THE POLITICAL IMPACT OF ECONOMIC CRISIS IN LATIN AMERICA IN THE 1980s

KAREN L. REMMER
University of New Mexico

Research on the political implications of economic conditions is separated into two relatively distinct bodies of literature. I bridge the theoretical gap between them by examining the effects of economic crisis on electoral outcomes in Latin America from 1982 to 1990. An analysis of 21 competitive elections indicates that crisis conditions undermine support for incumbents and provoke high levels of electoral volatility but without necessarily fostering the growth of political extremism or the exhaustion of elite consensus associated with the breakdown of democracy. The results also suggest that the relationship between economic conditions and electoral instability is mediated by party system structure rather than democratic age. Paradoxically, the findings buttress prior research on electoral outcomes in the comparatively stable and homogeneous Organization for Economic Cooperation and Development (OECD) nations while undercutting theoretical frameworks elaborated with specific reference to the breakdown and consolidation of Third World democracy.

The comparative politics literature is replete with analyses of the relationship between economic conditions and democratic politics. The research is severely bifurcated, however, with scholars specializing in the study of different world regions asking very different sets of theoretical questions. For students of West European and U.S. politics, the electoral implications of economic performance have been a major concern, with debate focused on such issues as the existence of a "political business cycle" or the relative strength of economic and noneconomic voting (e.g., Alt and Chrystal 1983; Beck 1982; Bellucci 1984; Eulau and Lewis-Beck 1985; Franz 1986; Hibbs and Fassbender 1981; Lewis-Beck 1988; Tufte 1978; Visser and Wijnhoven 1990; Whiteley 1986). For analysts of Latin America and other parts of the Third World, on the other hand, electoral issues have been of secondary interest. Scholarly attention has focused instead on the linkage between economic conditions and democratic breakdown, with theoretical controversy revolving around such questions as the relationship between economic underdevelopment and coups d'état (O'Kane 1981, 1983; Londregan and Poole 1990; McGowan and Johnson 1984; Midlarsky and Tanter 1967; Putnam 1967), the political implications of economic dependency (Cardoso and Faletto 1979; Evans 1979), and the nexus between the exhaustion of import substitution industrialization and the rise of bureaucratic authoritarianism (Collier 1979; O'Donnell 1973, 1978; Remmer and Merkx 1982). Whereas hypotheses about politics in the North Atlantic have been formulated predominantly with reference to conditions of relative economic prosperity and stability, the political impact of economic crisis and deprivation have figured prominently in this second body of literature.

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While comprehensible in terms of the varying political realities of the North and South, the existing theoretical division of labor has left comparativists with an impoverished understanding of the impact of economic conditions on democratic governance. Those studying electoral outcomes have largely ignored the impact of economic crises and developed empirical generalizations that apply to but a limited range of economic conditions. Those emphasizing the political significance of economic crises, on the other hand, have devoted little attention to elections. Zimmermann and Saalfeld, whose work represents a major exception to broader research trends, recently underlined this division of labor when they characterized the comparative analysis of the breakdown of European democracy in the 1930s as "among the most underresearched areas in political science" (1988, 305). The same might be said of the comparative study of electoral outcomes in the Third World.

Inasmuch as a key purpose of comparative research is to define "the limits of generalization by specifying the conditions under which hypotheses are valid" (Antal, Dierkes, and Weiler 1987, 14), bridging the theoretical chasm dividing research on the political implications of economic conditions into two distinct bodies of literature is likely to yield significant dividends. This study attempts to take a preliminary step in this direction by addressing a series of questions about the electoral effects of economic crisis: Do the political effects of major economic setbacks parallel the effects of minor ones? Do generalizations about the link between economic conditions and electoral outcomes fit the political experience of non-OECD nations? What factors explain varying political responses to crisis conditions?

Economic Crisis and Politics in Latin America

To link the study of economic crisis with research on democratic elections, the subsequent analysis focuses specifically upon the Latin American experience of the 1980s. During that decade, the region underwent a far-reaching process of political transformation that resulted in the largest and most extended series of competitive elections in its entire history. Simultaneously, however, Latin America was struck by its worst economic crisis since the Great Depression. Following Mexico's mid-1982 declaration of financial insolvency, countries throughout the region began facing acute problems in servicing relatively high levels of accumulated debt with only limited access to fresh external finance. Living standards and investment capacity plummeted in response. As the 1980s drew to a close, the average per capita product of Latin America was 8% lower than at the beginning of the decade, average inflation had surged to the unprecedented level of nearly 1,000%, and the net transfer of resources abroad was continuing at an annual rate of U.S. $25 billion (Economic Commission for Latin America and the Caribbean 1989; hereafter ECLA).

With few exceptions, these economic trends provoked regional specialists to paint a dismal picture of the future of Latin American democracy. Electoral pressures have been seen as undermining the capacity of democratic governments to implement the policies necessary to cope with economic crisis, while lowered living standards, high levels of inflation, and other economic difficulties associated with the net transfer of resources abroad have been linked with the prospect of declining support for democratic rule (e.g., Inter-American Dialogue 1989, ix). Particular fears have been expressed for the future of newly established democracies, which are rather consistently described as "fragile," lacking in legitimacy, and unusually dependent upon their capacity to provide voters with material payoffs (Inter-American Dialogue 1988, 75; Meyer 1989, 37; Seligson and Muller 1987, 322–23; Smith 1989b, 156; U.S. House, Committee on Foreign Affairs 1986, 76; Whitehead 1989, 76–95). The underlying theoretical perspective has been succinctly summarized by Diamond and Linz: "Economic crisis represents one of the most common threats to democratic stability" (1989, 17).

The paradox is that Latin America's worst economic crisis since the Great Depression coincided with the most profound wave of democratization in the history of the continent. Not only did every Latin democracy survive the 1980s, but the number of democracies steadily increased over the course of the decade. By early 1990, when democratic elections paved the way for the transfer of power to civilians in Chile, every established authoritarian regime in the hemisphere had been displaced from power with the exceptions of Cuba and Mexico. These political trends ran counter to prevailing theoretical assumptions and thus raised fundamental questions about the adequacy of our understanding of the relationship between economic crisis and democratic politics.

Among other things, the political experience of Latin America in the 1980s suggests that in the less politically stable regions of the world, "democratic goods" may factor heavily into the calculus of voters, allowing elected leaders, particularly those emerging from a background of dictatorship, to maintain popular support despite acute economic crisis (Hirschman 1987, 28; Kuczynski 1988, 147). Similarly, the unexpected deepening of democratization in Latin America during the 1980s points to the possible limits of generalizations derived from the study of economically stable and prosperous nations. The outbreak of severe economic crisis, as distinct from cyclical economic trends, may dampen popular expectations, providing incumbents with unexpected room for maneuver. If economic setbacks are attributed to international forces beyond local control, incumbents may likewise avoid paying the expected political price for stagnation, inflation, or unemployment.

At present, however, it is only possible to speculate about such issues. Despite the political significance that academics and policy makers have attached to the "lost decade" of Latin American development, comparative analysis of the relationship between democracy and the debt crisis remains limited. Adhering to the research canons of past decades, Latin Americanists have remained more concerned with the etiology of regime change than with the impact of the region's prolonged economic crisis on the process of democratic governance. To the extent that economic conditions have served as a major focus of research, their political implications have been examined principally on a country-by-country basis with minimal overall effort at generalization. Thus, while survey data on countries such as Argentina and Chile have underlined the salience of economic issues in the 1980s, generalizing about the political impact of economic conditions in Latin America remains highly problematic.

