Implementing market-oriented reforms is often a contentious affair, especially in new democracies. It can be time-consuming when the democratic process permits many opportunities to examine (and to block) controversial proposals. Conversely, when debate is limited by various means, the pursuit of reform can undermine the democratic regime. How, then, can market-oriented reforms and democracy be consolidated simultaneously?

Comparing the extent of economic reform in Argentina and in Uruguay over the past ten years, it is hard to argue that Uruguay has made more visible progress. While both nations have engaged in dramatic trade liberalization, Argentina has achieved more deregulation, more privatization, and more rationalization of public administration. Uruguay, in contrast, has witnessed the reversal of government-led state reform campaigns in the legislature and in referendums.

The contrast between the two countries recalls the old fable of the tortoise and the hare. Is it possible that Uruguay’s failure to move quickly on state reform will improve its prospects for eventually consolidating democracy and economic reform? Or is the Argentine “reform first” strategy more useful? These questions serve as the point of departure for an investigation of the politics of economic reform and democratic consolidation in new democracies.

In discussing these processes, a few definitions are in order. Market-oriented reform refers to structural adjustment policies designed to increase the role of internal and external market forces. This diverse package has been dubbed the Washington Consensus (Williamson 1990). It includes fiscal discipline; shifting public spending priorities away from defense, general administration, and untargeted subsidies and toward health, education, and infrastructure; tax reform; financial market liberalization; a unified exchange rate; trade liberalization; equal treatment for foreign direct investment; privatization of state-owned enterprises; deregulation of the economy; and secure property rights for all citizens. Democracy is a political regime characterized by competitive elections, a variety of channels for citizen participation, and protection of civil and political liberties sufficient to safeguard the two other characteristics (Dahl
A new democracy has had fewer than 30 years of uninterrupted competitive elections (Lijphart 1984, 38).

Under what conditions is the simultaneous consolidation of market-oriented reform and democratic rule more likely? Most analysts have focused on one goal more than the other. Both bodies of literature agree on the importance of building a societal consensus in favor of democracy and the market. Within and across these two debates, there is a dispute over whether consensus should be established before reforms are enacted.

Analysts have also debated whether economic reforms are easier to implement in authoritarian or in democratic regimes. Some (Sheahan 1980; Skidmore 1977) assert that democracies are at a disadvantage because of three factors. The reforms' short-term net effects for many citizens are negative. Democracy permits more opportunity for those harmed to block or reverse the reforms; and authoritarian regimes (with fewer avenues for political participation and a presumed greater ability to use coercion) would find it easier to "stay the course." Cross-national analyses conclude that authoritarian regimes have not done significantly better at sticking to either economic stabilization (Remmer 1986) or structural adjustment programs (Haggard and Kauffman 1989; Maravall 1994). These and other studies do not conclude that market-oriented reform is easy; they underscore how difficult it can be in any political regime. Haggard and Kauffman confirm that new democracies confront special problems because the transition to democracy often increases popular expectations and political mobilization in a context of institutional uncertainty (1989, 74).

The conflictual nature of reform has been reaffirmed by case studies of contemporary reform efforts (Aslund 1995; Bates and Krueger 1993; Bhagwati 1993; Cook et al. 1994; Haggard and Kaufman 1992; Lustig 1992; Nelson 1989; Perkins and Roemer 1991; Williamson 1994). Successful reformers have not been associated with any single strategy or set of contextual conditions, but all have faced vibrant opposition from several sectors of society. Some of the critics recommend that reformers build a coalition for reform by using the media (Naim 1993) or by targeting compensation to key losers; for instance, workers in privatized state enterprises who lose their jobs (Haggard and Webb 1992). Others counter that reformers should press ahead, with or without a visible societal consensus (Sachs 1994), perhaps gaining election while hiding their true reform intentions (Przeworski 1991). If the reforms bring desirable results, they will build a consensus; if they do not, no previous consensus will withstand the negative outcome.

The flip side of the "how to reform" debate asks whether new democracies can survive the turmoil (Nelson 1994a, 1994b; Przeworski 1995; Smith et al. 1994a, 1994b). Much of the concern for democracy's survival centers on the political obstacles to reform itself: visible losers and winners in the short run (despite claims that all will gain eventually); the
shock and disillusionment associated with a dramatic break from past practices; and the concomitant need to build winning electoral coalitions when historic allies (and enemies) may now have different ties to the government and to political parties. Conflict over reforms might cause some discontented actors to call for a nondemocratic reversal (or affirmation) of the reform program. Most of the works just mentioned emphasize the need for consensus building to avoid antidemocratic disaffection and action.

