruguay, Argentina, and Chile, economic management has been better under democracy than under dictatorship, even if the former two countries continue to face serious problems. There is something to celebrate in this achievement. In the 1980s, many analysts doubted that democratic governments would prove capable of effective economic management.³²

Third, in all four countries, though especially in Chile and Argentina, development policies have moved away from the statist, inward-looking import substitution models that prevailed from the 1930s to the 1970s to more free market policies that seek greater integration in the world capitalist system. Within this general trend are some important variations: Chile has gone the farthest in the neoliberal experiment, followed by Argentina. Uruguay and Brazil have not gone as far down this path.

³² However, some studies produced evidence, consistent with the argument here, that democracies generally fare as well as authoritarian regimes at handling economic policy. See, for example, Karen L. Remmer, "The Politics of Economic Stabilization: IMF Standby Programs in Latin America, 1954–1984," *Comparative Politics* Vol. 19, No. 1 (1986), pp. 1–24.

Much has been written about the tension between political democracy and liberal economic reforms.³³ Liberal economic reforms almost inevitably exact a high short-term cost from many actors. The decision-making style usually associated with such reforms has been closed, technocratic, and exclusionary; this style tends to circumvent if not undermine democratic institutions. Moreover, economic reform creates short-term losers, who under democracy can fight to retain their relative positions and can thereby undermine reform efforts.

Despite these difficulties of implementing economic reform under democracy, in Brazil, Uruguay, and especially Argentina, such reforms have gone farther under democracy than they did under authoritarianism. Although the military governments of Argentina, Brazil, and Uruguay gave lip service to free markets, they did little to reduce the size of the state or to open markets. In these three countries, the burden of undertaking liberal economic reforms has fallen on democratic governments. This is one of the distinctive factors that sets the Chilean case apart from the other three.

Argentina, Brazil, and Uruguay have faced the common challenge of pursuing economic liberalization and consolidating political democracy in different ways. In Uruguay, the legislature has consistently been a key actor in decisions related to economic liberalization; debates have been channeled through democratic institutions. Reform has proceeded relatively cautiously. In Argentina, the Congress gave Menem a *carte blanche*, and Menem has often ruled through presidential decree, although some important measures were approved by Congress. Even more than was the case in Chile, liberalization has proceeded at a furious pace, with timing and policy often dictated by short-term political considerations. In Brazil, as in Uruguay, liberalization has generally proceeded cautiously.

Notwithstanding the international applause for rapid and profound economic reforms, under democracy there are advantages to negotiating economic reform with the legislature. Such an approach helps strengthen democratic institutions, rather than circumventing and weakening them. It allows for more careful processing of important decisions, and may as a result lead to less corruption, greater probity, greater support for the decisions that are taken, and more coherent policies that are less dictated by short-term political considerations.³⁴ If the Menem/Cavallo endeavor continues to be economically successful, it will be the first radical heterodox plan in Latin America to not only lower inflation—the Bolivian plan also succeeded in this regard—but also to promote growth.

³³ For interesting contributions, see Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (Cambridge: Cambridge University Press, 1991); Luiz Carlos Bresser Pereira, José María Maravall, and Adam Przeworski, *Economic Reforms in New Democracies* (Cambridge: Cambridge University Press, 1993); Waisman, "Argentina's Revolution From Above," op. cit. (n. 18).

³⁴ Bresser Pereira, Maravall, and Przeworski, op. cit. (n. 33), also argue the case for more gradual approaches to economic reform.

Finally, I would urge caution in judging prescriptions for economic success. There is an understandable temptation to see Chile as the model to follow and therefore to issue neoliberal prescriptions. The Argentine success since 1991 and the Brazilian failures between 1985 and 1990, as well as the Argentine problems between 1983 and 1989, lend support to this prescription. But many Latin American countries have for long periods in the past used neoliberal approaches without much success, and many East Asian countries have flourished while following policies that were by no means neoliberal.³⁵ My own view, which I cannot substantiate here, is that the critical issue is state efficiency rather than size: an efficient state is a crucial asset in promoting economic development.³⁶ These two dimensions, size and efficiency, are not consistently correlated, notwithstanding the neoliberal belief that a large state is always a hindrance to development.

Poverty and Inequality

In Latin America, the issues of poverty and inequality are greater problems than in most regions of the world. This is true even of the countries analyzed here, despite the fact that Uruguay, Argentina, and Chile have throughout the twentieth century been among the Latin American countries with less poverty and less pronounced inequalities. In all four countries, the recent dictatorships exacerbated social inequalities, and in Uruguay, Argentina, and Chile, the percentage of poor people increased under military rule.

Much evidence suggests that the economic and social performance of these new democracies shapes the degree of support for specific governments and to some degree for democracy as a regime. Moreover, while they fought against the dictatorships, democrats promised they would address inequalities and attempt to alleviate poverty. By making this promise, they increased the political saliency of these issues.

³⁵ Among many interesting contributions on this subject, see Ajit Singh, "Asian Economic Successes and Latin American Failure in the 1980s: New Analyses and Future Policy Implications," Kellogg Institute Working Paper #204, March 1994; Albert Fishlow, "Some Reflections on Comparative Latin American Economic Performance and Policy" in Tariq Banuri, ed., *Economic Liberalization: No Panacea* (Oxford: Clarendon, 1991), pp. 148–70.

³⁶ On the importance of the state in sustaining democratization and promoting development, see Guillermo O'Donnell, "On the State, Democratization, and Some Conceptual Problems: A Latin American View with Glances at Some Postcommunist Countries," *World Development* Vol. 21, No. 8 (October 1993), pp. 1355–69; Peter Evans, "The State as Problem and Solution: Predation, Embedded Autonomy, and Structural Change" in Stephan Haggard and Robert R. Kaufman, eds., *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State* (Princeton: Princeton University Press, 1992), pp. 139–81; Albert Fishlow, "The Latin American State," *The Journal of Economic Perspectives* Vol. 4, No. 3 (Summer 1990), pp. 61–74; Luiz Carlos Bresser Pereira, "Economic Reforms and Cycles of State Intervention," *World Development* Vol. 21, No. 8 (October 1993), pp. 1337–53.

Yet, while poverty and inequality are important issues, alleviating them has been a challenge. The initial macroeconomic situation in Argentina (1983) and Uruguay (1985) made tackling these problems difficult. In the medium term, in order to reduce poverty it is crucial to achieve economic stability and growth; high inflation usually has corrosive effects on living standards and contributes to increases in poverty. Yet in the short term, bringing down inflation has generally entailed measures that exacerbate inequalities and often further contribute to poverty.

Although the data on poverty and inequalities are not fully reliable or comparable, it is safe to say that the governments of Uruguay and Chile have been modest successes so far in alleviating poverty. In Argentina and Brazil, contrariwise, poverty has increased under democracy (though in Argentina, poverty has probably decreased since 1991). In a similar vein, inequalities have worsened in Argentina and Brazil and have improved slightly in Chile and Uruguay.

In Argentina, poverty and inequality increased during the Alfonsín years, and the Menem administration has relegated these issues to a back burner. To a greater extent than the international media has acknowledged, Argentina's recent economic expansion has had high social costs. In July 1993, even as the economy was expanding at a rapid rate, the unemployment rate crept up to 9.9%, the highest ever since careful national data had been recorded on a monthly basis. Another 8.8% were underemployed.³⁷ Moreover, the percentage of those employed in 'precarious' jobs increased sharply in the early years of democratic government.³⁸ Income distribution, which before 1975 was better than in most of the rest of Latin America, has grown steadily worse.³⁹ In Greater Buenos Aires, the poorest 40 percent of households received 16.9% of total income in 1977, 15.7% in 1983, and 11.7% in 1989. The wealthiest 10% received 31.6% of income in 1977, 32.5% in 1983, and 41.6% in 1989. The recent economic boom has disproportionately benefited a small minority of the population. Average real wages are still 20% below the 1980 level, and the real minimum wage is still 50% below that level (see Tables 4 and 5). Average real wages of workers employed in central public administration declined by a stunning 75% between 1983 and 1990.⁴⁰

³⁷ "Los desocupados son 1.134.000 en todo el país," *Clarín*, August 20, 1993.

³⁸ In 1983, 21.3% of workers were in 'precarious' jobs; by 1988, this figure had jumped to 29.9%. Laura Golbert and Emilio Tenti Fanfani, "Estructura social y pobreza en la Argentina: Escenario de los '90," CIEPP, Documentos de Trabajo #8 (January 1993), p. 13.