Research on Western Europe and North America has done little to fill this void. Despite evidence that the Great Depression provoked major political realignments in democratic countries such as the United States (see, e.g., Brady 1985; Waterman 1990), only a few studies have examined the political repercussions of economic crisis on a comparative basis; and their findings are far from uniform with respect to the political relevance of economic conditions. Particularly significant in this regard is Zimmermann and Saalfeld's recent comparative study of democratic stability in interwar Europe, which concludes that "neither the economic crisis alone nor the economic measures taken suffice to explain the different political outcomes" (1988, 306). The consequences of economic crisis for democratic governance thus remain very much open to debate.

Electoral Outcomes during the "Lost Decade"

Electoral outcomes in Latin America during the 1980s provide a basis for evaluating the implications of economic crisis for democratic governance.[1] Three specific hypotheses are examined:

1. Electoral shifts and volatility vary directly with the magnitude of the economic crisis in the preelection period.
2. The responsiveness of electoral outcomes to economic conditions varies indirectly with the age of democratic institutions.
3. Economic crisis undermines support for established democratic forces and promotes the growth of political extremism.

The first of these hypotheses is drawn from the literature on politics in the OECD nations, which has documented with a relatively high degree of consistency the electoral impact of economic conditions. The other hypotheses are derived from recent literature on Latin American politics, which regards democracies, particularly "new" ones, as extremely vulnerable to economic setbacks.

The data for the analysis, which encompass 21 presidential elections, are drawn from 12 of the 20 nations conventionally included in the Latin American region. Excluded from consideration are nations whose governments were not selected on the basis of competitive elections during the 1980s or nations whose recent electoral history includes only one such election, precluding analysis of electoral change through time. Hence Chile, Brazil, and Guatemala, which in the 1980s held their first competitive presidential elections in a decade or more, have not been included in the study; nor have Cuba, Haiti, Mexico, Panama, and Paraguay, which failed to hold competitive elections. It may be noted that in cases of doubt an attempt has been made to err on the side of inclusiveness. Due to Costa Rica's early entry into the debt crisis, the analysis thus encompasses the Costa Rican election of February 1982, which preceded the formal outbreak of the debt crisis by several months, as well as the Nicaraguan election of 1990, despite the peculiar features of the case associated with the revolutionary origins of its competitive electoral processes. Also initially included in the analysis are the marginal cases of the Dominican Republic, Honduras, and El Salvador, even though competitive elections in these countries have coexisted with widespread allegations of fraud, high levels of military influence over political institutions, limited opposition participation, and outside political intervention.

The 21 presidential elections considered in the study are as follows: Argentina (1989), Bolivia (1985, 1989), Colombia (1986, 1990), Costa Rica (1982, 1986, 1990), the Dominican Republic (1986, 1990), Ecuador (1984, 1988), El Salvador (1989), Honduras (1985 and 1989), Nicaragua (1990), Peru (1985, 1990), Uruguay (1989), and Venezuela (1983, 1988). Nine of these elections took place in countries in which the origins of democratic institutions date back a generation or more (Colombia, Costa Rica, the Dominican Republic, and Venezuela). The remaining 12 elections occurred in the "new" democracies that emerged as part of the post-1979 wave of authoritarian breakdown.

Comparing the economic conditions surrounding these elections poses a number of difficulties, not least because of basic problems of data availability and comparability.[2] To address the three hypotheses, emphasis has accordingly been placed on indicators of inflation, economic growth, and exchange rate depreciation, which are available for all of the cases considered in the study and defined relatively consistently across them. Inflation and economic growth are conventionally accepted indicators of macroeconomic performance that are expected to be reflected in the disposable income of the electorate as well as in assessments of the broader state of the economy. Exchange rate depreciation has long been seen as politically sensitive in Latin America and taps the importance of the international dimension in the evolution of crisis conditions in the region. The inflation and exchange indicators offer the additional advantage of quarterly availability, opening up possibilities for comparing electoral responses over different time periods. While short-term economic setbacks may merely undermine incumbents, recent literature suggests that deeper crises have more generalized effects and lead to electoral disaffection with all established democratic forces.

The specific economic indicators considered in the statistical analysis are as follows: the percentage shift in consumer prices during the quarter prior to the election (or the current quarter if the election was held during its last month), the average annual rate of change in consumer prices over the previous two years, the annual rate of gross domestic product (GDP) growth during the election year (weighted for month of election), the rate of GDP growth during the two previous years, the percentage change in the average exchange rate over the course of the prior quarter (or current quarter if the election was held in its last month), and the total percentage decline in the exchange rate over the previous two years.[3] All data have been drawn from official sources as reported to the International Monetary Fund (1982–90), ECLA (1989), and Inter-American Development Bank (1982–89).

Aggregate electoral change has been measured in terms of three indicators: the percentage of the total vote received by the incumbent party (INCUMVOTE), the percentage shift away from the incumbent party relative to the previous presidential election (INCUMLOSS, which is expressed as a negative figure), and the total percentage shift in votes for all parties between presidential elections. The first two indicators are designed to measure the popularity of incumbents, while the third, which is labeled the *electoral discontinuity index* (EDI) is designed to tap an overall tendency toward electoral volatility as distinct from electoral shifts that merely penalize incumbents.[4] Because the incumbent party's share of the total vote tends to vary with party system structure (as does the potential for electoral change as measured by the EDI), the percentage of the vote received by the two largest parties in the previous election is also included in the analysis. The impact of democratic age has been assessed by counting the number of years democratic institutions had been in continuous existence prior to the election year.

Looking first at Table 1, it is evident that elections held under conditions of economic crisis in Latin America have consistently produced losses for governing parties. Moreover, in the overwhelming majority of cases, elections resulted in the defeat of the governing party or coalition. The key issue, however, is not electoral turnover per se but the relative responsiveness of electoral shifts to economic conditions.

Table 2, which summarizes the bivariate relationships, suggests that strong relationships do exist between economic conditions and electoral outcomes in Latin America. These impressions are sustained by the results of the multivariate analysis, which are based on ordinary least squares (OLS) regression and