Some scholars (Acuña and Smith 1994; Bresser Pereira et al. 1993; Smith 1993) argue that not just the conflictual nature of the reforms themselves but also the way they are pursued can harm the prospects for democratic consolidation. In O'Donnell's (1992) conceptualization of "delegative democracy," those who implement reforms by limiting debate and centralizing authority in the executive are damaging the prospects for democratic rule, even if the reforms bring the desired economic results. Cutting off several channels of participation will encourage others to disrespect democratic channels when it suits them—thereby endangering the prospects for democratic consolidation.

The common thread across this debate is that if the policies and the regime are to be sustainable politically over time, a stable majority has to support the basic tenets of the reform program and the democratic process. Despite this general agreement, there is a core disagreement over the relative importance of adherence to democratic procedures and economic outcomes in building that stable majority. This harks back to a classic issue in the study of political development: whether regime legitimacy is primarily outcome-based or process-based (Huntington 1991; Kornberg and Clarke 1993; Mayo 1960). The earlier literature affirms that both are important; the contemporary debate raises a question of sequence that is salient for political scientists and policymakers alike. Should politicians follow Jeffrey Sachs's call to get the policies right and hope that good economic outcomes consolidate both democracy and market? Or should they heed O'Donnell's warning that ramrod reform will poison democracy's future?

Despite the scholarly consensus that basic attitudinal acceptance of democratic and market relations is central to their consolidation, relatively few contemporary studies have examined this issue. Why? The cost of surveys—especially a longitudinal look at attitudinal change—is an obstacle. There are also some grounds for downplaying the importance of mass attitudes. First, one cannot assume that individual or collective action follows stated (or inferred) attitudes (Armer and Isaac 1978; Olson 1965). Second, "isolated individuals do not shake social orders.... Only organized political forces have the capacity to undermine the democratic system" (Przeworski 1991, 28). Taken together, these two assertions call for research focusing on the activities and strategies of collective actors in context.
Nevertheless, mass attitudes in the behavior of organized groups and their leaders should not be underestimated. A crucial constraint for political entrepreneurs in any polity (but especially in a democracy) is their perception of what the public will support. This calculus can rule out some possible platforms (for example, advocating slavery in the West in the twentieth century) while favoring others (anti-incumbent efforts in contemporary U.S. electioneering). Until elites and masses embrace democracy and the market, collective action strategies that endanger each system will always be more likely rather than less likely to occur. The evolution of attitudes toward democracy and the market is one useful litmus test among several for the health of these institutions.

This study will examine attitudes toward democracy and the market via a comparison of Argentina and Uruguay. These two nations share many traits: a common cultural (and immigrant) heritage; middle-income status; agricultural export economies that formerly followed an import-substitution industrialization strategy; new democratic regimes that emerged in the mid-1980s amid economic crisis; tentative efforts at market-oriented reform under those regimes’ first presidents; an international commitment to free trade spearheaded by founding Mercosur; and vigorous reform efforts led by presidents elected in 1989—Carlos Menem in Argentina and Luis Lacalle in Uruguay. Menem has implemented most of the Washington Consensus package in five years, while Lacalle’s successes in trade liberalization and fiscal management have been overshadowed at times by defeats of major state reform initiatives in the legislature and in referendums on privatization and social security reform. Menem has followed Sachs’s call to “reform first, ask questions later” almost to the letter. Supporters and critics admit that Menem has compressed the democratic process via centralization of authority, packing of the Supreme Court, and rule by decree. At the end of these distinct experiences, which nation holds the brighter prospects for the consolidation of democratic and market norms?