³⁹ Data from Acuña, "Politics and Economics in the Argentina of the Nineties," op. cit. (n. 16), citing Alberto Barbieto, "Distribución de ingresos, pobreza y estado de bienestar," Documento de Trabajo #3, CIEPP (1991), Table 4.

⁴⁰ Acuña, "Politics and Economics in the Argentina of the Nineties." op. cit. (n. 16), p. 10.

TABLE 4

Evolution of Real Mean Wages, 1985–1993

	1985	1986	1987	1988	1989	1990	1991	1992	1993 ^a
Average annual index (1980 = 100)									
Argentina ^b	107.8	109.5	103.0	97.3	83.3	78.7	81.8	81.4	81.0 ^g
Brazil									
Rio de Janeiro ^c	111.8	121.5	105.4	103.2	102.3	87.6	87.8	109.4	114.9 ^g
São Paulo ^d	120.4	150.7	143.2	152.1	165.2	142.1	125.4	135.7	144.6 ^g
Chile ^e	93.5	95.1	94.7	101.0	102.9	104.8	109.9	114.9	119.2 ^g
Uruguay ^f	67.3	71.9	75.2	76.3	76.1	70.6	73.2	74.8	79.7 ^h
Percentage change									
Argentina	-15.2	1.6	-5.9	-5.5	-14.4	-5.5	3.9	-0.5	-0.5
Brazil									
Rio de Janeiro	6.4	8.7	-13.3	-2.1	-0.9	-14.4	0.2	24.6	5.0
São Paulo	24.4	25.2	-5.0	6.2	8.6	-14.0	-11.8	8.2	6.6
Chile	-3.8	1.7	-0.4	6.7	1.9	1.8	4.9	4.5	3.7
Uruguay	-6.8	6.8	4.6	1.5	-0.3	-7.2	3.7	2.2	6.6

Source: CEPAL, *Balance preliminar de la economía de América Latina y el Caribe 1993. Notas sobre la economía y el desarrollo* No. 552–53 (December 1993), Table 6.

^a Preliminary data.

^b Mean total wages in manufacturing industry, average for twelve months.

^c Mean wages in basic industries, deflated by the Index of Consumer Prices in Rio de Janeiro, average for twelve months.

^d Wages in manufacturing industries in the state of São Paulo, deflated by the Index of Consumer Prices in the city of São Paulo, average for twelve months.

^e Until April 1993 average wages of nonagricultural workers, average for twelve months. Since May 1993, general index of hourly wages. April 1993 = 100.

^f Index of real mean wages, average for twelve months.

^g Average from January to August.

^h Average from January to September.

In the last two decades, Argentina has become marked by greater inequalities, more poverty, more people who fall outside the social net, and worse services. The wealthiest 10% of income earners increased their share of total income from 35% in 1974 to 46% by the end of the 1980s.⁴¹ Between 1983 and 1991, Argentina's failures in combating poverty and reducing inequalities resulted largely from the poor macroeconomic situation. Since 1991, these failures have resulted from subordinating a social agenda to the neoliberal project. Despite the influx of

⁴¹ William C. Smith, "Hyperinflation, Macroeconomic Instability, and Neoliberal Restructuring in Democratic Argentina" in Epstein, ed., *The New Argentine Democracy*, op. cit. (n. 16), p. 55.

TABLE 5
Evolution of Real Minimum Urban Wages, 1985–1993

	1985	1986	1987	1988	1989	1990	1991	1992	1993 ^a
Average annual index (1980 = 100)									
Argentina ^b	113.1	110.0	120.8	93.5	42.1	40.2	56.0	44.0	49.3 ^f
Brazil ^c	88.9	89.0	72.6	68.7	72.1	53.4	59.9	53.2	56.2 ^g
Chile ^d	76.4	73.6	69.1	73.9	79.8	87.5	95.6	100.0	104.6 ^f
Uruguay ^e	93.2	88.5	90.3	84.5	78.0	69.1	62.0	60.0	52.4 ^g
Percentage Change									
Argentina	-32.5	-2.7	9.8	-22.6	-55.0	-4.5	39.3	-21.4	12.0
Brazil	1.7	0.1	-18.4	-5.4	4.9	-25.9	12.2	-11.2	5.6
Chile	-5.3	-3.7	-6.1	6.9	8.0	9.6	9.3	4.6	4.6
Uruguay	5.0	-5.0	2.0	-6.4	-7.7	-11.4	-10.3	-3.2	-12.7

Source: CEPAL, *Balance preliminar de la economía de América Latina y el Caribe 1993. Notas sobre la economía y el desarrollo* No. 552–53 (December 1993), Table 7.

^a Preliminary data.

^b National minimum wage.

^c Minimum wage in the city of Rio de Janeiro, deflated by Rio's Index of Consumer Prices.

^d Minimum income.

^e National minimum wage for those above 18 years old.

^f Average from January to October.

^g Average from January to September.

money from privatizations, the Menem administration's scorecard on social issues has been anemic. Had the government chosen to do so, it could have used the capital inflows of 1991–93 to make some investments in the social area.

Along with Argentina, Uruguay historically has been the Latin American country with least poverty and inequality. As also occurred in Argentina, poverty and inequality increased during the military dictatorship; in Uruguay, this change slightly antedated the advent of authoritarian rule. The available data suggest a decline in poverty between 1984 and 1989. Filgueira, for example, drawing on data from the National Survey of Households, reports that the percentage of households in Montevideo living below the poverty line fell from 20.5% in 1984 to 9.2% in 1989. He also reports that poverty increased slightly in 1990.⁴²

Other data show less striking improvements. Real wages rose modestly during the first few years of democratic government but then fell in 1989, so the net gain over the course of

⁴² Carlos H. Filgueira, "Heterogeneity and Incidence of Urban Poverty in Uruguay," Kellogg Institute Working Paper, Democracy and Social Policy Series #9 (forthcoming).

Sanguinetti's presidency was minor. Income distribution improved modestly between 1984 and 1988 in provincial capitals but showed no change in Montevideo, where about half of the population lives.⁴³ Income distribution is still better than in most of Latin America⁴⁴ but is worse than it was three decades ago. As of late 1993, urban unemployment still hovered at 9% and average real wages remained depressed at a level 25% below what they had been in 1980.

Of the countries analyzed in this paper, Brazil has the worst social inequalities. Indeed, its pattern of income distribution is among the most uneven in the world. These profound inequalities make the quality of citizenship very uneven, and they conspire against building solid democratic institutions and consolidating democracy.⁴⁵ Regional disparities are also among the sharpest in the world, more pronounced than those of Argentina, Chile, and especially Uruguay. The more developed south is vastly wealthier than the north and northeast; the poorest state (Piauí) has a per capita income only one-sixth that of the wealthiest (São Paulo). Social indicators (infant mortality, literacy, longevity, education levels) in Brazil lag well behind those in Argentina, Uruguay, and Chile; indeed, they are among the worst in Latin America.

Brazil has a poor record in dealing with poverty and inequality since 1985. Social inequalities have worsened under democracy. In 1989, the lowest 20% of wage earners accounted for a meager 2.1% of national income, compared to 67.5% for the highest 20%.⁴⁶ The wealthiest 10% of households earned a staggering 76 times more than the poorest 10% (compared to 16 times more in Uruguay, 25 times in Argentina, and 35 times in Chile).⁴⁷ Because of the combination of declining per capita income and regressive changes in income distribution, even in 1990, before the end of the sharp recession of 1990–92, the bottom nine deciles of the population were worse off than they had been in 1981.⁴⁸ According to one estimate, the percentage of poor people in the total population increased from 28.4% in 1986 to 39.3% in

⁴³ *Ibid.*, Table 5.

⁴⁴ According to a recent World Bank study, Uruguay had the second best individual-level income distribution in Latin America as of 1989. The Gini coefficient was 0.424 for Uruguay in 1989, compared to 0.476 for Argentina, 0.573 for Chile, and 0.633 for Brazil, which easily had the worst income distribution in the region. See World Bank, Technical Department, Latin America and the Caribbean, "Poverty and Income Distribution: The Story of the 1980s," (March 31, 1993), Table 2.1, p. 16.