Table 1. Electoral Change in Latin America, 1982–90

Country	Year	Incumbent Party	Winning Party	Change in Incumbent Vote
Argentina	1989	Unión Cívica Radical (UCR)	Justicialista	–19.3
Bolivia	1985	Unión Democrática Popular (UDP)	Movimiento Nacionalista Revolucionario Histórico (MNR-H)	–20.9
Bolivia	1989	Movimiento Nacionalista Revolucionario Historíco (MNR-H)	Movimiento de la Izquierda Revolucionaria (MIR)/Acción Democrática Nacionalista (ADN)	–4.8
Colombia	1986	Partido Conservador	Partido Liberal (PL)	–11.0
Colombia[a]	1990	Partido Liberal	Partido Liberal	–10.7
Costa Rica	1982	Partido Unidad Social Cristiana (PUSC)	Partido Liberación Nacional (PLN)	–15.2
Costa Rica	1986	Partido Liberación Nacional (PLN)	Partido Liberación Nacional (PLN)	–6.5
Costa Rica[a]	1990	Partido Liberación Nacional (PLN)	Partido Unidad Social Cristiana (PUSC)	–7.9
Dominican Republic	1986	Partido Revolucionario Dominicano (PRD)	Partido Reformista	–16.7
Dominican Republic	1990	Partido Reformista	Partido Reformista	–5.2
Ecuador	1984	Concentración de Fuerzas Populares (CFP)/ Democracia Popular (DP)	Partido Social Cristiano (PSC)	–14.2
Ecuador	1988	Partido Social Cristiano	Izquierda Democrática	–15.3
El Salvador	1989	Partido Demócrata Cristiano (PDC)	Alianza Republicana Nacional (ARENA)	–7.4
Honduras	1985	Partido Liberal	Partido Liberal	–3.1
Honduras	1989	Partido Liberal	Partido Nacional	–7.2
Nicaragua	1990	Frente Sandinista de Liberación Nacional (FSLN)	Unión Nacional Opositora (UNO)	–25.5
Peru	1985	Acción Popular (AP)	Alianza Popular Revolucionaria Americana (APRA)	–39.1
Peru	1990	Alianza Popular Revolucionaria Americana (APRA)	Cambio 90	–26.5
Uruguay	1989	Colorado	Blanco	–10.9
Venezuela	1983	Partido Social Cristiano (COPEI)	Acción Democrática (AD)	–10.4
Venezuela	1988	Acción Democrática (AD)	Acción Democrática (AD)	–4.3

Sources: Central American Update (Albuquerque), 1990, 7; Corkill and Cubitt 1988, xxi; *El Dia* (Montivideo), 28 November 1989, 1; *Foreign Broadcast Information Service* (FBIS), 14 July 1980, C1; FBIS, 5 April 1984, G1; FBIS, 29 March 1989, 7; FBIS, 26 December 1989, 22; Gamarra 1989; Handelman 1979, 13; *Keesing's Record of World Events,* 24(1978): 28975; 35(1988): 36423; 37(1900): 37371; *La Nación* (Buenos Aires), 15 June 1989, 1; LARR: *Andean Group* 1990e, 6; LARR: *The Caribbean,* 1990d, 4; LAWR 1990a, 11; Leonard and Natkiel 1987; 31–34; Lowenthal 1986–87, D22–23; Roncagliolo 1980, 80–83; *Statistical Abstract for Latin America,* 23 (1984): 729, 731; 24(1985): 171–77; 25(1987): 185, 187, 194, 197; 26(1988): 204, 209–10, 223; 27(1989): 230; *Times of the Americas,* 26 July 1989, 1; Rial 1986, 144.

[a]Provisional results.

Table 2. Bivariate Relationships among Economic Conditions, Party Structure, and Electoral Change

Variables	Incumbent Loss[a]	Incumbent Vote[b]	Electoral Discontinuity Index (EDI)	Inflation[c]	Lagged Inflation[d]	Exchange[e]	Lagged Exchange[f]	Gross Domestic Product (GDP)[g]	Lagged GDP[h]	Major Party Vote[i]
Incumbent loss	—									
Incumbent vote	.71**	—								
Electoral discontinuity index	-.64**	-.67**	—							
Inflation	-.80**	-.48	.58	—						
Lagged inflation	-.75**	-.41	.69**	.89**	—					
Exchange	.76**	.59*	-.50	-.80**	-.75**	—				
Lagged exchange	.72**	.60*	-.44	-.80**	-.73**	.75**	—			
Gross domestic product (GDP)	.33	.36	-.54*	-.36*	-.40	.46	.36	—		
Lagged GDP	.60*	.43	-.61*	-.59*	-.57*	.65**	.52*	.76**	—	
Major party vote	.37	.83**	-.74**	-.33	-.36	.35	.40	.31	.28	—
Years[j]	.43	.59*	-.62*	-.42	-.39	.25	.14	.29	.22	.58*

[a]Percentage change in incumbent party vote between presidential elections (a negative number in all cases).
[b]Incumbent party vote as percentage of total vote.
[c]Percentage change in consumer price index during quarter prior to election (logged to achieve distributional normality).
[d]Average percentage change in consumer prices during previous two years (logged).
[e]Percentage change in exchange rate during quarter prior to election (depreciation indicated by a negative number).
[f]Percentage change in exchange rate during prior two years (logged, with depreciation indicated by a negative number).
[g]Rate of gross domestic product (GDP) growth during previous year (weighted for month of election).
[h]Average rate of growth in GDP during prior two years.
[i]Percentage vote received by two major parties at previous election.
[j]Number of prior years of democratic rule.

*$p \leq .01$.
**$p \leq .001$.

summarized in Tables 3 and 4. Table 3 presents estimations of the models of electoral change that were constructed for the three dependent variables on the basis of the short-term indicators of economic conditions. Table 4 presents estimations based on the two-year indicators of economic change.

Considering the relatively small number of cases, as well as the strong interrelationships among independent variables underlined by Table 2, the results are impressive. As assessed by adjusted R-squared, party structure combined with short-term variations in GDP, inflation, and exchange rates account for 60% of the variation in incumbent vote loss, 74% of the variance in the total incumbent vote, and 67% of the variance in overall electoral discontinuity. The contribution of GDP to these outcomes is minimal. Indeed, two of the three signs for GDP in Table 3 do not even point in the predicted direction. Weak relationships and sign reversals may also be noted with respect to the contribution of exchange rate depreciation to EDI and that of the quarterly rate of inflation to the incumbent vote. The importance of the exchange, inflation, and party structure variables, however, varies from indicator to indicator, with the *t*-ratios indicating that the magnitude of the incumbent vote loss hinges mainly on the rate of inflation, the incumbent vote on a combination of party structure and exchange rate depreciation, and overall electoral discontinuity on a combination of party structure and inflation.

The estimates presented in Table 3 underline the potential electoral costs of high inflation and rapid exchange rate depreciation in the Latin American context. It should be emphasized, however, that the relationships cannot be attributed merely to the unpopularity of devaluation or inflation per se. In the period since 1982, when pressures on the balance of payments have created strong incentives for maintaining price stability and realistic exchange rates, accelerating inflation and associated exchange rate depreciation have been indications of fundamental policy failure and serious overall economic disequilibrium.

The results of the analysis are very similar for the longer-term indicators of economic performance summarized in Table 4. Again, it may be noted that the effects of GDP on electoral change are relatively insignificant and that the relationship between inflation and the incumbent vote, as well as exchange depreciation and EDI, run opposite to the predicted direc-

Table 3. Electoral Outcomes Regressed on Major Party Vote and Short-Term Indicators of Economic Performance

Variables	Constant	Exchange	Gross Domestic Product	Inflation	Major Party Vote	$\hat{R}^2$	F-Ratio	Significance of F	N
Incumbent loss	−8.981 (−.96)	.113 (1.32)	−.079 (−.21)	−3.606 (−2.19)	.066 (.63)	.60	8.50	.0007	21
Incumbent vote	−21.512 (−1.96)	.193 (1.93)	−.087 (−.20)	.539 (.28)	.708 (5.78)	.74	15.09	.0000	21
Electoral discontinuity index	122.077 (4.92)	.153 (.68)	−1.942 (−1.93)	8.259 (1.90)	−1.120 (−4.05)	.67	11.01	.0002	21

Note: Entries are unstandardized regression coefficients with *t*-ratios given in parentheses.