The comparison will begin by looking at the transition to democracy that formed the backdrop for recent economic reform efforts. Then it will examine the respective processes of economic reform in the Menem and Lacalle administrations. Finally, public opinion data on democracy and economic reform in the two countries will be analyzed to see if lax adherence to democratic procedures in Argentina or the slow pace of economic reform in Uruguay has reduced the prevalence of attitudes associated with democratic consolidation.
When the Argentine military took power in 1976, establishing the so-called Military Process, it launched a wave of repression that eliminated the guerrilla movement but created a climate dominated by state and parastate violence. The eight years of military rule can be divided into two distinct economic periods. The years 1976–1980, taken as a whole, marked an improvement over 1975 in several areas. Inflation rates dropped, investment recovered, and the average annual GDP growth rate rose visibly. The final three years of the Process, 1981–1983, however, were characterized by a rapid economic collapse that left the economy in decidedly worse shape than it had been in 1975. Whatever economic achievements the military regime could claim during its first five years in power had evaporated by 1983. In the wake of this economic collapse, the ill-fated invasion of the Malvinas Islands in April 1982 constituted the last gasp of a regime that had lost the support of many of the same businesspeople who had hailed its establishment as the advent of new and better times.

When the newly elected democratic government of Raúl Alfonsín assumed office in December 1983, the Argentine economy was in a crisis unparalleled in the nation's history. The gross domestic product was lower than it had been in 1974. The unemployment rate and the public sector deficit were substantially higher than their averages for the entire post–World War II era. Fixed investment as a percentage of gross domestic product had declined by nearly half, from a high of 26.3 percent in 1977 to 14.2 percent in 1983. The 1983 figures for inflation (433.7 percent) and for debt-service ratio (58.4 percent) were the highest in Argentine history.

Besides confronting this economic crisis, the new democratic government faced a number of overtly political challenges. The Military Process (and the preceding Peronist regime) had left a legacy of state violence, as well as terrorism by groups at both extremes of the political spectrum. The Malvinas debacle had cost thousands of lives and had broken historically close (albeit often controversial) ties with Great Britain. While all of these events had discredited the armed forces in the eyes of most citizens, the new democratic government confronted a contradictory task common to many nascent democratic regimes: it had to find a way to heed societal demands for justice without motivating the military to overthrow the democratic regime once again. At the same time, the governing Radical Party had to try to create a working relationship with its historically cantankerous opposition party, the Peronists.

The new democracy began with the defeat of the Peronist Party in the presidential elections of May 1983. When Radical candidate Alfonsín garnered 51.7 percent of the vote, it marked the first time the Peronist Party had lost a presidential election in which it had participated. Alfonsín's
surprising majority—plus the capture of a majority in the Chamber of Deputies—represented a highwater mark for the Radical Party since the advent of Peronism. Conversely, the Peronist Party began the new democracy with a serious leadership crisis as it struggled to rebuild its once-invincible electoral coalition.

Argentina at this time, moreover, was the lone democracy in the Southern Cone. Flush with confidence, the Alfonsín administration initially believed that it could build a solution to Argentina's economic woes from international and national goodwill generated by the democratic transition. Alfonsín tried to govern without cooperating with the Peronists; the Radicals believed that they could win a majority in the Senate in the coming off-year elections. But when inflation rose that first year without the anticipated rise in investment and debt relief despite his pro-growth policies, Alfonsín turned to a heterodox set of stabilization policies introduced unilaterally in mid-1985, the Austral Plan.

This combination of devaluation, currency reform, and wage-price freezes temporarily brought the annual inflation under 100 percent. When inflation crept up in 1987–88, the administration and the legislature were divided about what to do next. Some officials proposed market-oriented structural adjustment policies; but tariffs were reduced in only a few sectors, and privatization initiatives stalled. In the end, the administration cobbled together a new wage-price freeze, the 1988 Spring Plan, which broke inflationary momentum for only a few months until a run on the currency, beginning in early 1989, led to a hyperinflationary spiral.4

In retrospect, it is clear that the new Argentine democratic regime began during an economic crisis from which it did not fully escape during the years 1984–89. Over the first four years of the regime, some limited successes were overshadowed by a variety of negative outcomes. The most negative included skyrocketing inflation, a rise in unemployment, falling real wages, and a further decline in fixed investment.

This continuing economic crisis reached new depths over the next two years. During 1988 and 1989, the GDP declined at an annual rate of 4.2 percent. By 1989 the GDP was 2.4 percent smaller (in real terms) than it had been in 1983. Amid still-rising unemployment and hyperinflationary spirals, real wages collapsed in all sectors of the economy. The crisis without parallel of the early 1980s had free-fallen into the economic catastrophe of the late 1980s.

