Explaining Popular Support for Market Reform Programs and their Implementers:

A Micro-Level Analysis.

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Abstract

Recent political science scholarship argues that market reform programs are fundamentally unpopular with the bulk of the electorate, making democracy and market reforms contradictory, rather than complementary, processes. Using Argentine public opinion data for the 1989-98 period, this paper evaluates this assumption by exploring the impact of market reforms on presidential support, with particular emphasis on individual assessments of the macro economy and government economic policies. The analysis suggests that although class and political partisanship influence citizens evaluations of the president, economic assessments are the most important explanatory elements. The paper concludes that market reforms can indeed be politically viable.
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For nearly two decades now, scholars have repeatedly argued that neoliberal economic reform programs are fundamentally unpopular with the bulk of the electorate, and thus, that they are not politically viable (Nelson, 1994; Przeworski, 1991; Walton & Ragin, 1990). The presumption is that politicians campaigning for market reforms are not likely to be elected, and elected officials implementing market reforms are likely to be punished by the electorate for doing so. Yet, market reforms have been successfully implemented in democratic settings, and the electorate has not systematically punished the politicians implementing them. Explanations for these unexpected events are many. Some argue that market reforms were made possible by the political capital of elected officials or their capacity to insulate themselves from political pressures (Haggard & Kaufmann, 1992, 1995; Haggard & Webb, 1994). Others contend that the economic stress created by the economic crisis of the 1980s undermined the political capacity of collective actors, thus diminishing potential opposition to reforms (Roberts, 1996, 1998). Still others argue that economic crisis conditions preceding the implementation of market reforms eased the “swallowing of the bitter pill” (Weyland, 1998).

All of these claims, however, are mainly based on the analysis of aggregate-level data including macroeconomic indicators, party system volatility, union membership, and electoral results. We know much less about the political viability of market reforms at the micro-level. What is the impact of market reforms on popular opinions about the government? How significantly do economic factors condition individual evaluations of the president? Do individuals withdraw their support for governments implementing neoliberal economic reforms?

My paper addresses these issues at the micro-level in the Argentine case. Using public opinion data for the 1989-98 period collected by the survey research institute Mora y Araujo (Argentina,) I evaluate the impact of market reforms on the micro-foundations of presidential approval. My research emphasizes that under conditions of severe economic crisis and draconian neoliberal reforms, presidential approval is shaped largely by economic assessments. In the Argentine case, citizens have strong opinions about the government’s economic program and their country’s economic situation that they use to evaluate the president. Although political partisanship and class influence people’s political preferences, economic assessments remain the single most important explanatory element.

THEORETICAL PERSPECTIVES

Prior research exploring the politics of neoliberal economic reform has provided many reasons to believe that tensions exist between democracy and market reforms. Democracy supposedly undermines the possibility of creating the political conditions needed to implement neoliberal economic programs. According to Przeworski, for example, “whatever their long-term consequences, in the short run reforms are likely to cause inflation, unemployment, and resource misallocation as well as to generate volatile changes in relative incomes. These are not politically popular consequences anywhere. And under such conditions, democracy in the political realm works against economic reforms (1991: 161).” Market reforms are believed to be fundamentally unpopular with the bulk of the electorate.

Accordingly, the viability of market reforms has come to be seen as dependent upon the capacity of policy makers to insulate themselves from political pressures (Haggard &
Kaufmann, 1995), or to concentrate the decision making process in the hands of a few technocrats (Haggard & Webb, 1994). “Concentrated authority directly facilitates implementation; it also heightens the credibility of programs, crucially shaping both political and economic responses (Nelson, 1994).” The difficulty is that once the initial phases of the programs are completed, the short- and medium-term economic deterioration accompanying the reform process is likely to outpace the rate of economic recovery. Elected officials will most likely be punished in response to unpopular macroeconomic fluctuations (Nelson, 1994; Przeworski, 1991). The assumption then, is that technocratic insulation makes possible the imposition of reforms but not their political reproduction via democratic means.

Elected policymakers are thus faced with incentives to postpone market reforms or to ignore the complaints and interests of their constituents. Reform programs can only be successful if policy makers insulate themselves from popular accountability. According to many scholars, the only way to implement market reform programs is to ignore the democratic process (Smith, Acuna, & Gamarra, 1994). Democracy and market reforms are consequently seen as contradictory, rather than complementary processes (Oxhorn & Starr, 1998). Furthermore, it has been argued that market reforms undermine the foundations of systems of representation.