Table 4. Electoral Outcomes Regressed on Major Party Vote and Lagged Indicators of Economic Performance

Variables	Constant	Exchange	Gross Domestic Product	Inflation	Major Party Vote	$\hat{R}^2$	F-Ratio	Significance of F	N
Incumbent loss	-4.488 (-.43)	1.094 (1.45)	.526 (1.12)	-1.731 (-1.66)	.033 (.30)	.57	7.61	.0012	21
Incumbent vote	-20.625 (-1.77)	1.859 (2.23)	.581 (1.11)	1.376 (1.19)	.696 (5.73)	.75	15.79	.0000	21
Electoral discontinuity index	126.330 (6.71)	3.830 (2.83)	-2.342 (-2.77)	7.720 (4.13)	-1.182 (-6.01)	.83	26.20	.0000	21

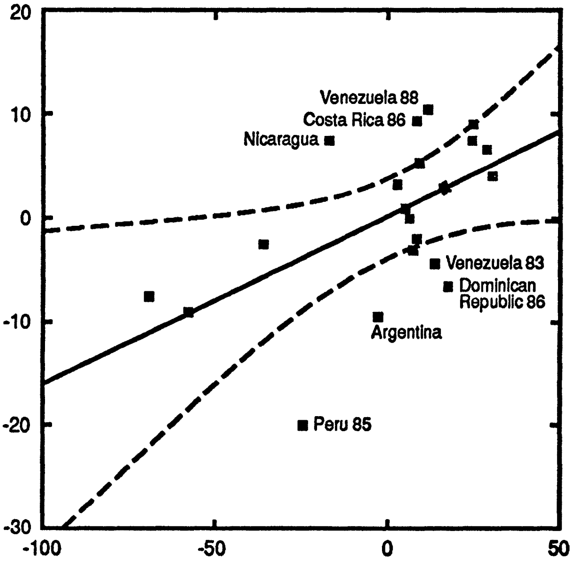
Note: Entries are unstandardized regression coefficients with *t*-ratios given in parentheses.

tions.[5] The key contrast with Table 3 is the estimation for overall electoral change. The latter appears to be far more responsive to economic performance over a two-year period than to fluctuations in the economy immediately preceding elections. These results provide some support for the view that incumbents pay the price for short-term economic setbacks but that deeper crises may be translated into broader political shifts and high overall levels of electoral volatility.

Much of the recent literature on Latin America suggests that new democratic regimes are far more vulnerable to the effects of economic crisis than older and more established democracies. Contrary to these expectations, however, adding years of democratic rule to the regression equations linking electoral change with exchange depreciation does not improve the statistical models. In virtually every instance adjusted R-squared declines, as does statistical significance. The only equation that is enhanced by the addition of years of democratic rule is that linking two-year rates of growth, inflation, and depreciation with incumbent vote; and the gain is marginal. These results suggest that even though average rates of electoral discontinuity have been lower in the region's older democracies than in the newer ones, the differences between the two sets of regimes are not the product of age. Latin American electoral data, consequently, establish no basis for the argument that new democracies are unusually dependent upon what Lipset (1959) calls "effectiveness," as distinct from established legitimacy. The relative immunity of the older democracies to electoral change and volatility instead reflects the impact of party system structure. In this connection it should be emphasized that every "old" democracy in Latin America has a two-party system. Of the eight "new" democracies considered in this study, on the other hand, only Honduras fits squarely within the two-party category. These contrasts suggest that two-party systems in Latin America may be linked not only with greater electoral stability but with more political stability in general.

While the fit of the models estimated in Tables 3 and 4 is not enhanced by the addition of a variable measuring democratic age, there is clearly some room for improving the model specifications through the deletion of variables. A simplified version of the model linking incumbent vote with party structure and

Figure 1. Partial Regression Plot for Exchange



economic conditions provides an illustration. Estimating such a revised model with OLS yields

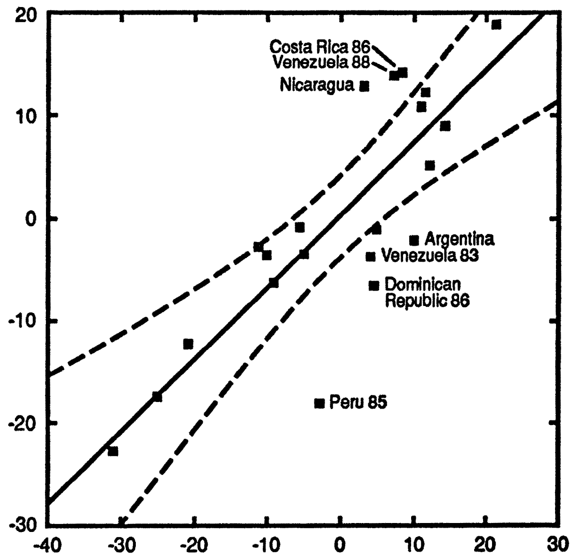
$$\text{INCUMVOTE} = \underset{(-2.083)}{-20.229} + \underset{(6.176)}{.701}\ \text{major} + \underset{(2.888)}{.167}\ \text{exchange} \quad (1)$$

The numbers in parentheses are *t*-ratios, N = 21, and the estimated adjusted R-squared and F-ratio are .77 and 33.7, respectively. Although adjusted R-squared is not much higher than in Table 3, the revised specification represents an advance in the sense that it provides a more parsimonious explanation for variations in the incumbent vote. Similar results can be achieved for INCUMLOSS by deleting the GDP and party structure variables, which raises adjusted R-squared from .600 to .635.

To what extent are the strong linkages among electoral instability, major party vote, and economic conditions a product of particular cases or influential data points? To gain some additional perspective on the robustness of the relationships, Figures 1 and 2 present partial regression plots for the simplified model presented in equation 1, which has the highest adjusted R-squared of any of the estimations that is fully consistent with underlying theoretical expectations.[6] When multivariate relations are involved, the partial regression plot displaying the relationship between two sets of residuals is considered an appropriate graphic alternative to the bivariate scatterplot (Bollen and Jackman 1985). Its utility is well illustrated by Figures 1 and 2, which suggest that the strength of the relationships linking exchange depreciation and major party vote with the incumbent vote is not a product of one or two influential cases; if anything, the opposite is true in the sense that the relationships coexist with the presence of an extreme outlier—Peru.

Peru's position in the lower center of both figures reflects several conditions peculiar to the Peruvian election of 1980, particularly the organizational fragmenta-

Figure 2. Partial Regression Plot for Major Party Vote



tion and financial weakness of the emerging electoral Left. Because of the latter's weak showing in 1980, the indicator of party structure seriously understates the multipolar tendencies of the Peruvian party system. Also relevant to understanding the anomalous position of Peru are the undefined partisan loyalties of newly enfranchised voters and the marked policy failures of the Belaúnde government, which produced a massive electoral repudiation of the Acción Popular party at the polls in 1985. Whereas that party had captured over 45% of the vote in the democratizing election of 1980, its share fell to 6.3% in 1985, placing Peru at the extreme end of the continuum in terms of incumbent vote loss. Eliminating the 1985 election from the analysis consequently improves the fit of all of the models linking electoral outcomes with party structure and economic conditions, including the model presented in equation 1.[7]

Most of the other outliers identified in the partial regression plots are old democracies: the Dominican Republic 1986, Venezuela 1983, Costa Rica 1986, and Venezuela 1988. The first two have a lower vote for the incumbent party than would be predicted by the combination of exchange rate depreciation and party structure, while the latter two have a far higher vote than might have been predicted by these variables. Particularly anomalous are the results of the 1988 Venezuelan elections, which, like those of the Peruvian election of 1985, are reflected as high residuals in all of the models linking electoral outcomes with economic conditions.