⁴⁵ See Bolivar Lamounier, "Brazil: Inequality against Democracy" in Diamond, Linz, and Lipset, eds., *Democracy in Developing Countries*, op. cit. (n. 16), pp. 111–57; Wanderley Guilherme dos Santos, "A 'Pós-Revolução' Brasileira" in Hélio Jaguaribe et al., *Brasil, Sociedade Democrática* (Rio de Janeiro: José Olympio, 1985), pp. 223–335.

⁴⁶ World Bank, *World Development Report 1993* (New York: Oxford University Press).

⁴⁷ World Bank, "Poverty and Income Distribution," op. cit. (n. 44), Tables A3.8, 13.45, A3.2, and A3.10, respectively.

⁴⁸ Data of the Instituto Brasileiro de Geografia e Estatística, cited in "Rumo ao Quarto Mundo," *IstoÉ Senhor* No. 1121 (March 20, 1991), p. 16.

1988—and that was before the prolonged recession of the late 1980s to 1992.⁴⁹ According to another estimate, the percentage of individuals below the poverty line increased from 34.1% in 1980 to 40.9% in 1989, again before the prolonged recession of the Collor years. This contrasts to 5.3% in poverty in urban Uruguay, 6.4% in Buenos Aires, and 10.0% in Chile.⁵⁰

Although it is difficult to obtain national level data, the available information shows enormous income disparities by race and by gender. In the large northeastern city of Salvador, for example, in 1993 white males earned 3.5 times more than black males, and white women earned 3.1 times more than black women. White men earned twice as much as white women, and black men earned 1.8 times more than black women. The differences were less pronounced in wealthier cities, but they were still sharp.⁵¹

So far, Chile has had a moderately good record of alleviating poverty under democracy. Socially, the performance record of the early years of democratic rule was solid. Real average wages showed a steady if unspectacular progression: increases of 1.8% in 1990, 4.9% in 1991, 4.5% in 1992, and 3.7% in 1993. Increases in real urban minimum wages were higher: 9.6%, 9.3%, 4.5%, and 4.6%, respectively. Unemployment, which was persistently high throughout the 1980s, even when growth rates were high, continued its gradual descent; at the end of 1993, urban unemployment was 4.7% and declining. At the national level, unemployment fell from 27% in 1982 to 4.5% in 1992.⁵² Much of the new job creation in the 1980s came in the formal sector of the economy where wages are on average higher. Despite the fact that real wages are still low, job creation has helped combat poverty, for without decent jobs, people will not be able to live decently. Poverty fell from 40.1% of the population in 1990 to 37.6% in 1991 (using different indicators from those cited two paragraphs above). Income distribution has probably improved slightly; according to one calculation, the share of the wealthiest 20% declined from 59.5% in 1989 to 54.7% in 1991.⁵³

49 Vilmar Faria, "The Current Social Situation in Brazil: Dilemmas and Perspectives," Kellogg Institute Working Paper, Democracy and Social Policy Series #1 (Spring 1994), p. 7, citing M. Romão, "Distribuição de Renda, Pobreza e Desigualdades Regionais no Brasil" in J. M. Camargo and F. Giambiagi, eds., *Distribuição de Renda no Brasil* (São Paulo: Paz e Terra, 1991).

50 World Bank, "Poverty and Income Distribution," op. cit. (n. 44).

51 Data of the Instituto Brasileiro de Geografia e Estatística, cited in "Pesquisa do IBGE derruba vários mitos," *Veja* No. 1331 (March 16, 1994), p. 97.

52 Alvaro Díaz, "Restructuring and the New Working Classes in Chile: Trends in Waged Employment, Informality and Poverty, 1973–1990," United Nations Research Institute for Social Development, Discussion Paper #47 (October 1993).

53 Genaro Arriagada and Carol Graham, "Chile: Sustaining Adjustment During Democratic Transition," in Stephan Haggard and Steven B. Webb, eds., *Voting for Reform: Democracy, Political Liberalization and Economic Adjustment* (Oxford University Press/World Bank, 1994), pp. 242–89. Jaime Ruiz-Tagle reports that income distribution continued to improve in 1992, but he does not give complete data. See *Una mirada crítica: Los trabajadores en democracia* (Santiago: PET, 1993), pp. 92–94.

Can any general conclusions be drawn from this rapid purview of the situation regarding poverty and inequalities? One lesson from the 1980s and 1990s is that hyper- or extremely high inflation usually has terrible consequences for poverty and inequality. Therefore, the priority governments have recently given to macroeconomic stability seems well advised—a lesson that has come slowly, but that is the dominant view today despite continuing dissensus. (Significant parts of the Left in Brazil and Uruguay would disagree with this emphasis on macroeconomic stability, if not in principle, at least in practice.)

But this lesson should not be overdrawn: the temptation today is to so strongly subordinate considerations of poverty and distribution that they disappear from the political agenda. Certainly this has happened in Argentina; the major parties have proposed no serious alternatives to Menem's neoliberal agenda. Yet even if macroeconomic stability needs to come first, it is also crucial to keep poverty, inequalities, and social policy on the agenda. Otherwise, these democracies risk losing their legitimacy and squandering important human capabilities that in the long term are likely to prove critical to sustaining international economic competitiveness.

Quality of Democratic Practice

By quality of democratic practice, I refer to two related dimensions of democratic politics. First, to what extent are democratic political rights and civil liberties truly respected? Second, how well do democratic mechanisms of accountability—especially legislatures and judiciaries—work? These are not always issues of deep concern to the vast majority of citizens, but they are nevertheless important considerations.

Table 6 provides a beginning point for assessing the state of political rights and civil liberties since 1984. It reproduces the rankings by Freedom House, a well-known institution that monitors political rights and civil liberties around the world. Freedom House's rankings are not incontrovertible, but they express the measured assessment of experts.

Freedom House's rankings suggest that the situation of political rights and civil liberties is better in Chile and Uruguay than in Argentina and Brazil. In Chile and Uruguay, freedom of speech and the press are well established, and civil liberties are generally respected. In these regards, Chile and Uruguay have established democratic practice to a degree unknown not only in Argentina and Brazil but also in all the other new democracies in the region.

Freedom House's assessments suggest some deterioration in recent years in Argentina and Brazil. Given the widespread problem of police violence and the difficulties of containing political violence against peasant leaders in many rural areas, Freedom House's ratings for Brazil in the second half of the 1980s were arguably slightly high. In Argentina, the situation of civil liberties and political rights was good under Alfonsín but then deteriorated slightly under Menem.

TABLE 6

Comparative Measures of Freedom for Argentina, Brazil, Chile, and Uruguay, 1984–1993

	1984			1985			1986			1987			1988			1989			1990			1991			1992			1993		
	PR	CL	FR	PR	CL	FR	PR	CL	FR	PR	CL	FR	PR	CL	FR ^a	PR	CL	FR	PR	CL	FR	PR	CL	FR	PR	CL	FR	PR	CL	FR
Argentina	2	2	F	2	2	F	2	1	F	2	1	F	2	1	3	1	2	F	1	3	F	1	3	F	2	3	F	2	3	F
Brazil	3	3	PF	3	2	F	2	2	F	2	2	F	2	3	5	2	2	F	2	3	F	2	3	F	2	3	F	3	4	PF
Chile	6	5	PF	6	5	PF	6	5	PF	6	5	PF	5	4	9	4	3	PF	2	2	F	2	2	F	2	2	F	2	2	F
Uruguay	5	4	PF	2	2	F	2	2	F	2	2	F	2	2	4	1	2	F	1	2	F	1	2	F	1	2	F	2	2	F

Source: *Freedom in the World* (New York: Freedom Rating House). 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, and 1994 editions.

Notes: The numbered scales go from 1 (most free) to 7 (not free).

PR means Political Rights.

CL means Civil Liberties.

FR means Freedom Rating: F means Free. PF means Partly Free. NF means Not Free.

^a 1988 Freedom Rating is a sum of PR and CL.

For example, Peronist thugs on a few occasions harassed and beat up journalists and grassroots opposition activists who had criticized the government. These thugs were not directly commissioned by Menem, but they worked for high-ranking Peronist leaders and enjoyed impunity. Even though a vigorous press continues to function in Argentina, the government's failure to prosecute this behavior makes it complicitous in these attacks.