Notwithstanding these theoretical concerns, democratically elected governments in a large number of cases, including Argentina (1989), Bolivia (1985), Peru (1990), and Poland (1989/90) have successfully initiated market reform programs. Also contrary to theoretical expectations, some of these governments have been able to obtain a new popular mandate to remain in office and continue the reform process. The reelections of Menem in Argentina in 1995 and Fujimori in Peru in 1996 are cases in point. Available empirical evidence consequently raises questions about the adequacy of our understanding of the politics of neoliberal economic reform.

Seeking to explain the sustained electoral success of market reformers, authors have elaborated three different kinds of responses. The first theoretical perspective involves a rejection of conventional wisdom that argues that market reform programs may not be as unpopular as first thought. Drawing on prospect theory and focusing on the short-term popular support for market reform initiatives, Weyland (1998a) for example, asserts that individuals support such programs “if [they hold] the hope of ending a deep crisis that has hurt most people and that threatens them with further deterioration.” In this view, people are not irrational by endorsing a plan that will potentially hurt them in the short run. Individuals rather respond to how these programs can improve their economic situation and that of the country as a whole in the near future. Citizens are willing to accept the risks of reforms if they believe that the status quo is no longer tolerable and that reforms offer at least some hope for improvement.

Along these same lines, but using a retrospective perspective, Gervasoni (1998) has argued that outcomes rather than expectations have attracted popular support for market reform initiatives. Accordingly, the Justicialist Party’s electoral strength in Argentina in 1995, after 6 years of market reform implementation, finds its roots in the positive effects of the economic policies. As Gervasoni demonstrates, a significant proportion of the Peronist vote in the 1995 presidential elections came from individuals who approved of
the economic plan and its perceived impact on the state of the economy. This medium-term perspective focuses on the sustainability of reforms rather than on their initiation.

Not every citizen, however, is expected to support or reject the reform process in the same fashion. Another group of authors has argued that individuals coming from different socioeconomic sectors of society have different reactions to the government’s economic program. For example, lower class individuals are expected to respond the most negatively to neoliberal economic reforms (Buendia, 1996; Przeworski, 1996; Roberts & Arce, 1998; Stokes, 1996). The distribution of costs and benefits accompanying the reform process is believed to be more damaging to the poorest sectors then it is for the wealthier ones. For example, “reduced employment and growing unemployment and underemployment [are] more a poor than a wealthy or middle-class person’s problems. And the rich would have more savings and other resources to carry them through hard times” (Stokes, 1996). And, as Przeworski found in the Polish case, “the less educated [and poorer] extrapolate from the past, but the more educated [and wealthier] look toward the future” (Przeworski, 1996). Wealthier citizens may potentially have a lot to gain from reforms, along with skilled labor and other sectors of the middle class, making them potential supporters of the neoliberal economic reform program.

In the end, “the postures toward the reform program follow class lines because the program has class effects” (539). These authors thus challenge conventional wisdom which assumes a uniformity of popular responses to market reforms. Extrapolating from this argument, the political viability of market reforms thus lies in the capacity of policy makers to deliver economic outcomes that satisfy different groups of constituents. By directing government spending to the poorest sectors of the Peruvian society, for example, Fujimori in 1995 was able to “recapture the loyalty of the lower-class voters” (Roberts & Arce, 1998), and thus preserve the electoral support he needed to be reelected to the presidency.

Mowing away from purely economic explanations, a third and final set of responses sees institutional and political bonds between a government and its constituents as influencing attitudes toward the president in ways that prevent individuals from punishing incumbents for the implementation of unpopular economic policies. Authors of this group do not challenge the conventional wisdom about the popularity of reforms; market reform programs are seen as widely unpopular among the electorate. Instead, they argue that political and institutional factors are responsible for the unexpected reaction of the discontented electorate. The foundation of the argument is that social linkages, binding the government and its constituents, eased the implementation of unpopular policies.

Focusing on Argentina, Levitsky and Way (1998) argue that “close personal ties [made] the level of trust between labor leaders and the government much higher than it would have been under a non-Peronist government (177).” They explain that “in Argentina a strong governing party, low union competition, significant though declining leadership overlap, and a high level of union dependence on state and party resources improved the prospects for the endurance of the party-labor alliance (186).” In their view, reforms were made politically viable thanks to a favorable relationship between the government and major interest groups, and not because of the reforms’ perceived or expected economic benefits. In short, institutional settings helped the government neutralize the main sources of organized opposition to neoliberal economic reforms.
In other instances, authors have used the same social linkage approach to explain the behavior of the masses. Auyero et al. (1996) claims that the clientelistic apparatus of the ruling party in Argentina during the 1990s (i.e., the Peronist party) restrained individuals from punishing the government when they disagreed with its policies. The well-entrenched Peronist political network has the capacity to reach individual voters and influence their electoral choice. According to Auyero et al., “personal obligations, loyalties, emotions, and faith are as powerful as radio and television in influencing people […] these interpersonal networks often serve to filter political images […] they are interpreter in whom people believe (19— author’s translation).” The political apparatus of parties therefore filters the information and shapes it to the party’s benefits.