Data problems are partially responsible, particularly in the case of Venezuela. Whereas International Monetary Fund data indicate that the Venezuelan exchange rate was stable prior to both the 1983 and 1988 elections, that stability was the artificial product of a controlled foreign exchange market and quite misleading with respect to the actual state of the economy. In 1983, Venezuela confronted a critical external balance of payments crisis as a result of heavy external debt obligations, capital flight, and declining export earnings. Indeed, 1983 might be described as the most disastrous year in recent Venezuelan economic history. By the time of the elections, devaluation was regarded as all but inevitable (see, e.g., Economist Intelligence Unit 1983, 7). In contrast, the 1988 election, in which the incumbents received a greater-than-predicted percentage of the vote, took place at the end of a year of economic recovery and expansionary government policies. The electoral losses of incumbents in the case of Venezuela are consequently consistent with the general findings linking economic conditions with aggregate electoral outcomes.

The limitations of the exchange rate indicator are also evident in the cases of Argentina and the Dominican Republic, in which the incumbent vote falls significantly below the predicted level. In the Dominican case, high levels of official capital in-flow contributed to currency appreciation in the months before the 1986 election, leading the exchange rate indicator to provide a somewhat optimistic indication of the overall condition of the economy (Economist Intelligence Unit 1986, 19). The same is true of the Argentine case, where the economy was teetering on the brink of acute crisis by the eve of the 1989 election.

The outliers that emerge in Figures 1 and 2, however, cannot be attributed solely to the limitations of available economic indicators. Even under crisis conditions, the state of the economy is not necessarily the only political issue of relevance to electorates. The important role played by personality in presidential systems is reflected in the outcome of the Venezuelan election of 1988, in which the incumbent Acción Democrática's standard-bearer, former president Carlos Andrés Pérez, received a far higher percentage of the vote than might have been predicted on the basis of the economic performance of the incumbents. Personality issues also played a role in the 1986 Dominican elections, in which a bitter split in the incumbent Partido Revolucionario Dominicano over the presidential nomination paved the way for the emergence of a significant third-party vote. The drop in the incumbent vote was accordingly larger than could have been predicted on the basis of economic performance and preexisting party structure. In addition, economic issues have been subordinated to questions of war and peace, as reflected in the residuals for the 1986 Costa Rican election. Available survey data indicate that the debt crisis was not the dominant issue in that election (Nelson 1989, 157). By the mid-1980s the country had weathered the worst of the economic crisis and achieved a political consensus on appropriate responses. The issue that divided the two major parties was less the economy than the Central American political crisis, which permitted the incumbent Partido Liberación Nacional to capitalize on the electoral appeal of their regional peace proposals (see *Latin America Regional Report: Mexico and Central America*, 1986, 7; hereafter *LARR*).

The case of Nicaragua, which also appears as a significant outlier in Figures 1 and 2, poses another set of issues having to do with the inclusion of marginal cases of democracy in the analysis. However honest the balloting processes of 1984 and 1990, the Frente Sandinista de Liberación Nacional's (FSLN) leadership of the 1979 revolution created major power asymmetries between government and opposition forces, which are reflected in the residuals plotted in Figures 1 and 2. In 1984 the FSLN won 67% of the vote in an election that was competitive only in the technical sense of that term. Despite massive economic setbacks and the related alienation of a significant proportion of its base of electoral support, the party retained the loyalty of approximately 40% of the electorate when it was defeated in 1990. The position of the Nicaraguan case in Figures 1 and 2 thus reflects the peculiarities of a postrevolutionary political situation. The case thereby brings to light possible distortions in the analysis resulting from the inclusion of relatively marginal instances of democratic rule from the Central American and Caribbean region.

Do the relationships between electoral outcomes and economic conditions remain significant if such cases are eliminated from the analysis? Although the number of cases is significantly diminished, the answer is *yes*. After excluding the six elections taking place in Honduras, El Salvador, Nicaragua, and the Dominican Republic, the revised estimates for incumbent vote regressed on major party vote and exchange, with the *t*-ratios in parentheses, are

$$\underset{}{\text{INCOMVOTE}} = \underset{(-2.170)}{-22.873} + \underset{(5.879)}{.729}\ \text{MAJOR} + \underset{(2.778)}{.176}\ \text{EXCHANGE}$$

The equation has an adjusted R-squared of .803 and an F-ratio of 29.531, which is statistically significant at the .0000 level. The results are even more positive for the models linking overall electoral discontinuity with economic conditions. For conditions over a two-year period, adjusted R-squared falls slightly, from .834 to .805; but the theoretical fit is better, with the two-year change in the exchange rate negatively linked with EDI. The same is true with respect to short-run economic conditions; moreover, the adjusted R-squared of the model linking economic conditions with EDI increases from .667 to .775. In terms of the indicator of incumbent losses, the elimination of the six Caribbean Basin cases slightly weakens the relationships, although they remain statistically significant.

These results imply that the relationship between economic conditions and electoral outcomes is not a function of the inclusion of the Central American region or marginal democratic cases. As in the United States and Western Europe, the electoral fate of incumbents in Latin America has been significantly affected by economic performance. Contrary to most of the literature on Latin America, however, the strength of the electoral response to economic conditions has not been mediated by the age of democratic institutions but by party system structure. Aggregate electoral data thus provide no evidence that "new" democracies are peculiarly susceptible to fluctuations in economic conditions.

Economic Crisis and Political Extremism

If economic crisis merely produces electoral turnover, diminishing opportunities for *continuismo*, or the perpetuation of rule by incumbents, economic adversity might be seen as strengthening the viability of democratic institutions, particularly in regions where respect for competitive norms has not been well established. The recent literature on Latin America implies, however, that economic crisis provokes not merely electoral turnover but democratic instability. From this perspective, the critical question is not the strength of the tendency toward economic voting under crisis conditions but the extent to which those conditions reduce support for established democratic forces, strengthen the political extremes, and provoke the breakdown of democratic consensus, as in Austria and Germany during the interwar period.