In terms of democratic accountability, Chile and Uruguay stand out among the new democracies in Latin America. Despite the 'reserved domains' that continue to impinge on democracy in Chile, democratic accountability has been more consistent in these two countries. Presidents govern with respect and toleration toward the opposition, and they do not systematically undermine or circumvent legislatures and other mechanisms of accountability. Legislatures and judiciaries matter. Presidents have had to negotiate with Congress and with some social actors; they have eschewed the *decretismo* common in Brazil and Argentina. Constitutionally, Chile is the least democratic of these four countries, but democratic accountability has been superior to that observed in Argentina and Brazil. Although the courtsystem was packed by Pinochet, it has functioned reasonably well. The corruption and impunity that have plagued Argentina and Brazil have not vitiated democracy in Chile and Uruguay.

Democratic accountability has been lacking in Argentina and Brazil. These two countries have features of what O'Donnell has called delegative democracies, that is, a democracy with weak institutions, in which political power is personalized in the president who governs in autocratic fashion despite having been elected democratically.⁵⁴ Delegative democracy is a demobilized democracy in which resignation, apathy, and resignation prevail. It is characterized by weak mechanisms of accountability, of which legislatures and judiciaries are typically particularly important. Presidents arrogate enormous authority even if they often have difficulties implementing policies; democratic institutions are weak; citizens are expected to remain quiescent.

Alfonsín governed in more democratic fashion than most other Argentine presidents have. He was tolerant of the opposition, and civil liberties were respected. But as O'Donnell and Cavarozzi and Grossi have noted,⁵⁵ even in terms of democratic conduct, which was Alfonsín's strong point, occasional problems arose. After the ephemeral success of his economic plan in 1985 and the Radical Party's electoral victory of that year, Alfonsín publicly spoke of creating Argentina's 'third historical movement;' the first two were created by Presidents Irigoyen (1916–22 and 1928–30) and Perón (1946–55 and 1973–74). The idea was that the Radicals could

⁵⁴ O'Donnell, "Delegative Democracy," op. cit. (n.22).

⁵⁵ Guillermo O'Donnell, "Argentina, de nuevo," Kellogg Institute Working Paper #152 (February 1991); Marcelo Cavarozzi and María Grossi, "Argentine Parties under Alfonsín: From Democratic Reinvention to Political Decline and Hyperinflation" in Epstein, ed., *The New Argentine Democracy*, op. cit. (n. 16), pp. 173–202.

become a hegemonic movement that would lead the country for decades and express the popular volition. But as Argentine experience shows, hegemonic movements see themselves as the conveyors of truth, as the true representatives of the people. Such perceptions foster intolerance and dismiss accountability. Alfonsín saw the Radical Party as the only one truly committed to democracy, and the only one capable of consolidating it. These perceptions were partially true in 1983, but they failed to allow for the possibility of renovation within Peronism and they were not conducive to compromise with the Peronists. Alfonsín did little to strengthen democratic institutions, often perceiving Congress and parties as obstacles to circumvent rather than crucial pillars of a consolidated democratic regime.

Neoliberals have applauded Menem for undermining the traditional Peronist coalition, but the fact that he dramatically reversed his campaign positions raised troubling questions about the quality of democratic representation in Argentina. Rather than strengthening democratic institutions, Menem has often weakened them. He has thoroughly dominated the Peronist Party. Menem packed the Supreme Court with sycophants, increasing the number of judges from five to nine. He has done something similar with the *Controlaría General de la Nación*, a state agency designed to oversee operations of the Executive branch.

More than any democratically elected president in Argentina's history, he has governed through decrees, though he often won congressional approval for doing so. By packing the Supreme Court and the *Controlaría General de la Nación*, Menem weakened formal mechanisms of accountability. The government also 'canceled' election results for senate seats in San Juan and Chaco when the opposition won, and it intervened in provincial politics in Corrientes.

Given Peronism's lengthy history of authoritarian political practice, Menem's style is not surprising, but in view of the efforts to create a more democratic Peronism in the aftermath of the 1983 electoral setback, it is disappointing. Menem's style shows that however much Peronism has changed in terms of its social base and its policies, it sometimes fails to respect democratic institutions.⁵⁶ Menem and his retinue have also been involved in countless cases of corruption.

The notion of delegative democracy is also suggestive in the Brazilian case, at least until the impeachment of ex-President Fernando Collor de Mello in 1992. Prior to 1992, Congress had limited effectiveness as an agent of oversight and accountability, despite its capacity to block presidential policy initiatives. The judiciary has been ineffective; widespread corruption and impunity—with the partial exceptions noted above—have been ongoing problems.

⁵⁶ The changes in Peronism's social base and its policies are highlighted in Manuel Mora y Araujo's *Ensayo y error* (Buenos Aires: Planeta, 1991), pp. 105–70. The most important change in social base is that the upper and upper-middle classes, which historically opposed Peronism, now largely support Menem. The authoritarian nature of Peronism even after the efforts to reform it is highlighted by Emilio de Ipola, "La difícil apuesta del peronismo democrático" in Nun and Portantiero, eds., *Ensayos sobre la transición democrática*, op. cit. (n. 21), pp. 333–74.

In terms of democratic practice, Sarney and Collor were relatively poor; both disdained Congress and parties. Until 1994, all of the heterodox economic plans, beginning with the Cruzado Plan in 1986, largely circumvented Congress and the parties. Sarney and Collor governed through decree powers, abusing the spirit of the 1988 constitution.⁵⁷ During the Sarney and Collor years, corruption, the patrimonial use of state power, and clientelism were widespread.⁵⁸

The prevailing public image of Congress is of a patrimonial, clientelistic, often venal, and self-serving political class. Politicians, in conjunction with heads of state agencies and firms and powerful private interests, have privately appropriated public resources. Rather than distributing public resources on the basis of some procedural criteria, they are often distributed to favor political friends and undermine foes. Nepotism in the public sector is widespread. Public sector jobs are typically allocated on the basis of political favors rather than competence. Social programs supposedly designed to benefit the poor end up favoring the wealthy who administer them. Such practices occur in all political systems, but they are more widespread in Brazil than in the other countries discussed here. They are especially widespread in Brazil's desperately poor regions, the northeast and the north.

In sum, in terms of the quality of democratic practice, Uruguay and Chile have fared better than Brazil and Argentina. There is obvious room for better protection of civil liberties and political rights in Brazil and Argentina, and there is a need for more effective mechanisms of accountability. Given the importance of better accountability, one of the interesting and largely neglected questions in the study of Latin America is how to strengthen judiciaries and legislatures.

Popular Support and Legitimacy

The final issue I compare for these four democracies is the extent to which citizens support the government and the political regime. Support for the government and for democracy as a political regime are intertwined but nevertheless distinguishable; a government might have little support even though democracy as a regime enjoys broad legitimacy. These issues are significant normatively; a government or regime that enjoys widespread backing can make claims to normative superiority over one with weak support. They are also important politically: legitimacy

⁵⁷ See Timothy Power, "The Pen is Mightier than the Congress: Presidential Decree Power in Brazil," Paper for the XVIII Congress of the Latin American Studies Association, March 10–12, 1994.

⁵⁸ On these themes, see O'Donnell, "Transitions, Continuities, and Paradoxes," op. cit. (n.13); Frances Hagopian, *Traditional Political Elites and Regime Changes* (New York: Cambridge University Press, forthcoming); Maria do Carmo Campello de Souza, "The Brazilian 'New Republic': Under the 'Sword of Damocles,'" in Stepan, ed., *Democratizing Brazil*, op. cit. (n.9), pp. 351–94.

bolsters prospects for democratic consolidation and for attaining effective democratic governance.

The best way to tap these dimensions of political life would be through careful and exactly comparable surveys, repeated several times in all four countries over a period of time. Unfortunately, such directly comparable survey information does not exist for all four countries, so I am forced to rely on less comparable surveys and to make inferences from voting results. Despite the problems in information, it is safe to say that here, too, we find variations among these four democracies, with Chile being in the best position and Brazil in the worst.

Alfonsín was swept to the presidency with an absolute majority of votes in 1983, but support for his government dissipated over time. By the congressional elections of 1987, the Radical government had lost its political capital and suffered serious setbacks. Alfonsín's failures paved the way for Menem's easy victory in the presidential election of 1989; the Radicals were so discredited that only a good campaign by their candidate, Angeloz, enabled him to win 37% of the vote, compared to Menem's 47%. More than a tribute to Menem's qualities, the outcome signaled a repudiation of the Radicals. Plagued by hyperinflation and bad morale—his own and the country's—Alfonsín stepped down early from office and allowed Menem to assume the presidency in July 1989. During nearly six years in office, Alfonsín's administration exacerbated most of the serious problems it inherited.