Similarly, Ostiguy (1998) argues that Peronist values are so well entrenched amongst the followers of the party that they most likely approve of the government’s actions, notwithstanding their assessment of the economic policies and their outcomes. Party attachment is so strong that people’s objectivity is blinded by the unconditional trust they have in their political leaders. The argument implies that cultural foundations of the Peronist party are so well developed in Argentina that the Peronist government was able to implement very unpopular policies and yet continue receiving support from the electorate.

In the end, this discussion indicates that there are multiple ways to explain why democratically elected governments have been successful in maintaining popular support after they implemented market reform programs. Authors have offered explanations wherein market reforms and democracy are not seen as incompatible principles. Some scholars point to purely economic factors while others focus on institutional aspects. However, none explore the puzzle by analyzing elements of both realms simultaneously (i.e., economic and institutional). In this paper, I elaborate hypotheses drawing on both the economic voting and institutional approach to investigate the popularity of presidents implementing neoliberal economic reform programs.

INTEGRATING ECONOMIC AND POLITICAL INTERPRETATIONS

Are market reforms popular among the electorate or are they as unpopular as the conventional wisdom tells us? What mechanism drives popular support for reform processes at the micro level? Do economic assessments matter in determining political preferences? And do they matter equally for everyone, or do different social classes or groups weigh economics differently? Do individuals use criteria other than the economy when evaluating the work of the president?

The first two hypotheses developed in this paper are designed to explore popular assessments of the government's economic program and their impact on presidential approval. They seek to find out whether conventional wisdom is right in assessing that market reforms are overwhelmingly unpopular with the bulk of the electorate because of the economic traumas they create (Przeworski, 1991). Market reforms are often seen as unpopular because they generate lower growth, increasing unemployment, cuts in government expenditures, and other macroeconomic disturbances.

The American-based literature on economic voting behavior has studied this subject extensively. Within this body of literature, we find authors who argue that voters react to their personal economic conditions when evaluating the work of their government
The argument is that voters evaluate their past personal financial conditions and form expectations about their economic future under the incumbent government. We call those individuals pocketbook voters. However, other authors have argued that people react to their perception of the national economy rather than to their personal economic conditions (Kinder & Kiewiet, 1979, 1981; Kiewiet, 1983). Those individuals are referred to as sociotropic voters. Whether we think of voters as individuals concerned with the health of the economy or with their personal financial well being, the economic voting literature teaches us that people are forming economic assessments that they use to evaluate the work of their government.

1. **Popular support for market reforms is a function of individual assessments of the past state of the economy as well as an evaluation of future expectations.** Citizens who are optimistic about the state of the economy and its future developments are more likely to support the economic program. Conversely, those who view the economy and its future developments in pessimistic terms are more likely to oppose the economic program.

2. **Individuals who support the economic program are more likely to approve of the president.** Conversely, those who oppose the economic program are more likely to disapprove of the president.

The first hypothesis thus explores the relationship between people’s reaction to the state of the economy and their approval of the economic program. The second seeks to elucidate whether support for market reform programs has any impact on the political support of those who implement them.

It is possible, however, that the economic voting behavior differs among different groups of citizens. Some individuals may be more sensitive than others to economic fluctuations when evaluating the work of their president. Or, individuals from some sectors may be more vulnerable to the economic traumas caused by neoliberal economic reforms. The relationship linking assessments of the economic program and presidential approval may vary among different sectors of society. Drawing from existing work in the literature, the third hypothesis directly tests the suggestion that lower class individuals are more likely to punish the president for the implementation of market reforms.

3. **Since lower class sectors are believed to have more to lose from the reform process, citizens from these sectors are more likely to disapprove of the president.**

This third hypothesis seeks to find out if citizens coming from different socioeconomic backgrounds react the same way to the implementation of market reforms, as conventional wisdom seems to argue, or if different sectors of the electorate react differently to the reform initiatives.

Finally, there might also be non-economic reasons why citizens support the president. Political traditions can act as filters, shaping people’s view of the world and potentially neutralizing the effect of economic assessments on presidential approval. The clientelistic apparatus of political parties can also influence people’s political preferences. It has the
potential to generate unconditional support for candidates through co-optation, clientelism and other top-down strategies. In doing so, strong party machines can make their past records matter less (or not matter at all) for the core of their followers. People who do not support the economic plan may still approve of the president. Alternatively, partisans may modify their evaluation of the economy to fit their party preference. Partisanship may shape people’s perception of both presidential approval and the economy.