Available survey data establish no basis for linking the Latin American economic crisis of the 1980s with diminished popular support for democratic institutions. The case of Argentina is particularly telling in this regard—and not merely

Table 5. The Evolution of Public Opinion in Argentina (%)

Statement	May 1983	May 1984	April 1985	April 1986	March 1988	June 1988
Personal economic situation is worse than last year	—	26	42	34	—	62
Government is solving or with time will solve economic problems	—	79	65	63	24	—
The best political system is based on periodic elections	79	83	—	84	—	79

Source: Catterberg 1989, 44, 48, 64.

because data have been collected that make it possible to explore fluctuations in citizen support for democratic institutions through time. To use Eckstein's (1975) terminology, Argentina is a "critical case" in the sense that it represents one of the most likely instances—if not *the* most likely instance—of an economic crisis eroding support for democratic institutions. Argentina is a country historically characterized by the exceptional fragility of representative institutions; its current regime is a "new" democracy; and the nation falls near the extreme end of the spectrum in terms of recent economic policy failures. Over the course of the 1982–89 period, per capita income declined at an average annual rate of 2.2%—among the worst records in the hemisphere—without any perceptible compensation in terms of economic stability. By 1989 the annual rate of inflation was approaching 4,000%, the highest figure in the region (ECLA 1989, 19–20; see also Smith 1990; Pablo 1990). Not surprisingly, during the 1980s the Argentine electorate consistently identified the economic situation as the most serious problem facing the nation. Equally understandably, optimism about the capacity of the government to improve the economic situation diminished steadily through time. Nevertheless, the level of popular support for democratic institutions remained relatively constant. As indicated in Table 5, the percentage of the electorate agreeing that the best political system is one based on periodic elections was 79% in May 1983, before democratic institutions had been fully restored, and exactly the same percentage in June 1988, when 62% of survey respondents were describing their personal economic situation as worse than in the previous year.

The Argentine example is not an isolated one. Survey data for Peru, a country whose history of democratic fragility and recent policy failures rival those of Argentina, show a similar pattern of continuing support for democracy rule in the face of prolonged and steadily deepening economic crisis. According to data assembled by McClintock (1989, 359), support among Lima residents for a democratic regime grew from 66% in February 1982 to 81% in April 1988, while the percentage of respondents expressing a preference for socialism, military rule, or other alternatives declined. The pattern was not appreciably different from that documented in the case of Costa Rica, which is arguably the best-established Latin democracy (see Seligson and Muller 1987; see also Seligson and Gómez B. 1989, 177–78).

These findings have significant implications. If a decade of dismal economic performance has failed to erode support for democracy in Peru and Argentina—countries that stand out in terms of past democratic instability as well as recent economic policy failures, there seems little reason to suppose that economic crisis has significantly undermined popular support for democracy elsewhere in the region. Survey data thus conform to the line of analysis developed by Linz and Stepan (1989, 42–48), who argue that democratic legitimacy and perceptions of socioeconomic efficacy are not tightly coupled but are instead mediated by evaluations of the specific alternative political formulas of the recent past and plausible future.[8] The ability of democratic rulers to claim ruling authority on the basis of procedural origins rather than governmental performance per se and the possibility of democratic alternation of government are likewise seen as factors insulating democratic regimes from disaffection based on unsatisfactory policy performance.

The fate of democracy, however, is arguably less a matter of popular support, or "legitimacy," than of questions of polarization and consensus. In 1973, for example, Chilean and Venezuelan citizens expressed the same level of support for democratic institutions (Huneeus 1986, 66; Levine 1987, 269); but whereas Chilean democracy succumbed to a military coup in September of that year, Venezuelan democracy continued to thrive into the 1990s. The critical difference between the two countries was not popular support for democracy as a system of governance but the level of political polarization, which reached extreme levels in Chile.

To address the important issue of polarization, Table 6 presents data on shifting patterns of support for minor parties. While such data only capture electoral expressions of political extremism, the growth of parties representing the ends of the political spectrum is a clear indication of political polarization and one that may be expected to reflect, as well as influence, other dimensions of the political situation. Perhaps the most striking feature of the table is the large number of negative entries in the second column. In more than half of the elections held after outbreak of the debt crisis, minor parties lost ground; and in all but one of these cases (El Salvador), the drop in the minor party vote can be attributed to the strengthening of centrist forces. Minor parties appear to have achieved major gains at the expense of better-established parties in only six countries: Argentina (1989), Bolivia (1989), Colombia (1990), Dominican Republic (1986), Ecuador (1984), and Peru (1985); and in only one of these six does the gain in the minor party vote establish a basis for linking the debt crisis with the growth of political extremism.

In Argentina, the increase in the minor party vote share between 1983 and 1989 mainly reflected the development of a democratically oriented and business-linked party, the Unión del Centro Democrático. As indicated, in the Dominican case clashes over the presidential nomination paved the way for the electoral upsurge of a third-party force, the Partido Liberación Dominicana: a populist party closely identified with its long-standing leader, Juan Bosch. In Colombia, the removal of barriers to the electoral participation of the Left, rather than major shifts in the relative strength of political forces, was the principal factor behind the growth of the minor party vote.

Reflecting the unstable and highly fragmented character of their party systems, the causes of the upward shift in minor party vote were more complicated in Bolivia and Ecuador; but in neither case can the shift be attributed to political extremism. Two major changes occurred in Bolivia between 1985 and 1989. One was a doubling of electoral support for the Movimiento de la Izquierda Revolucionaria, which can probably best be described as a social democratic or Center-Left party. The other was the emergence of a new personalist party, the Conciencia de Patria, which brought together a disparate array of elements behind the candidacy of a popular talk show host, Carlos Palenque. Taken together, these two changes might be seen as reflecting popular disillusionment with established political forces. On the other hand, in 1989 the three largest parties together received 72.6% of the total vote as compared to 73.4% in 1985: hardly a symptom of a dramatic shift away from established democratic forces. The Ecuadoran case is very similar. The upsurge in the minor party vote in the 1984 election reflected a strengthening of the democratic Left (the Izquierda Democrática) and the emergence of new centrist forces rather than the growth of political extremism. Thus, in five of the six cases in which minor parties achieved major gains, the dominant motif was continuing, or even increased, support for centrist rather than extremist political options.

The case that stands out as an exception to these trends is that of Peru, in which the expansion of the minor party vote reflects the rise of a new electoral force, which, while not necessarily extremist, was unambiguously left-wing rather than

Table 6. Shifts in Electoral Support for Minor Parties and Party Coalitions (%)

Country and Year	Total Minor Party Vote[a]	Change[b] (%)	Leading Minor Party	Ideological Position
Argentina 1989	20.3	+12.1	Unión del Centro Democrático	Center-Right
Bolivia 1985	36.8	−5.9	Movimiento de la Izquierda Revolucionaria	Center-Left
Bolivia 1989	27.3	+12.3	Conciencia de la Patria	Populist
Colombia 1986	5.8	−6.4	Unión Patriótica	Left
Colombia 1990	15.2	+9.4	Alianza Democrática/Movimiento 19 de Abril	Right Left
Costa Rica 1982	7.5	−1.4	Partido Movimiento Nacional	Right
Costa Rica 1986	2.0	−5.5	Alianza Popular	Left
Costa Rica 1990	1.4	−0.6	Pueblo Unido Coalición	Left
Dominican Republic 1986	26.0	+15.4	Partido de la Liberación Dominicana	Populist
Dominican Republic 1990	7.7	−0.1	Partido Revolucionario Independiente	Populist
Ecuador 1984	44.3	+33.7	Concentración de Fuerzas Populares (CFP)/Democracia Popular (DP)	Center-Right
Ecuador 1988	42.8	−2.3	Acción Popular Revolucionaria Ecuadoriana	Populist
El Salvador 1989	10.2	−1.4	Partido de Conciliación Nacional	Center-Right
Honduras 1985	3.5	−0.6	Partido Demócrata Cristiano (PDC)	Center
Honduras 1989	4.5	+1.0	Partido Demócrata Cristiano (PDC)	Center
Nicaragua 1990	4.5	−28.5	Movimiento de Unidad Revolucionaria	Center-Left
Peru 1985	33.0	+20.2	Izquierda Unida (IU)	Left
Peru 1990	28.6	−4.4	Izquierda Unida (IU)	Left
Uruguay 1989	9.0	+6.5	Partido Gobierno del Pueblo	Center-Left
Venezuela 1983	8.0	−3.5	Movimiento al Socialismo (MAS)	Left
Venezuela 1988	6.6	−1.4	Movimiento al Socialismo (MAS)	Left

Source: Same as for Table 1.