Reducing inflation won Menem broad political support in 1991–92. By 1993, however, his approval ratings began to decline, though he has retained reasonable public opinion ratings. According to survey data, 38% of respondents viewed Menem favorably in June 1993, and 26% viewed the government favorably.⁵⁹ Much of this support comes from the traditional Peronist constituency: the poor, the less developed provinces. Some of it comes from a traditional anti-Peronist segment of society: the wealthy who have benefited from the neoconservative project.

Menem's public approval ratings have been bolstered by the memory of hyperinflation and the severe economic problems of the 1980s. Because of this context, Menem has been able to withstand frequent allegations of corruption and authoritarian practices. His party won key victories in the September 1991 and October 1993 congressional elections.

Whatever shortcomings one attributes to Menem and his government, there are no strong alternatives. Menem is the odds-on favorite to win the 1995 presidential election, and therefore is likely to govern until 1999. The opposition is weak and fragmented. The Radical Party remains in disarray; it would take a collapse of Cavallo's economic plan for them to have a chance at winning the 1995 presidential election. The Radicals have no clear alternative to the neoliberal policies pursued by Menem, and they are profoundly divided over whether to support

⁵⁹ Estudio Sociológico y Político, Mora y Araujo, Noguera y Asociados, "Síntesis de junio de 1993: Análisis sociopolítico de la coyuntura argentina," p. 5.

or oppose Menem's initiatives. And beyond the Radicals and Peronists, there are no major parties in Argentina, notwithstanding dissatisfaction among many voters. A growing share of voters has eschewed the two large parties—minor parties won 21% and 18% of the lower chamber seats in the 1991 and 1993 legislative elections, compared to 6% in 1983—but no other significant national party has emerged. Menem effectively coopted the UCD, the conservative party that until 1989 appeared to have chances of becoming the country's third significant national party. He has skillfully exploited the absence of alternatives to help neutralize opposition within and outside Peronism. More than a deep seated enthusiasm for Menem, these factors help explain the Peronists' victories in the congressional elections of 1991 and 1993.

Relatively little information is available to assess the legitimacy of democracy as a political regime in Argentina. The behavior of actors suggests that democracy enjoys greater legitimacy in Argentina than in Brazil but less than in Uruguay and Chile. The limited comparable survey data support this observation for the comparison between Brazil and Argentina. In her survey in a popular neighborhood in Greater Buenos Aires, Ippólito asked respondents whether "The most important thing is economic development, even if without democracy, or the most important thing is democracy, even with little economic development." Forty-one percent of respondents chose the second answer, compared to 27% who chose the first. Thirty-two percent of respondents said that both things are equally important, even though this option was not presented to them. Given the widespread view that what the poor really care about is their material situation, the support for democracy with little economic development is notable. In a survey in São Paulo, support for economic development without democracy was greater (47%); it seems unlikely that the differences in size, sampling location, or class base wholly account for the greater support for democracy in Argentina.⁶⁰

One of the worrisome aspects of democracy in Uruguay has been the dissatisfaction of the political elite and of common citizens with their governments. Disgruntlement is widespread, particularly striking in view of the accomplishments of the first nine years of democratic government.⁶¹ But in contrast to the situation in Brazil, the dissatisfaction is limited to governments and does not extend to democracy as a political regime.

Both Sanguinetti and Lacalle had relatively low public approval ratings throughout most of their terms. Widespread disenchantment with presidents is partially a result of Uruguay's peculiar

⁶⁰ Gabriela Ippólito, "Political Orientations of Argentina's Urban Poor: Democracy, Capitalism, and the State," M.A. paper, University of Notre Dame, 1994. Data on attitudes of workers toward democracy and a panoply of other subjects are available in Peter Ranis, *Argentine Workers: Peronism and Contemporary Class Consciousness* (Pittsburgh: University of Pittsburgh Press, 1992).

⁶¹ See Andrés Rius and Luis Eduardo González, "La opinión pública montevideana a cuatro años de la restauración democrática." *Revista Uruguaya de Ciencia Política* No. 2 (1988), pp. 61-80.

electoral system. Each party is allowed to run several presidential candidates. The winner of the presidency is not the candidate with most votes but rather the most voted candidate of the party with most votes. This systems not only encourages factionalism within the parties since several different factions are allowed to run their own presidential candidates, it also allows presidents to win an election despite receiving a low percentage of the popular vote. For example, in 1989, the Blancos won the presidency with 39% of the vote distributed among three candidates. Lacalle won only 22% of the popular vote, and the remaining 17% went to two Blanco candidates from center-left factions markedly more progressive than Lacalle's. Thus it is not surprising that even within his own party, Lacalle faced significant opposition. His approval rating at the beginning of his term was low, reflecting the fact that he won the presidency with relatively little public support and limited support in the legislature and among organized interests. On the other hand, dissatisfaction with particular governments has not translated into disgruntlement with democracy. Democracy as a political regime appears to have broad legitimacy.

Disenchantment with presidents and malaise about democracy as a political regime are greater in Brazil than in the other countries discussed here. Sarney started off his term with broad popular support, but in 1987 his public opinion ratings plummeted and never recovered. When the 1989 presidential campaign started, Sarney and establishment politicians were discredited. This situation favored the campaigns of political outsiders and contributed to the victory of Fernando Collor de Mello. Collor started his term with broad support, but this support dissipated quickly. Collor's public approval ratings fell from 71% the month he took office (March 1990) to 36% three months later, 23% by March 1991, and 15% by February 1992. In a similar vein, by November 1993, only 12% of respondents considered Franco's government good or excellent.⁶²

More worrisome than the poor public opinion ratings of presidents is the weak legitimacy of democracy as a political regime. Apathy and cynicism regarding democratic institutions are widespread, not surprisingly in view of the shortcomings of democracy. In a September 1989 survey, only 43% of respondents agreed with the statement, "Democracy is always better than other forms of government." Nineteen percent said that a dictatorship is better under some circumstances, 22% said that it didn't matter, 15% had no opinion, and 2% gave other answers.⁶³ In another survey, 74% of respondents in the city of São Paulo agreed with the statement "If in

⁶² "Sem choro nem vela," *Veja* No. 1229, April 8, 1992, pp. 20–21; "Crise reduz prestígio da democracia," *Folha de São Paulo*, November 21, 1993.

⁶³ CEDEC-*Folha de São Paulo* survey. See José Alvaro Moisés, "Elections, Political Parties and Political Culture in Brazil: Changes and Continuities," *Journal of Latin American Studies* Vol. 25, No. 3 (1993), p. 597. Moisés interprets this data as showing strong support for democracy; I interpret it otherwise. In subsequent polls, the percentage of those who always preferred democracy oscillated between 42% and 59%, with no clear trend in any direction. See "Crise reduz prestígio da democracia," op. cit. (n. 62).

order to resolve a serious national problem, the President had to break the law, it is better that he do so and solve the problem"; only 20% disagreed.⁶⁴ This suggests weak adherence to one of the most fundamental democratic institutions—the constitution.

Given widespread voter dissatisfaction and cynicism, it is not surprising that electoral volatility (the turnover from one party to its competitors from one election to the next) has been high. Mean electoral volatility in terms of lower Chamber seats has been 40.9% in Brazil (1982–90), compared to 16.1% in Chile (1969–93), 12.7% in Argentina (1983–93), and 9.1% in Uruguay (1971–89).

In terms of cultivating public support, the Chilean government has fared better than the other new democracies analyzed here. The Aylwin government maintained intact an extremely broad alliance. At a time when most democratically elected governments in Latin America had poor approval ratings, the Aylwin administration retained popularity and legitimacy. In a March 1993 survey, 58% of the population approved of Aylwin's handling of government affairs, compared to only 16% who disapproved. The disapproval rate was far lower than the percentage of those who had voted against Aylwin three years and four months earlier; this presents a sharp contrast to the situation in the other countries. Aylwin's personal approval was 75%, a figure 20% higher than the share of the vote he had won in 1989.⁶⁵

The government achieved broad consensus behind its policies, and as a result it retained the ability to win elections. In June 1992, having been in office for more than two years, the Concertación government scored victories in key municipal elections, reproducing its performance of 1989. At a comparable time in Brazil, Sarney was widely repudiated, and popular support for the parties that backed him was eroding. In contrast to what occurred in the other three countries, the governing coalition in Chile won the second presidential election. Concertación candidate Eduardo Frei won 58% of the popular vote in 1993, outpacing Aylwin's 1989 performance by 3%. In the other three cases covered here—and in almost all of the other new democracies in Latin America—the party that won the first presidential election of the new democratic period suffered setbacks in the next presidential contest. In Brazil, the PMDB won less than 5% in the presidential election in 1989 after capturing 54% of the Chamber seats in 1986.⁶⁶ In Argentina, the Radicals fell from 52% in 1983 to 33% in 1989; in Uruguay, the

⁶⁴ Ippólito, *op. cit.* (n. 60), citing a CEBRAP survey. In a popular neighborhood of Greater Buenos Aires, 63% of Ippólito's respondents agreed and 32% disagreed with this statement. Thus, whereas in Greater Buenos Aires two people agreed to every one who disagreed, in São Paulo 3.7 people agreed to every one who disagreed.