4. Followers of the incumbent party are more likely to approve of the president. Conversely, followers of the opposing parties are more likely to disapprove of the president.

The final hypothesis explores the possibility that party identification strongly influences citizens’ evaluation of the president. It adds non-economic elements to the model and brings institutional factors into the equation.

THE DATA

The statistical analysis is conducted on public opinion data that I obtained from a series of person-to-person surveys conducted by public opinion survey institute Mora y Araujo (Argentina). The surveys were conducted at the national level twice a year for the period 1989-1998. The sample size of these surveys varies from 800 to 1400 respondents. The total number of respondents included in the analysis is around 14,000.

My choice of Argentina is based on three considerations. First, the dramatic and far-reaching nature of the neoliberal economic reforms implemented in the country since the beginning of the 1990s and their impact on the Argentine economy make it possible to draw meaningful conclusions about citizens’ reaction to economic transformations. Second, the historical stability of Argentina’s party system and its respective influence on individual political preferences offers a potential challenge to hypotheses drawn from the economic voting literature. Finally, the relative sophistication of the survey research enterprise in Argentina means that a relatively extensive body of public opinion data is available for research.

In 1989, Carlos Saul Menem was elected to the Argentine presidency. Although the campaign that brought him to power contained all the traditional elements of a populist one, once in office he implemented one of the region’s most drastic market reform programs. In 1990, after one year of market reforms, most of the public enterprises had been privatized, leaving many without jobs. Restrictions on imports were rapidly removed and tariffs were reduced, opening the borders to international competition and thus putting the local industry under a lot of pressure. Finally, the tax system was reformed to generate more revenue for the central government, making the cost of living increase for many (Gerchunoff & Torre, 1996). The reforms were seen as very damaging to the majority of citizens, at least in the short-term (Sunkel & Zuleta, 1990). Notwithstanding, Carlos Menem was able to stay in office for the whole term (1989-1995), and even managed to reform the constitution in order to be reelected to a second term in 1995.

Menem’s political success has interesting implications for the study of attitude and behavior since market reforms are supposedly overwhelmingly unpopular with the bulk of the electorate. The Argentine case suggests that governments can maintain their base of
support even when seemingly unpopular policies are implemented. More precisely, the reorientation of the Peronist party behind neoliberal policies after the 1989 elections was manifestly at odds with traditional Peronist ideology and party platforms. In theory, the Menem administration’s decision to implement neoliberal economic reforms that would possibly jeopardize the welfare of the working class clearly contradicted the interests of its electoral base. Common expectations are that market reforms favor the interests of the business sectors, traditionally not associated with the Peronist party, and undermine those of the lower and working classes, the traditional stronghold of the party. What then accounts for Menem’s sustained popular support? Did his traditional constituency turn its back on him, as one would expect? Was Menem able to attract the support of non-traditional constituencies?

MODEL SPECIFICATION

In the literature studying popular reactions to market reforms at the micro level, few models capture the same causal pathway linking presidential approval and economic assessments. Some authors use approval of the economic plan as their dependent variable while including presidential approval in the right hand-side of the equation (Kaufmann & Zuckermann, 1998). Others generate multiple models where they use both approval of the economic plan and presidential approval as their dependent variable, and keep the same explanatory variables on the right hand-side of the equation (Stokes, 1996; Przeworski, 1996). It is difficult to identify any single causal mechanism.

The model I develop to test the three hypotheses contains two sub-equations where presidential approval is a function of political, economic and demographic factors, and where approval of the economic program is explained by diverse economic assessments and demographic factors. My model introduces a unidirectional causality relationship between economic assessments and presidential approval. I argue that economic assessments are transferred into opinions about the president through individual assessments of the government’s economic policies (see Figure 1).

[Figure 1 about here]

I argue that individuals evaluate the government’s economic policy as follows:

\[
Y(\text{Evaluation of the Economic Plan}) = \alpha + \beta(\text{Assessments of the State of the Economy}) + \beta(\text{Future Economic Expectations}) + \beta(\text{Geographic Location of Respondents}) + \beta(\text{Socioeconomic Status}) + \beta(\text{Gender}) + \beta(\text{Age}) + \beta(\text{Year dummies}) + \mu
\]

When people evaluate the economic policy of their government they look at the state of the economy and build expectations about the future. When evaluating the economy, I argue that people think in terms of how the government managed the economic situation in the past and will handle it in the future. The government is therefore accountable to the public through its action.