[a]Total vote received by parties or coalitions supported by less than 15% of the electorate.

[b]Total percentage change in vote for parties or coalitions that received less than 15% of the vote for the prior presidential election.

center-leftist in its orientation. Between 1980 and 1985, the Izquierda Unida expanded its base of support from just under 3% of the electorate to over 20% in 1985. Concomitantly, the vote received by the two major parties in 1980 fell from 72.8% to 52.0% of the total vote. These trends were reflected in developments outside of the electoral arena, most notably in the emergence of a serious guerrilla challenge to democratic institutions. In terms of the cases considered here, the closest parallel is El Salvador, where the loss of support for centrist forces in the election of 1988 went hand in hand with guerrilla violence. In the Salvador case, however, the tendency toward political polarization and violence was well established before the onset of major economic difficulties.

Is the Peruvian case anomalous, or does the growth of political extremism there prefigure developments in other parts of the region? Although the linkage between economic crisis and electoral discontinuity so evident in the Peruvian case appears to be characteristic of Latin America as a whole, the tendency toward political extremism does not. Factors specific to the Peruvian experience, particularly the legacy of economic policy failure and left-wing mobilization left by the military regime of the 1968–75 period, are critical to understanding the upsurge in left-wing voting that occurred in Peru during the early 1980s (see Booth and Sorj 1983; FitzGerald 1979; McClintock and Lowenthal 1983; Stepan 1978; Stephens 1983; Thorp 1979; Wise 1989). The significance of the growth of extremist forces in the 1985 Peruvian election is further undercut by the outcome of the subsequent presidential election, in which Peruvians abandoned political forces on both the Left and the Right and expressed a clear preference for moderate solutions to the ongoing crisis.

Patterns of government formation in Latin America during the 1980s provide additional evidence of a trend toward consensus formation rather than political polarization. Far from evincing growing symptoms of political extremism and elite dissension, the 1980s were characterized by unprecedented efforts at achieving national political consensus. Among the most notable of these efforts was the Bolivian Pact for Democracy of 1985, under which the newly elected Movimiento Nacional Revolucionario and the leading opposition party formally agreed on a series of measures to cope with the debt crisis. The pact marked the first occasion in Bolivian history when government and opposition forces agreed on a common set of policy objectives (Gamarra 1989; see also Conaghan, Malloy, and Abugattas 1990). Following the election of 1989, the process of national consensus formation was carried forward by an agreement between the formerly antagonistic Acción Democrática Nacionalista and Movimiento de la Izquierda Revolucionaria on the creation of a government of national unity (*LARR: Andean Group* 1989b, 1–2).

The Bolivian experience is not unparalleled elsewhere in the region. As the debt crisis persisted through time, progressively eliminating perceived alternatives to the "Washington agenda" of externally monitored programs of economic austerity, liberalization, and adjustment (see Williamson 1990), elites in country after country turned to pacts as a means of establishing a base of support in the face of politically unpalatable policies. In Chile, a coalition of 16 opposition parties reached agreement on a common political strategy and socioeconomic program in 1988, paving the way for the defeat of the Pinochet dictatorship in the so-called "Campaign of the No" and the subsequent election of a broad coalition government (see Garretón 1988; *LARR: Southern Cone* 1990a, 1–2; Stallings 1989). In Argentina, crisis conditions provoked not only efforts at *concertación social*, or pact making, among labor organizations, business groups, and state elites but also an incongruous alliance between the governing Peronists and their erstwhile nemesis, the head of the Union del Centro Democrático (see Riz, Cavarozzi, and Feldman 1987; Fernández 1987; *LARR: Southern Cone* 1990b, 2; *Latin American Weekly Report* 1986c, 8 [hereafter *LAWR*]; *LAWR* 1990b, 2; Smith 1989a, 266–97). In Colombia the traditional power-sharing agreement between the two major parties was continued through the 1980s and then broadened following the election of President César Gaviria with the appointment of a cabinet including seven Liberals, four Conservatives, a military officer, and a member of the former guerrilla organization M-19 (*LAWR* 1990d, 8). The 1980s also witnessed path-breaking—albeit not necessarily successful—efforts at consensus formation in Uruguay (Anglade and Fortín 1990, 291–92; *LARR: Southern Cone* 1990b, 3; 1990c, 7; 1990d, 6; *LAWR* 1986a, 3), Venezuela (*LARR: Andean Group* 1989a, 2), Honduras (*LAWR* 1989, 9), the Dominican Republic (*LAWR* 1986b, 10), Nicaragua (*LAWR* 1990e, 1), and even, somewhat improbably, Peru, where in mid-1990 the newly elected president, Alberto Fujimori, proceeded to name a cabinet that included representatives of political parties on both the political Left and Right (see "Concertación total" 1990; *LAWR* 1990c, 1). Whatever the long-term success of these efforts, the history of Europe in the interwar period underlines their potential importance. Only a minority of European democracies weathered the crisis of the 1930s. According to recent research, those that did were distinguished less by their initial economic situation or policy responses to the Great Depression than by "processes of national consensus formation among political and economic elites" (Zimmermann and Saalfeld 1988, 308; on the importance of consensual agreements among elites, see also Higley and Burton 1989).

The significance of elite pacts may be even more profound in the contemporary Latin American context. Not only have they created the political space necessary to adopt drastic policy measures, pacts have also inhibited popular participation in policy formation processes, thereby offering guarantees of economic policy continuity and limited social redistribution to propertied elites who have historically mounted the major challenges to democracy in the region. Latin Americanists have long recognized the importance of such guarantees, as well as the role of pacts in transitions from authoritarianism (Karl 1986; Levine 1978; O'Donnell 1986, 11–15; O'Donnell and Schmitter 1986, 37–47); but the relationships that developed in the 1980s among economic crisis, elite consensus, and democratic rule have been insufficiently analyzed. To the extent that elite pacts may be seen as not merely imposing limits on democratic rule but also facilitating its consolidation (as suggested by most—albeit not all—recent literature),[9] the debt crisis may paradoxically prove to have created an unusually favorable set of opportunities and incentives for democratic development in Latin America.

Conclusions

During the 1980s economic crisis provoked electoral instability and turnover in Latin America. The magnitude of electoral change was directly related to the depth of the crisis experienced in the preelectoral period, with variations in exchange rates, GDP, and inflation highly correlated with various indicators of electoral outcomes. The relationship between economic conditions and aggregate electoral results was mediated principally by party system structure, which insulated two-party democracies from the volatility experienced by their more politically fragmented counterparts. Contrary to the hypotheses of most regional observers, however, the sensitivity of electoral outcomes to economic conditions was not significantly affected by the relative age of Latin democracies. In terms of electoral responses, the so-called new democracies do not stand out as a distinctive group that can be characterized as unusually vulnerable to economic reversals. Available data also undermine arguments linking the debt crisis with the growth of political extremism, political polarization, and democratic instability. The prolongation of the crisis may well have more corrosive effects; nevertheless, political trends in the 1980s ran counter to most predictions. As indicated by electoral outcomes and related patterns of government formation, democratic politics in Latin America were characterized less by the expansion of extremist forces than by the consolidation of support for centrist options and the unprecedented search for elite consensus.