As Argentina's economic performance worsened, the balance of power between the two major political parties swung back. In the 1985 elections, held in the afterglow of the Austral Plan's early days, the Radicals maintained their control of the Chamber of Deputies but failed to gain control of the Senate. Then, as the economy soured, they were defeated in the September 1987 elections. In the presidential elections of May 14, 1989—held on the cusp of a hyperinflationary surge—the Peronist Party
returned to power. Carlos Menem won a near-majority of the popular vote (47.3 percent), and the Peronists recaptured a plurality in the Chamber of Deputies. On taking office, Menem, who had run a traditional, populist campaign, promptly executed one of the greatest about-faces in Argentine political history: he pushed through a decidedly neoliberal economic program.

THE MENEM ADMINISTRATION, 1989–1995

Amid a severe economic crisis, Menem enjoyed an initial honeymoon with the public and with opposition parties. Arguing that the magnitude of the crisis required immediate emergency measures, in his first month in office, Menem persuaded a divided congress (the Peronists and some provincial parties aligned with them controlled the Chamber of Deputies, but not the Senate) to approve the Law of Economic Emergency and the State Reform Law, which called for the sale of state enterprises. This was virtually equivalent to a blank check, as Congress authorized the president to enact economic reforms through executive orders.

As a result, early privatization measures and other key reforms were implemented with minimal congressional oversight. The legislature established the Comisión Bicameral de la Reforma del Estado (CBRE), a congressional commission to monitor the privatization process. The CBRE could request that the executive branch justify its plans, but had no power to stop a sale (Natale 1993). Interestingly enough, when the time came to vote for the State Reform Law, the Chamber of Deputies lacked the prescribed quorum. To bypass the problem, the Peronist leadership apparently brought into the voting session several congressional employees, who voted in support of the measure (Cerruti and Ciancaglini 1991, 99).

Having decreased congressional interference, Menem reduced the judiciary's independence (Verbitsky 1993). The Supreme Court was enlarged—"packed" with loyal appointees to keep the administration's often controversial socioeconomic policies from being challenged by the courts. In 1990, Menem also removed four of the five members of the Fiscal Tribunal (which oversees irregularities in government accounts), and in 1991 he removed, in an unconstitutional manner (by executive order), the state attorney for administrative inquiries (in charge of prosecuting irregularities in public administration). In 1991, Justice Minister León Arslanian quit his post, declaring his unwillingness to go along with the administration's plan to replace independent federal judges and state prosecutors with people presumably more supportive of the president's agenda (Arslanian 1993). Thus, by the early 1990s, Menem had acquired many of the discretionary powers last enjoyed by the military presidents of the 1976–83 dictatorship. At the time, many observers asserted that Menem's political style was a necessary evil to confront the economic crisis.
Allegations of corruption in the executive branch related to some of the first privatizations led to the resignation of several cabinet ministers at the start of 1991. To regain some credibility, Menem appointed a respected economist, Domingo Cavallo, as his new economic minister. Cavallo proceeded to overhaul the entire privatization framework with the assistance of the World Bank, and to renegotiate the highway and airline privatizations.

In his first months in his new post, Cavallo designed and helped shepherd through Congress the Convertibility Law. This bold law basically placed the Argentine economy on a rigid dollar standard. The law fixed the parity of the Argentine currency with the U.S. dollar at ten thousand australes and pledged to defend that parity indefinitely. It also called for the creation in 1992 of a new Argentine currency, the peso, which would remain at a one-to-one exchange rate with the dollar. The Convertibility Law accomplished this by requiring the Argentine government to back its currency in circulation with dollars held in reserve. This decision made it difficult (and dangerous) for the government to run budget deficits; at the same time, it reduced the prospect of inflationary devaluation episodes, which had been prevalent in the 1970s and 1980s. Domestic firms, faced with a fixed exchange rate and lower tariffs, would have to control their prices or face elimination via foreign competition.

With stability restored to the nation's currency, lower inflation, and an aggressive effort to attract foreign investment through a variety of privatizations, the Argentine economy experienced rapid growth with falling inflation rates during the years 1991 to 1994. The economy grew at 8.8 percent a year in 1991–92 and by 6.0 percent a year in 1993–94. Meanwhile, annual inflation fell from 1,344 percent in 1990 to 84 percent in 1991. It fell below 20 percent in 1992 and below 10 percent in 1993–94.