The dependent variable \(Y(\text{Evaluation of the Economic Plan})\) is a subjective measure of popular support for the government’s economic plan. People were asked to evaluate
the economic policy of the incumbent government on a scale of one-to-four. However, the variable included here has been recoded on a scale of one-to-three to facilitate the interpretation of the results. In this model, opinions about the state of the economy \( \beta(\text{Assessments of the State of the Economy}) \) are represented by a variable measuring people’s concerns with the national economy. More precisely, I used the answer to an open-ended question that asked respondents to identify what they believed to be the most important problem currently facing the country. I expect the coefficient of this dummy variable to be negative. When people are concerned with the state of the economy, they should be less likely to support the economic plan. Conversely, when respondents do not mention economic worries as their most important problem, their propensity to support the economic program should increase. Future economic expectations \( \beta(\text{Future Economic Expectations}) \) are measured by individual egocentric expectations. I expect this coefficient to be positive. The more optimistic the expectations about the future are, the more likely someone will approve of the economic program. Conversely, if an individual is pessimistic about the future, he/she has greater chances of opposing the economic plan.

Because the national economic activity is not equally distributed across different geographic locations, I included a dummy for the industrial centers \( \beta(\text{Geographic Location of Respondents}) \). In those regions, I expect people to be less likely to support the economic program because these specific regions are more vulnerable to economic fluctuations caused by trade liberalization, privatization and increased competition. This coefficient should be negative.

The model also includes a measure of socioeconomic status \( \beta(\text{Socioeconomic Status}) \) to test whether different sectors have different reactions to the economic plan. I expect the lower class sectors to be more likely to oppose the economic plan than the upper class sectors. The coefficient should therefore be positive. The higher you find yourself in the socioeconomic pyramid, the more likely you are to support market reform efforts. The model also includes variables for age \( \beta(\text{Age}) \) and gender \( \beta(\text{Gender}) \) to control for individual characteristics of the respondents. Finally, dummies for each survey \( \beta(\text{Year dummies}) \) were included to account for the specificities of each different temporal context in which the surveys were realized.

When people evaluate the work of the incumbent president, they evaluate different aspects of the administration. I argue that the two main elements under scrutiny are the president’s economic policy and his political affiliation.

\[
Y(\text{Presidential Approval}) = \alpha + \beta(\text{Evaluation of the Economic Plan}) + \beta(\text{Peronist Party}) + \beta(\text{Radical Civic Union}) + \beta(\text{Socioeconomic Status}) + \beta(\text{Age}) + \beta(\text{Gender}) + \beta(\text{Year dummies}) + \mu
\]

In this equation, the dependent variable is presidential approval \( Y(\text{Presidential Approval}) \). It is measured on a scale of four. As was the case for the economic plan variable presidential approval has been recoded on a scale of three to facilitate the interpretation of the results. The economic policy \( \beta(\text{Evaluation of the Economic Plan}) \) variable is the dependent variable of the previous equation. Here, I expect the coefficient to have a positive value. When people are satisfied with the economic program, they are
more likely to approve of the president, and vice-versa. To measure the impact of party identification, I include dummy variables for the leading political parties, the Peronist party $\beta($Peronist Party$)$ and the Radical Civic Union $\beta($Radical Civic Union$)$.$^8$ While the Peronist party coefficient should have a positive value, the Radical Civic Union one should be negative. Supporter of the incumbent party should have a higher propensity to approve of the president than follower of the opposing parties. Finally, the model again controls for socioeconomic status $\beta($Socioeconomic Status$)$, age $\beta($Age$)$, gender $\beta($Gender$)$. It also includes dummies $\beta($Year dummies$)$ for each survey.

**DATA ANALYSIS**

The statistical analysis probing the relationship between the independent and dependent variables relies on an ordered probit regression analysis. Since this method is based on the computation of probabilities it is better suited than an ordinary least square (OLS). Due to the limited distribution of the dependent variables included in this study, I would have had to violate too many assumptions needed for an OLS regression analysis. Furthermore, using a maximum likelihood method facilitates the discussion of the results since they are more easily interpretable.

In the aggregate, a brief look at the rate of support for the economic plan and the president over time indicates that most Argentines seem to behave as rational economic voters. Figure 2a outlines the evolution of aggregate support for the economic program and president between 1989 and 1998.$^9$ Contrary to what conventional wisdom tells us, the president benefited from the support of a majority of Argentines well into the implementation of his market reform package, i.e., until about 1992. The rate of support for Menem’s economic program seemed to have followed his personal approval ratings quite closely. However, both the popularity of the president and of his economic plan declined throughout the period. When reforms are brought about in times of deep economic crisis, especially hyperinflation, they benefit from very high popular support because of the hopes they create for stabilization, thus feeding both the popularity of reforms and of its implementers. However, the expectations from reform diminish over time as the successful stabilization recedes into the past. Citizens may forget about hyperinflation and ask: what have you done for me lately?