⁶⁵ Centro de Estudios Públicos, "Estudio social y de opinión pública," No. 19 (March 1993). Researchers interviewed 1,885 people in 13 urban areas.

⁶⁶ The Brazilian presidential election of 1985 occurred via an electoral college without a direct popular vote, so it is impossible to compare the 1989 presidential popular vote with the results of 1985.

Colorados fell from 41% in 1984 to 30% in 1989. Moreover, support for democracy as a political regime appears solid in Chile, though this observation needs to be carefully tested by survey data.

Explaining Differences in Democratic Performance

These four democracies share the common challenges of consolidating democracy, promoting economic growth in a new era of a smaller state, and addressing profound inequalities. But their performance in these areas has varied greatly.

Brazil has so far been the great failure among the cases of democratization studied in this paper. What makes this failure surprising is that prior to 1985 Brazil was seen as one of the Third World's most promising nations. Whereas Argentina, Uruguay, and Chile had lengthy legacies of sluggish economic growth, Brazil had a long history of vigorous growth until 1980. This is not to say that democracy in Brazil is doomed to reproduce the shortcomings of the past nine years. Brazil retains some significant advantages, including a dynamic private sector; an impressive intellectual, business, and artistic elite; a large industrial sector; and a civil society that is more organized today than at any point in the past. Still, democratic governments since 1985 have largely failed to capitalize on these assets.

In contrast, Chile has been a singular success. This achievement is particularly noteworthy considering the problems of the first democratic governments in Brazil, Argentina, Bolivia, Peru, and elsewhere. Proclaiming the success of the very early phases of Chilean democracy does not imply that there have been no problems, among which the persistence of widespread poverty and the presence of the authoritarian 'reserved domains' are particularly troublesome. Nor does it imply that things will remain smooth into the foreseeable future; it would be surprising if things continued to go so well.

Four political problems loom on the horizon in Chile. First, it is unlikely that the honeymoon between Christian Democrats and Socialists will last. This is not so much because of policy differences between the two parties, though policy differences do exist, as because the parties need their own identity and candidates. Second, at some point the authoritarian nature of Pinochet's institutional engineering will have to be more fully addressed. Many of Pinochet's constitutional machinations were intended to 'freeze' Chile's political situation, but a frozen situation could easily lead to stalemate and immobilism. Third, as former Finance Minister Foxley (1990–94) himself acknowledged, Chile has been in a relatively 'easy' phase of export expansion, based mainly on primary products such as wood, fish, and fruits. The transition to the next phase, with more sophisticated production processes, promises to be more difficult.

Finally, even if the government's socioeconomic performance remains stellar, the high initial level of enthusiasm with democracy will inevitably decline. The performance of the Aylwin government sets up a difficult act to follow, increasing the likelihood of disappointment with subsequent governments. Unresolved problems will displace the ones that have been addressed on the agenda. Political pressures to address poverty, which remains widespread despite the Aylwin government's performance in confronting this problem, are likely to increase. Consensus is likely to diminish as electoral competition changes from a game of defeating the authoritarian coalition into one of defeating one's democratic opponents. Given the confluence of challenges that are already visible on the horizon, it seems unlikely that the success record of the past few years is sustainable.

Uruguay has been an intermediate case, with some successes and other notable problems. Argentina's problems have not been as acute as Brazil's, but here, too, the difficulties have been greater than most analysts anticipated, notwithstanding the current optimism that prevails in international and Argentine business circles.

How can we explain this pattern of failures and successes? Four factors help explain the significant variations from one country to the next: presence of democratic traditions and institutions, leadership and luck, the economic legacy of military governments, and policy choices.⁶⁷

The most important dimension distinguishing Chile and Uruguay from the other new democracies in Latin America is that they have lengthy democratic traditions and well established democratic institutions. These two countries have the oldest democratic traditions in Latin America. Because of these democratic traditions and institutions, politicians, the media, organized interests, and the mass public have a strong sense of what democracy is about and how it should be practiced.⁶⁸ Actors—especially presidents—are constrained by these institutions and traditions.

Uruguay became a democracy early in the twentieth century and has remained one ever since with the exception of two periods: 1933–42 and 1973–85. Respect for the rule of law and

⁶⁷ This is not intended to be a general theory to explain variations among the world's new democracies; it focuses specifically on these four countries for the recent period. Because these countries share some important characteristics, several explanatory variables that might be crucial in other cases are relatively constant.

⁶⁸ The importance of democratic traditions and formal institutions in distinguishing democracy in Uruguay and Chile from the rest of the new democracies in Latin America is underscored in O'Donnell, "Delegative Democracy," op. cit. (n. 22). Lourdes Sola also emphasizes the deleterious impact of Brazil's political institutions upon policy formulation and implementation. See "The State, Structural Reform, and Democratization in Brazil" in William C. Smith, Carlos H. Acuña, and Eduardo A. Gamarra, eds., *Democracy, Markets, and Structural Reform in Latin America: Argentina, Bolivia, Brazil, Chile, and Mexico* (New Brunswick: Transaction Publishers, 1994).

for civil liberties had been well established. Democratic restoration meant the resuscitation of an old party system dominated by two centrist parties of nineteenth-century vintage, the Blancos and Colorados, along with a leftist front, the Frente Amplio, which was created in the early 1970s.

With more solid democratic institutions, and because of the peculiar electoral system that virtually requires presidents to govern as minority presidents, Sanguinetti was forced to negotiate with Congress and the parties. In this context, a sneak shock economic plan—of the kind that led to serious problems for Alfonsín and Sarney—was unthinkable, even though the Uruguayan economy was in worse shape than the Brazilian at the beginning of the new period of democracy and in comparable shape to the Argentine economy.

Chile also has old democratic traditions. By the mid-nineteenth century, Chile had established a fully competitive political regime, although it had important suffrage restrictions which were not eclipsed until 1958. In the twentieth century, only twice did Chile fall away from competitive politics: between 1924 and 1932, and again between 1973 and 1990.

Argentina and especially Brazil have weaker democratic institutions. Presidents with dubious democratic dispositions have been more likely to be elected, and mechanisms of accountability have been weaker. Political institutions are less likely to constrain presidential action. Weak judiciaries have failed to combat corruption, leading to a situation of impunity for those who privately appropriate public resources. Moreover, with weak legislatures and judiciaries, mechanisms of accountability and oversight have often been ineffectual. The impeachment of Fernando Collor de Mello and the current efforts to expel eighteen members of Congress because of corruption ended the sense of impunity that existed in Brazil, but it is questionable how profound the consequences of this change will be.

The party systems of Chile and Uruguay are also more institutionalized than those of Argentina and especially Brazil; this difference has important consequences. No particular kind of party or party system is necessary for a democracy to function well, but having an institutionalized party system is crucial.⁶⁹

Chile and Uruguay have two of the five most institutionalized party systems in Latin America (along with Costa Rica, Venezuela, and Colombia). Patterns of party competition in both countries have been relatively stable. Parties have strong roots in society; in Chile, parties have dominated organized interests in society. Parties and elections enjoy widespread legitimacy. Party organizations are solid; individual leaders matter, but the organizations have a life of their own.

⁶⁹ For a discussion of party system institutionalization, see Scott Mainwaring and Timothy Scully, "Party Systems in Latin America" in Mainwaring and Scully, eds., *Building Democratic Institutions: Party Systems in Latin America* (Stanford: Stanford University Press, forthcoming).