Having beaten back hyperinflation, the Menem administration moved to deepen its market-oriented reforms. In August 1993, a controversial reform of the pension system became law. This reform, similar to reforms in Chile under the Pinochet regime, moved away from a government-run pension plan toward a variety of privately managed mutual fund options. A new, broader round of privatizations was undertaken; the railways, the power and gas companies, and a variety of state-owned industrial enterprises were sold. On the trade front, the Menem administration helped to push through a 1995 implementation of Mercosur's free trade zone with Brazil, Paraguay, and Uruguay.

These economic reforms (and the growth with low inflation that followed) made Argentina a reform success story in the eyes of many foreign and national observers. Capitalizing on this national and international acclaim, Menem pushed for and received a constitutional reform that enabled him to run for reelection in 1995 (García Lema 1994). As his first term ended, Carlos Menem had done precisely what Jeffrey Sachs and
other "reform first" advocates had called for: he had pushed for reform quickly while hoping that good economic outcomes would smooth the ruffled feathers of reform opponents.

**Uruguay: The Sanguinetti Administration, 1984–1989**

The Uruguayan military regime that held power from 1976 to 1984 was, by some accounts, the most repressive in Latin America in terms of the percentage of the populace that experienced some form of physical repression. As in Argentina, the military ruled as an institution; authority was not centered in the hands of one figure. The first efforts to obtain popular support for the institutionalization of military rule failed miserably. The defeat of the 1980 constitutional plebiscite set in motion a more gradual democratic transition than that which occurred in Argentina. This transition gathered momentum as the economic crisis of the early 1980s worsened.

In Uruguay, as in Argentina, the nation suffered a serious recession during the four years before the return of democratic rule. In Uruguay, the GDP fell by an average annual rate of 3.9 percent over the years 1981 to 1984. Unemployment climbed from 6.7 percent in 1981 to 14 percent in 1984. Annual inflation rose from 29.4 percent to 66.1 percent over the same period. Real wages simply collapsed, falling by 33.6 percent from 1981 to 1984.

In Uruguay, the major political parties and interest groups gathered during the last six months of military rule (from September 1984 through February 1985) to design a shared platform for the Uruguayan government—to be followed regardless of who won in the November 1984 founding elections. This National Programmatic Concertation (Concertación Nacional Programática, or CONAPRO) included labor and business confederations. Participants discussed a variety of topics ranging from economic goals to civil liberties and from commitment to free elections to labor relations. These negotiations set the groundwork for cooperation among factions of the Colorado and National (Blanco) parties, the two major traditional parties in Uruguay (Gillespie 1991).

After winning the 1984 presidential election, Julio Sanguinetti pursued the "government of national unity" that the CONAPRO talks had envisioned. As it turned out, however, both the National Party and the third-largest party, the center-left Broad Front, refused to participate in the cabinet. Lacking a majority in the legislature, Sanguinetti turned to the opposition, soliciting its informal cooperation and the participation of opposition figures in the cabinet without their parties' explicit endorsement (Mancebo 1993). The tangible glue of this cooperation was the effort
to reactivate the Uruguayan economy, combined with an attempted economic restructuring that focused on trade liberalization.6

Perhaps thanks to this limited political consensus for trade liberalization and sustained economic stimulus—constrained by more consistent fiscal policies—Uruguay, unlike Argentina, did not experience a single recessionary year during the first six years following regime change. That being said, Uruguay's growth performance was still somewhat erratic. The GDP grew by 7.1 percent annually in 1986–87, but by a mere 0.6 percent during the years 1985 and 1988–90. Indeed, GDP growth topped 0.5 percent in only one of those four years (1989, 1.3 percent).

Unemployment decreased slightly from the peak of 15.5 percent registered in 1983 during the GDP collapse, but it remained high, at an annual average of 10 percent, during the first six years of the democracy. Inflation accelerated over those same years. The low mark of 57.3 percent was still higher than the average rate for the years 1978 to 1984 (48.5 percent). The annual average inflation rate for 1985 to 1990 was higher still (84.1 percent). The Uruguayan economy did not collapse during the first six years of the new democracy, but extremely low growth rates brought renewed debate about economic decay and the appropriate remedies. The final months of the Sanguinetti government were marked by a series of stabilization policies aimed at slowing the climb in inflation rates.