[Figure 2 about here]

Figure 2b indicates that the elimination of inflation (early 1992) coincided with an upsurge in the president’s popularity as well as in the popularity of his economic plan. Conversely, Figure 2c shows that the rapid increase in unemployment (late 1994 to early 1995) coincided with the acceleration in the decline of popularity of the economic plan and of the president. Argentines, in the aggregate, seem to react to fluctuations in the macro economy.

At the individual level, the statistical results show that Argentines act as rational economic voters when evaluating the economic program. The results are consistent with the first hypothesis suggesting that individuals support the economic plan when they are optimistic about the economy and reject it when pessimistic. As exemplified by the results of the regression analysis presented in Table 1, Argentines evaluate the economic policy
through their assessments of the state of the economy as well as through their future expectations. Argentines expressing concerns about issues such as unemployment, inflation or wages are more likely to oppose the economic plan. This is shown by the negative and statistically significant coefficient for the economic concerns variable. However, when Argentines are optimistic about their future economic situation, they are more likely to support the economic plan. This can be seen in the positive value of the future expectations variable.

[Table 1 about here]

The information contained in Table 1 also confirms that Argentines living in industrial sectors are more likely to oppose the economic plan than those living in the periphery. The geographic location variable has a negative value and is statistically significant. In addition, the statistical results show that age has no influence on people’s perception of the economic plan, and that males are more likely to oppose market reforms. Finally, the positive and statistically significant coefficient associated with the socioeconomic status variable indicates that wealthier Argentines are more likely to support the plan, and conversely, that poorer citizens are more likely to oppose the economic program. This is also consistent with the expectations.

To figure out which of these variables have the greatest impact on people’s assessments of the economic program, I computed probabilities and set each of the independent variables at their minimum and maximum within the equation while holding all other variables at their mean. Figure 3 is quite clear in pointing to future economic expectations as the most powerful factor in shaping people’s opinion of the economic plan. Compared to a pessimistic citizen, an optimistic individual increases his probability of supporting the economic plan by 41 percent. This difference in probabilities is far less accentuated for the other independent variables. Economic concerns and geographic location only impact the same probability by less than 6 percent. Finally, socioeconomic status alters the probability of supporting the economic plan by 7 percent.

[Figure 3 about here]

The statistical results of the second equation (Table 2) confirm the validity of the second hypothesis which suggested that individuals transfer their economic assessments into opinions about the president. When people support the economic plan, they are more likely to support the incumbent president. Conversely, when individuals do not support the economic program, they are less likely to support the president. This is shown by the positive value of the economic plan variable in the second equation.

[Table 2 about here]

The results of the analysis also indicate that wealthier Argentines are less likely to approve of the president, and that conversely, poorer citizens are more likely to approve of the president. The negative and statistically significant sign of the socioeconomic status coefficient confirms this surprising observation. As seen in Figure 4, lower class citizens...
have a probability of approving of the president 13 percent higher than individuals from the upper class.

[Figure 4 about here]

The results presented here thus cannot confirm the third hypothesis. The results reported in Table 1 indicated that upper class citizen were more likely to support the economic plan than citizens from the lower classes. Accordingly, if all these individuals were rational economic voters, upper class citizens should be more likely to approve of the president, and lower class citizens should be less likely to approve of the president. This does not seem to be the case. Although lower class individuals are more likely to oppose the reform process, they are not more likely to oppose the president as hypothesized. On the contrary, they are more likely to support the president.

Although this observation seems very surprising, there is a logical explanation for the phenomenon. That lower class individuals are more inclined to approve of the president than upper class citizens may be a function of the group’s historical political affiliation with the Peronist party. As observed by several scholars of the Argentine party system, lower class individuals have historically been strong supporters of the Peronist party (Catterberg, 1991; Gibson, 1997; McGuire, 1995). Similarly, that the lower class continued to support the Peronist government after it implemented market reforms that would potentially hurt most of them can be explained by the extraordinary capacity of the Peronist political machine to reach its traditional followers.

Accordingly, the results of the regression analysis presented in Table 2 show that followers of the incumbent party (PJ) are more likely to approve of the president than followers of opposition parties such as the UCR. The positive value of the PJ variable and the negative sign associated with the UCR variable confirm this statement, and therefore validates the expectations of the fourth hypothesis. Followers of the incumbent party, then, have a higher probability of approving of the president, notwithstanding their assessments of the economy. Figure 4 shows that the probability of approving of the president for PJ followers is 26 percent higher than for all other individuals. Followers of opposition parties, for their part, are more less likely to support the president, regardless of their opinion of the economic plan. The probability of approving of the president is 14 percent lower for UCR followers than it is for all other individuals.