Brazil, in contrast, has a fluid or inchoate party system. Party organizations have appeared and disappeared with frequency; the largest three parties, for example, were created in 1966 (PMDB), 1984 (PFL), and 1993 (PPR). There have been frequent ruptures from one party system to the next, even where there has been significant continuity in party practices. In recent years, politicians have evinced little loyalty to their own parties; there were over 200 cases of party switching among the 559 congresspeople in the last legislature (1987–90). Party discipline is loose except among the leftist parties, and party organizations are bereft of resources. Electoral volatility has been high, reaching around 40% for both the 1986 and 1990 Chamber elections. Voters are relatively unattached to parties; in the 1989 presidential election, Collor created a new party to run for president, and the second place finisher came from a party (the PT) with a small congressional delegation. Relative to Brazil's level of socioeconomic development, the country has very fragile parties.⁷⁰

Argentina fits somewhere in between; its party system is more institutionalized than Brazil's but less so than those of Chile and Uruguay. At the core of the party system are two old, well-established parties with strong identities. Patterns of party competition have exhibited greater volatility than in Uruguay and Chile, though less than in Brazil. Voters still have reasonably strong attachments to parties, but these attachments have eroded since 1983.⁷¹ Parties have relatively deep roots in society, as most citizens and organized interests have clear partisan preferences. Elections have acquired greater legitimacy as the route to determining who governs, but parties, per se, have less legitimacy than in Uruguay or Chile. The Peronist party has historically been subordinated to the personal volition of a charismatic leader, and this characterization remains largely true today. Beyond the two major parties, there is a plethora of small, mostly provincial parties. There is no significant national partisan vehicle for the Right (although under Menem, Peronism may have started to assume that function) or the Left.

An institutionalized party system per se is not a panacea; it does not automatically deliver or even facilitate outcomes that one hopes a democracy produces. Party system institutionalization is important for what its opposite—an inchoate party system—implies for how democracies function. With inchoate party systems, parties are less dominant, they do not

⁷⁰ On the weakness of Brazilian parties, see Bolívar Lamounier and Rachel Meneguello, *Partidos Políticos e Consolidação Democrática* (São Paulo: Brasiliense, 1986); Maria do Carmo Campello de Souza, *Estado e Partidos Políticos no Brasil (1930 a 1964)* (São Paulo: Editora Alfa-Omega, 1976); Scott Mainwaring, "Brazil: Weak Parties, Feckless Democracy" in Mainwaring and Scully, eds., *Building Democratic Institutions*, op. cit. (n. 69).

⁷¹ On this theme, see Marcelo Cavarozzi and Oscar Landi, "Political Parties under Alfonsín and Menem: The Effects of State Shrinking and the Devaluation of Democratic Politics" in Epstein, ed., *The New Argentine Democracy*, op. cit. (n. 16), pp. 203–27. On the Argentine party system, see Cavarozzi, "Peronism and Radicalism," op. cit. (n. 12); and James W. McGuire, "Political Parties and Democracy in Argentina" in Mainwaring and Scully, eds., *Building Democratic Institutions*, op. cit. (n. 69).

structure the political process as much, and politics tends to be less institutionalized and less predictable. Presidents have more difficulties organizing support through party channels, and as a result they have more difficulty governing. Patterns of representation tend to be more individualistic, granting powerful elites privileged access to policymakers. Legislatures tend to be weaker, mechanisms of accountability are less developed, and populists and demagogues can more easily get elected. An institutionalized party system is not a sufficient condition for attaining effective democratic governance, but it appears to be a necessary condition. Thus, not only the more democratic political practice but also the better social and economic results in Chile and Uruguay can be partially credited to having stronger democratic institutions.

The problems of weakly institutionalized or inchoate party systems have been particularly visible in Brazil. Because parties are not disciplined at the national level, presidents cannot rely on parties for organizing support in Congress and society. In conjunction with the highly fragmented nature of the party system, loose parties make it difficult for presidents to build stable governing coalitions. To obtain support, they offer public resources to governors, mayors, and congressional representatives. This form of forging support is not only piecemeal, it also has high costs; presidents and ministers have often been forced to undermine major policy objectives in one area (usually combating inflation and promoting public sector reform) in order to obtain votes in another. Policy coherence in such vital areas as reducing the fiscal deficit, combating inflation, improving the efficiency of the state, reducing the size of the state, and implementing social programs for the poor has been undermined by the manipulation of public resources and policy to secure support for governing.

Weak parties are also an important component in the elitist character of Brazil's political system. Mechanisms of aggregating interests are weak, and patterns of representation are individualistic. Under these circumstances, those with personal connections to politicians and high-level state bureaucrats are in a privileged position to obtain state resources and influence policy decisions—and this means that the wealthy are at an advantage.

A second factor that helps explain the wide variations in success under democratic government is leadership and luck. Perhaps because this factor is *post facto*, social scientists have not paid enough attention to it; we usually prefer explanations that are rooted in structures, institutions, processes, or culture. However, we often go too far in this direction and understate the degree to which outcomes are a product of decisions and actions by top-level leaders.

In Chile and Brazil, presidents have broad constitutional powers, and in Argentina the two presidents have arrogated broad *de facto* powers. The quality of presidential leadership always matters a great deal, but it is particularly important when presidents are so powerful.

Chile has been blessed with capable leadership. President Aylwin proved to be a great consensus builder. He mollified the Right and military while still implementing significant changes

in some policy arenas: human rights, civil liberties, social policy. Finance Minister Alejandro Foxley was also a skillful leader. Rather than inflating expectations, Foxley deliberated underscored how difficult it would be to obtain good socioeconomic results under democratic government. Rather than dismantling the neoconservative policies pursued in the last years of military rule, Foxley built upon them. In tandem, Aylwin and Foxley used the 'reserved domains' built by the Pinochet government to protect their economic policies and to minimize demands for a more radical departure from their predecessors' policies. They implemented enough change to satisfy most of the coalition that backed them, but also provided enough continuity in economic policy to satisfy business and the Right.

Chile has also enjoyed some good luck. Chile reaped the benefits of being one of the last countries in Latin America to undergo a transition to democracy. This gave the Chileans the advantage of having witnessed mismanagement by democratic governments in all of Chile's neighbors (Peru, Bolivia, and Argentina), as well as by the giant to the east (Brazil). Chile's economic and political leaders drew the lesson that maintaining economic stability and fiscal balance, keeping inflation low, and promoting growth had to be the paramount priorities of economic policy. They believed it was important to avoid the temptation to dramatically redress the sharp inequalities that had developed during the dictatorship. In retrospect, it would be easy to attribute all of Chile's success to the more favorable economic situation its democratic leaders inherited from the authoritarian period; in fact, the combination of luck and skillful leadership was decisive.

The fact that the first democratic government was a success diminished the constraining potential of the undemocratic provisions established by Pinochet. At times the transition government ably manipulated these constraints to its advantage, using them to justify policies that might have been its first choice in any case. For example, when it pursued relatively free market economic policies, the government could point to the need to accommodate the political Right, given the power it had because of the 'reserved domains.' Had the first democratic government been less capable, the initial constraints could have loomed much bigger. Today, there would probably be a cottage industry of analysts blaming the problems of the new democracy on the initial constraints, rather than one seeking to explain the success story of democratic Chile on the basis of the accomplishments of the Pinochet government or of the changes in Chilean society that transpired under Pinochet.

At the other end of the scale, Brazil has had poor leadership at the presidential level. Sarney was indecisive, clientelistic, and tolerant of corruption. He was often disposed to sacrifice policy coherence for political expediency. Collor was eccentric and corrupt. Sarney and Collor undermined and bypassed parties and Congress, seeing them as fetters rather than as fundamental pillars of democracy that needed to be strengthened. Franco was intemperate,

indecisive on large issues and meddlesome on small ones. He was a 'micromaniac,' to use the phrase of a Brazilian pundit; he managed minor affairs that caught his attention while neglecting important questions. Brazil has also experienced some bad luck, especially the death of president elect Tancredo Neves in 1985 before he could assume the presidency.

Both Alfonsín and Menem have their admirers and their strengths, but they also had serious shortcomings. They assumed the posture of saviors when the economy did well and manipulated economic policy for political gain even at the expense of macroeconomic performance. Alfonsín's maladroit handling of the economy was disastrous. Menem surrounded himself with a corrupt retinue. On the other hand, Menem deserves credit for audacity, for understanding how pernicious inflation had become in Argentina, for perceiving a disposition to make sacrifices to break inflation, and for at least temporarily turning around a disastrous economic situation.