These findings have significant implications for the study of liberal democracy. The responsiveness of electoral outcomes to economic reversals in Latin America reinforces prior research, emphasizing the broader theoretical relevance of findings grounded in the political experience of the comparatively homogeneous and stable OECD nations. At the same time, the findings undercut a second body of literature on the breakdown and consolidation of democracy. Whereas research on Latin America and other parts of the Third World has repeatedly linked economic reversals with democratic collapse, the Latin American experience of the 1980s suggests that economic crisis should be described less as a threat to democracy than as a challenge posing opportunities as well as risks. Economic decline may menace democratic stability by provoking political polarization, but it also may create new incentives and opportunities for building elite consensus around democratic institutions.

In terms of democratic theory, a further implication of the study is that established notions regarding the contributions of legitimacy and effectiveness to democratic stability are unhelpful and potentially misleading. The principal difficulty is that legitimacy has been seen as a time-dependent outcome, such that new democratic regimes are all-but-defined as fragile, lacking in legitimacy, and dependent upon policy effectiveness.[10] As the introduction to a recent comparative volume on Third World democracy concedes, "So intimately is legitimacy tied to democratic stability that it is difficult to know where definition ends and theorizing begins" (Diamond, Linz, and Lipset 1990, 9). Legitimacy reflects stability (or persistence through time), and stability reflects legitimacy. One result is a tendency toward tautology; another is an inability to grapple with facts that do not fully conform to assumptions regarding the importance of democratic age or persistence. The ability of new Latin American democracies to weather prolonged economic crisis is one such fact—a fact that does not easily square with the supposed dependence of new regimes on effectiveness or performance. The concept of legitimacy offers insights into this situation only insofar as it is uncoupled from the concept of stability or regime persistence. Support for competitive institutions, particularly at the elite level, is a key issue; but as Linz and Stepan (1989) have emphasized, such support needs to be understood in terms of recent political experience and perceived political alternatives to democracy. Those alternatives, which condition prospects for future democratic breakdowns, are likely to seem least attractive where recent authoritarian experience proved most repressive and costly.

The problems of emphasizing democratic age over other system properties are specifically underlined by Latin American electoral results. During the 1980s neither the capacity of incumbents to maintain a base of political support in Latin America nor the sensitivity of electoral outcomes to economic conditions or policy performance varied with the age or presumed legitimacy of democratic institutions. The assumption that political leaders in new democracies will be peculiarly predisposed to succumb to the temptations of economic populism thus seems inappropriate, as does the assumption that "new" can be readily equated with "fragile." Democracy may be more difficult to sustain in some nations than in others, lending plausibility to potentially circular arguments linking accrued legitimacy with stability; but newly established democracies do not appear to function according to a separate set of rules. It is precisely for this reason that the literature grounded in the political experience of the United States and Western Europe offers more important insights into the politics of Latin America during the 1980s than theoretical frameworks elaborated with specific reference to the relationship between economic crisis and democracy in the region.

Notes

I am grateful for the assistance of Hank Jenkins-Smith and Catherine Hansen in the preparation of this study.

1. Following the conventions established in the study of Latin American politics over the course of the past two decades, democratic governance is defined here strictly in institutional terms, leaving open to empirical investigation questions regarding the consequences of competitive institutions for popular participation in policy formation, socioeconomic equity, and other political outcomes. For further definitional specification and discussion of the advantages of the institutional concept of democracy, see Karl 1990, 1–2. See also Diamond and Linz 1989, 1–58; Huntington 1989, 11–28; O'Donnell and Schmitter 1986, 7–8.

2. To provide some idea of the dimensions of this problem, official real-wage data are available for only 9 of the 21 cases; and the definition of real wages varies considerably across those 9. Whereas some countries report national data, others calculate changes in real wages on the basis of trends in a single metropolitan area. Similarly, the index variably refers to wages in the manufacturing sector, wages of private-sector manual workers, remunerations of workers covered by the social security system, and wages in all nonagricultural sectors.

3. The exceptions, which reflect problems of data availability, are twofold: (1) short-term inflation rates for the Nicaraguan and Peruvian elections of 1990 represent shifts in consumer prices two quarters prior to these elections, and (2) economic growth rates for all 1990 elections have been calculated on the basis of 1989 data.

4. The index, which is identical to that I utilized in Remmer 1985, has been constructed by adding the percentage shift in the vote for small political parties (those receiving less than 5% of the total vote) to the sum of the percentage shifts in vote shares for each party receiving more than 5% of the vote at either the baseline or subsequent election as illustrated by the following hypothetical example:

Party	% Vote Election 1	% Vote Election 2	% Change
Conservative	40	50	10
Liberal	30	30	0
Socialist	30	10	20
Minor parties	0	10	10
			EDI = 40

5. It may be noted that of these, the only significant inconsistency is that relating to EDI. The relationships between economic conditions and EDI, however, remain relatively robust with the elimination of the exchange variable.

6. To obtain the partial plot for exchange, two regressions are estimated:

$$Y = b_0 + b_1X_2 + e \tag{2}$$

and

$$X_1 = c_0 + c_1X_2 + e, \tag{3}$$

where Y is INCUMVOTE, X_1 is the quarterly change in the exchange rate, and X_2 is the major party vote. The partial plot for exchange is formed by arraying the residuals from equation 2 against those for equation 3. Similarly, the partial plot for major party vote relates the residuals from the regression of INCUMVOTE on exchange to the residuals from the regression of major party vote on exchange.

7. With N = 20, the adjusted R^2 for equation 1 increases from .77 to .81 and the F-ratio from 33.7 to 41.4. For the three sets of estimates presented in Table 3, the adjusted R^2 for INCUMLOSS increases from .600 to .730, for incumbent vote from .738 to .799, and for EDI from .667 to .701. Changes are of a similar magnitude for the estimates presented in Table 4.

8. For a discussion emphasizing the importance of perceived alternatives, see also Przeworski 1986.

9. An interesting exception, Smith (1989a, 267–97) argues that constraints on participation in decision-making processes may jeopardize the process of democratic consolidation.

10. For example, according to Diamond, Linz, and Lipset, democratic stability (defined as "persistence and durability . . . over time") "requires a widespread belief among elites and masses in the legitimacy of the democratic system." A *stable* regime is "one that is deeply institutionalized and consolidated, making it likely to enjoy a high level of popular legitimacy," whereas "*unstable* regimes are, by definition, highly vulnerable to breakdown or overthrow in periods of acute uncertainty and stress. New regimes, including those that have recently restored democratic government, tend to fall in this category" (1990, 9; emphasis original). For another recent and very similar formulation of these issues, see Seligson and Muller 1987. See also Whitehead (1989). Although he eschews the term *legitimacy,* he argues that the process of democratic consolidation involves "a deepening of the commitment of most actors to the mutually negotiated democratic framework." In Whitehead's view, "it is unlikely that such a process can ever be fully accomplished in less than a generation" (p. 79).

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Karen L. Remmer is Professor and Chair of Political Science, University of New Mexico, Albuquerque, NM 87131.