CONCLUSIONS

The results presented in this paper indicate that most Argentine citizens make economic assessments and evaluate the economic policy of their government. When Argentines are concerned with problems of unemployment, cost of living or inflation, they are less likely to support the current economic program. Similarly, when they are optimistic about their financial future, they support the economic program. Overall, when Argentines judge that the general state of the economy is positive they support the economic program, and when they believe the economy deteriorates they withdraw their support. The results of my analysis also indicate that these economic evaluations are necessary to understand popular support for the incumbent president. Argentines in fact
transfer their satisfaction with the economic plan into support for the president, and their frustrations with the plan into disapproval of the president.

Consequently, many Argentines may have remained supportive of the economic policy and the president because of the economic benefits brought to them at least until late 1994 and early 1995. In 1991, the Menem administration successfully eliminated hyperinflation. If we go back to Table 1, we can see that the aggregate support for the plan dropped below the 40 percent line only around the 1995 presidential election. From the analysis of these data, it seems that the elimination of inflation remained in the short-term memory of a significant amount of citizens, thus positively influencing their approval of the president, at least until 1995.

The analysis also shows that other factors such as class membership and party identification have significant roles to play in shaping people’s evaluation of the president. It has been shown that lower class Argentines are more likely to approve of the president even if they have a higher propensity to reject his economic policy. The assumption is that the poorer citizens’ traditional attachment to the Peronist party drives their unconditional support for the president. Accordingly, self-declared followers of the incumbent party are also more likely to approve of the president.

Therefore, Carlos Menem’s sustained popularity was also achieved through his capacity to maintain a strong base of support among the lower class sectors, despite the fact that poorer citizens are more likely to oppose the president’s economic program. Accordingly, approval for the president was higher than support for his economic policy among Peronists and lower class citizens throughout the period. As seen in Table 3, while 72 percent of the party followers and 47 percent of the lower class sectors approved of Menem’s presidency, only 48 percent of the party followers and 39 percent of the lower class sectors supported his economic program.

At the other end of the socioeconomic spectrum, Menem was able to generate favorable support for his economic policy among the upper class sectors, but was unable to transform all this support into approval of his presidency. This may be explained by the fact that upper class sectors have not been traditionally associated with the Peronist party. It is not surprising to observe that more people from these sectors supported the economic program than the president himself. While 48 percent of the upper class supported the economic policy, only 41 percent approved of the president.

In conclusion, the analysis demonstrates that market reforms can be politically viable. Public opinion data in Argentina show that it is possible for politicians to implement policies that are presumed to be unpopular with the bulk of the electorate and still retain their popularity. This findings have very interesting implications for the study of popular support for market reform in other contexts. First, neoliberal economic reforms may not be as unpopular as we thought they were (Weyland, 1998; Gervasoni, 1997). Market reforms may produce outcomes that generate satisfaction in the population. Second, both positive and negative consequences of market reforms may not be homogeneously distributed among the population (Buendia, 1996; Przeworski, 1996; Roberts & Arce, 1998; Stokes 1996). Some policies may generate favorable outcomes among some groups
of society and negative ones among other sectors. In the aggregate, this can prove to be positive for the popular fate of reform implementers. Third, long-established party machines can ease the implementation and reproduction of reform processes (Auyero, 1997; Levitsky & Way, 1998; Ostiguy, 1999). Where parties can reach the population through their institutionalized social linkages, the negative consequences of market reforms can be lessened.
Notes

1 During the presidential campaign leading to his election, Menem focused on issues such as strong government intervention, labor protection, social redistribution, etc.

2 The original question had four possible answers: 1 = disapprove, 2 = regular, 3 = approve, and 4 = strongly approve. The variable has been recoded on a scale of one-to-three, where 1 = disapprove, 2 = regular, and 3 = approve.

3 Ideally, one would like to include variables directly testing for both egocentric and sociotropic individual behavior. However, these variables were not available to me in the Argentine database. The best proxy I found was the economic concern variable.

4 The sociotropic measure was not available for every survey in the Argentine dataset. By using both variables together, I had to reject too many cases. I therefore decided to use the egocentric measure as a proxy for both concepts. The correlation between the egocentric and sociotropic variables was sufficiently high to do so (Pearson’s R = .6338).

5 Respondents of industrial centers where given the value 1.

6 This variable is an index computed by the Argentina survey firm Mora y Araujo. It consists of five categories: low, low-middle, middle, upper-middle, and upper class. However, when presenting results by class, I regrouped low and lower-middle class sectors together, as well as upper-middle and upper. This facilitates the interpretation of the results.