Uruguayan President Sanguinetti stood out as a good consensus builder in a country where governing without consensus is difficult, given the country's political institutions. Partly thanks to Sanguinetti's ability to promote broad consensus and partly to the solid nature of Uruguay's political institutions, a democratic normalcy was established in a short period of time. Indicative of his conciliatory style was the fact that he included two members of the opposition Blancos in his cabinet. Sanguinetti evinced a spirit of moderation, toleration, and compromise. He defused tensions between Colorados and Blancos, and he avoided populist, demagogic temptations.

Politically, Lacalle was less of a compromiser, and he failed to negotiate well the exigencies of a political system with established institutions that virtually demand broad consensus. His style was too insular and technocratic, too exclusionary of a political class accustomed to being centrally involved in negotiations over major policy decisions. His political style alienated much of his own party and many of those in both the traditional parties who supported economic liberalization. He did not communicate effectively to elite audiences or to the mass public, and he failed to assemble the broad base of support needed to implement his program. Still, he avoided the worst features of Sarney, Collor, Franco, or Alfonsín.

Poor, erratic, populist, and demagogic leadership is more likely in a context of weak parties because presidents can more easily get elected on the basis of their personal appeal and without the support of a major party. In this sense, it is no accident that Chile has enjoyed excellent leadership while Brazil had poor leadership. Nevertheless, more effective leadership could have made a positive difference in Brazil, just as less capable leaders could have produced worse results in Chile.

The economic legacy of military rule, including the nature of changes in the state, helps explain the patterns of success and failure of these four new democracies. Chile underwent its

process of economic adjustment under military rule. The Pinochet dictatorship brought inflation under control, restored external equilibrium, and reshaped the state. This fact has helped smooth the path of the new democratic government. In contrast, the other three democracies had to undertake painful adjustment policies and, in Argentina and Uruguay, inherited a panoply of serious economic problems. These contrasts were highlighted in the discussion of the economic performances of the four countries; space limitations allow no further elaboration here.

Finally, some of the explanation for the wide variations in economic and social results rests on policy choices. Policy choices are conditioned by the three previously discussed factors, but they are still choices. Some choices, such as the decision by Chilean leaders to address poverty and inequity incrementally while giving priority to macroeconomic stability and growth, were felicitous. Other choices, such as Alfonsín's efforts to promote economic expansion between December 1983 and mid-1985, had deleterious consequences. What is less clear and cannot be resolved here—indeed, it has not been resolved by economists—is whether some policies in contemporary Latin America are inherently better than others and therefore can be mimicked with success, or whether successful policies are contingent upon certain timing and circumstances.

Policy Implications

This paper has provided an assessment of the quality of democracy in Argentina, Uruguay, Brazil, and Chile at a particular moment in time. It has no intention of being predictive in the sense of projecting from the present moment to the future. Today's pattern of successes and failures among the world's new democracies will almost surely change tomorrow. Nor would I make any claim to have analyzed all of the fascinating, complex changes that have occurred under democracy.

I have made three fundamental claims. First, the performance of democratic governments has varied enormously in the four countries. Second, despite some important achievements, democracy has also had shortcomings. Third, I argued that the differences in democratic performance during these early years of polyarchy have hinged largely on the strength of democratic institutions, the quality of leadership, the economic legacy of military rule, and the nature of policies.

In concluding, I wish to briefly call attention to four policy implications of my analysis. If these democracies have serious shortcomings, there is room for democratic invention and reform. One important source of such democratic invention is civil society: social movements, the press, nongovernmental organizations, interest groups. Such actors have different and often conflicting interests, and they often have difficulties in effecting transformations in formal political institutions,

so it would be wrong to see them as the saviors of democracy. On the other hand, some of these actors contribute to rebuilding and reconceiving democracy from below.

Another potential source of democratic invention is institutional reform. So far, this path has not been explored much in these four countries, but it could potentially introduce new ways to process decisions, aggregate interests, and handle conflict. In three of the four countries—Brazil, Chile, and Uruguay—the problems with current macropolitical institutions are striking. These problems are likely to have deleterious effects in Chile over the medium term, and they already have had in Brazil and Uruguay.

Brazil's institutional combination is a good formula for impasse and immobilism, making it difficult for the country to get out of vicious circles that produced such poor economic, social, and political results in the first nine years of democracy. The combination of weak parties, a polarized and extremely fragmented party system, presidentialism, and federalism has meant that power is widely dispersed and that presidents cannot effectively govern through parties. Presidents have the reliable support of only a minority of legislators and have difficulties organizing support in society at large. Because of this institutional combination, presidents must win support on a piecemeal basis on every piece of controversial legislation. They do so on the basis of patronage and patrimonial practices that have undermined policy efficacy. The high degree of dissensus on major policy issues has further compounded the difficulties of governing.

Uruguay also has a problematic institutional combination: highly factionalized parties, presidentialism, and a somewhat fragmented and polarized party system. As a result, presidents often begin their term with limited support even in their own party, and opposed by most of the population and the Congress, making it difficult for them to govern effectively. Organizing support for presidents in the legislature and in society is difficult.⁷²

In Chile, the combination of presidentialism and significant party system fragmentation is likely to prove nettlesome over the medium term. This combination easily produces impasse and immobilism.⁷³ In the short term, the desire to defeat the military regime coupled with positive economic results forged an alliance between Christians Democrats and Socialists, but it is doubtful that this alliance will endure for the long term. Moreover, the hyperconcentration of power in the president's hands is likely to be deleterious to building stronger democratic institutions.

⁷² This theme is developed in Luis Eduardo González, *Political Structures and Democracy in Uruguay* (Notre Dame: University of Notre Dame Press, 1991).

⁷³ See Scott Mainwaring, "Presidentialism, Multipartyism, and Democracy: The Difficult Combination," *Comparative Political Studies* Vol. 26, No. 2 (July 1993), pp. 198–228; Alfred Stepan and Cindy Skach, "Constitutional Frameworks and Democratic Consolidation: Parliamentarism versus Presidentialism," *World Politics* Vol. 46, No. 1 (October 1993), pp. 1–22.

Second, I have called attention to the importance of building solid democratic institutions. This statement can sound like a banal platitude. In fact, however, legislatures, judiciaries, and parties are discredited in most countries and are often portrayed as the problem rather than as a possible solution. Much more work needs to be done on how to build stronger judiciaries and legislatures; these institutions are key to developing more solid democracies.

A related implication is that an institutionalized party system helps more than it hinders the process of democratic governability. Throughout many Latin American countries, the prevailing public sentiment is that parties and legislatures are a nuisance to be overcome, a fetter that impedes presidents from pursuing their policies. There is a grain of truth to this sentiment. Parties, politicians, and legislatures have often acted in self-serving ways; clientelism, patrimonialism, and venality have corroded the public's trust in representative institutions. Moreover, legislatures and parties do sometimes prevent presidents from pursuing their preferred policies, but that is exactly one of the things they are supposed to do. More important, attaining effective democratic governance has proven more difficult where democratic institutions are weaker. With weak parties and legislatures, mechanisms of representation of popular interests are fragile; accountability is limited; populism and demagoguery are more likely; and there are fewer institutionalized ways to provide feedback from society to policy formulators. Therefore, a strong case can be made in favor of policies that strengthen parties, legislatures, and other democratic institutions.

Third, I have argued for the importance of an effective state. I share the widespread conviction that the state in most Latin American countries has been corroded by patrimonialism, clientelism, and corruption, and that under these circumstances, a large state is a large liability. But in my view, the primary problem is not size but efficiency, and excessive zeal in shrinking the state can further damage rather than restore efficiency. This general view does not offer many specific prescriptions, but it does suggest a more cautious approach to state reform than has been taken in Argentina. It also suggests that the state must be part of the solution if Latin America's new democracies are not only to survive, but also to attain effective democratic governance.

Finally, although I agree with the dominant sentiment that achieving macroeconomic stability and growth must be the foremost objectives of economic policy, the danger today in most countries is entirely neglecting the pressing issues of equity and especially poverty. If democracy cannot offer a better life to most citizens, fewer will care deeply about it. Moreover, if these societies do not offer decent opportunities for education, social mobility, and better living standards, they are not even likely to have good economic futures. For in today's world, having a skilled labor force and a capacity for technological innovation are more important assets than ever before.