7 The original variable is a scale of four. It has been recoded into 1 thru 3, where 1 = disapprove, 2 = regular, and 3 = approve. In its original format, the question included a 4 = approve strongly. The recoding has been done to facilitate interpretation of results.

8 Although I am perfectly aware that other contending parties were present throughout the period under scrutiny in this paper, the dataset did not contain enough respondents who identified with those parties. My interest lies in assessing the political weight of incumbency, and the inclusion of a dummy for PJ followers along with one for the main opposing party (UCR) will be more than sufficient. Respondents were given the value 1 when indicating that they felt close to or were members of the political party.

9 The statistic represents the aggregation of individual level data.

10 The probabilities are obtained by changing the value of one variable in the equation while holding all other variables at their mean. In doing so, we get a more precise evaluation of the relative impact of these different economic assessments on people’s propensity to support the economic plan.
Appendix – Survey questions

Support for the economic plan

The national government is currently implementing an economic plan. What is your opinion about it?

1. It is bad for the country.
2. It is regular.
3. It is good.
4. It is very good.

Note: The third and fourth answers were merged together to facilitate the interpretation of the statistical analysis.

Presidential approval

How do you view the current president, Carlos Menem?

1. Bad.
2. Regular.
3. Good.
4. Very good.
5. I do not know him.
6. Refuse to answer.
7. Don’t know.

Note: The third and fourth answers were merged together to facilitate the interpretation of the statistical analysis. Answers 5 to 7 were treated as missing values.

Self-reported vote (1995 presidential election)

Could you tell us who you voted for in the presidential election of May 1995?

Note: From the multiple answers, I created a dummy variable where I gave the value “1” to Carlos Menem, and the value “0” to all other answers.
**Future expectations**

How do you think you personal financial situation will be one year from now?

1. Worse.
2. Same.
4. Don’t know.

**Economic concerns**

What is the most important problem facing the country today?

Note: This was an open-ended question. I created a dummy where I gave the value “1” to those respondents pointing to an economic problem, and “0” to all others.

**PJ and UCR**

To which party are you affiliated or feel the closest to?

Note: This was an open-ended question. I created two dummy variables where I gave the value “1” to those respondents identifying the parties I wanted to include in the analysis, i.e., the Peronist party and the Radical Civic Union. All other respondents were given the value “0”.

**Age**

1. 18-20 years old.
2. 21-27.
3. 28-39.
4. 40-55.
5. 56 and older.

**Gender**

1. Male.
2. Female.
**Socioeconomic status**

1. Low.
2. Lower middle.
3. Middle.
4. Upper middle.
5. Upper.

Note: This variable is an index computed by the survey research institute Mora y Araujo (Argentina). It includes the measurement of material belongings, occupation of the head of household, level of education of the head of household, etc. In the regression analysis, I used the variable with the five possible answers. However, to simplify the analysis of the results I sometimes merged answers “1” and “2”, as well as “4” and “5” together.

**Geographic location**

Note: This classification was established by the survey research institute Mora y Araujo (Argentina). The interviewers were responsible for identifying the respondents’ location. I created a dummy variable where I gave the value “1” to those cities pertaining to the core economic centres of the country, mainly the Pampa and other large cities of the periphery. All other cities were given the value “0”.
References


Figure 1 The Model

- Geographic Location
- Past and Present Economic Conditions
  Prospective Assessments

- Party Identification

- Approval of the Economic Plan
  - Class
  - Age
  - Gender

- Presidential Approval
Figure 2  Support for the Economic Program, Presidential Approval and the Economy, 1989-98

a. Presidential Approval
   - Economic Plan

b. Inflation

Unemployment

Source: Mora y Araujo y Asociados, INDEC, Ministerio de Economía – Argentina.
Table 1  Results of the ordered probit regression analysis:  
Popular support for the economic plan 1989-98

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>Standard Error</th>
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<td>Future expectations</td>
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Note: Dummies for each year were included in the model. Coefficients for those dummies are not shown. Standard errors are in parentheses. Level of statistical significance: ** indicates that p < .01 and * that p < .05.
Figure 3 Effect of different variables on the probability of supporting the economic plan.

Source: Own computation.
### Table 2  Results of the ordered probit regression analysis:
Presidential Approval 1989-98

<table>
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<td>UCR</td>
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<td>Age</td>
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<td>Gender</td>
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Note: Dummies for each year were included in the model. Coefficients for those dummies are not shown. Standard errors are in parentheses. Level of statistical significance: ** indicates that $p < .01$ and * that $p < .1$. 
Figure 4 Effect of different variables on the probability of approving of the president

Source: Own computation.
Table 3  Presidential approval and support for the economic plan before the 1995 presidential elections.

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<tr>
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