Amid this mixed economic context (that is, recovery followed by stagnation), Uruguayan presidential elections were held in 1989. Uruguay's distinctive "double simultaneous vote" electoral system produced an unusual result (González 1991). Under this system, political parties can run multiple candidates in what amounts to a primary election and a general election held simultaneously. The candidate with the most votes in the political party whose candidate or candidates receive the most votes wins the election. In 1989, the traditional opposition party, the Blancos, won the election by campaigning against the incumbent Colorado administration. The success of this strategy was, of course, neither surprising nor particularly interesting. What was unusual was that the winner, Luis Lacalle, campaigned on a platform of market-oriented economic reform while his two fellow Blancos—whose combined vote total got Lacalle elected—criticized that same neoliberal economic reform. Lacalle's economic platform had more in common with that of the Colorado candidates, especially Jorge Pacheco Areco (who was the second most voted candidate in the election) than with the major leaders in his own party.

### The Lacalle Administration, 1990–1995

Seeing at least as much support for his economic platform outside his party as within it, Lacalle, as Sanguinetti did before him, tried to obtain sustained but "unofficial" cooperation from factions of the opposition.7 This coop-
ration was not difficult to achieve when the objective was to extend the trade liberalization policies that had been a major feature of the Sanguinetti government. The maximum tariff rate, which had already fallen from 60 percent to 40 percent under Sanguinetti, was halved to 20 percent during Lacalle's term. The average tariff rate fell from 25 percent during the late 1980s to around 15 percent by 1994. Furthermore, Uruguay joined Mercosur, agreeing to zero out over time its tariffs with Argentina, Brazil, and Paraguay (Manzetti 1993–94). Lacalle, albeit with more opposition than he faced on trade policy, also managed to lower the fiscal deficit over the course of his term.

When Lacalle attempted to pursue other market-oriented reforms, however, particularly in social security and privatization, those efforts faced much greater opposition, and it came from across the political spectrum. In the 1989 elections, 82 percent of the voters had approved a constitutional amendment mandating the automatic indexation of social security benefits. With this backdrop, a market-oriented and fiscally conservative Lacalle administration tried to reform a social security system that constituted more than half of all public spending and 16 percent of GDP.

Four legislative efforts at minimal reforms (for example, raising the retirement age, changing the calculation formula for the minimum pension) failed during his term. The major reform initiative called for an overhaul of the social security system. In July 1991 Lacalle created a multiparty working group, which then turned over the writing of the legislation to a technical commission coordinated by the head of the social security system. The commission produced a proposal calling for all of the aforementioned minor changes, complemented by a shift from a “pay as you go” system to a mixed system involving both intergenerational transfers and individual capitalization. Despite the efforts to provide this bill with “political cover” via the use of a nonpartisan commission, however, the bill received virtually no support outside of Lacalle's own National Party and went nowhere in the legislature (Filgueira and Papadópulos 1994).

The other major market-oriented reform Lacalle pursued, privatization of state-owned enterprises, also generated opposition from sectors of all three major parties. The center-left Broad Front opposed it on programmatic and ideological grounds. Sectors of the Colorado and the National parties opposed it because it would reduce the number of state-owned enterprises (SOEs) the two parties controlled under Uruguay's longstanding policy of bipartisan “coparticipation” in the management of these public firms. In addition, many SOEs enjoyed strong political support, stemming from their role as an “employer of last resort”; more than three-fourths of all public employees worked for SOEs in 1990 (Marshall 1990). In spite of this opposition, however, Lacalle was able to
find enough votes in favor of state shrinking to pass a Law for the Privatization of Public Enterprises (Law 16.211). Indeed, the legislation passed with more support from like-minded Colorados than from legislators in Lacalle's own party—a result that mirrored the 1989 presidential campaign.

The passage of Law 16.211 (after intense negotiations) led to a public campaign to abrogate major elements of the law via referendum. This campaign was initially led by the Broad Front and by organized labor (which was dominated by Broad Front activists and sympathizers). The referendum, held on July 5, 1992, produced a turnout of barely more than 25 percent, which opinion polls attributed to disinterest and ignorance. When the courts permitted a second referendum in light of this insufficient turnout, the antiprivatization movement picked up steam. Eventually, Sanguinetti's Colorado faction in Congress—which had voted for Law 16.211—campaigned for its partial derogation as opinion polls demonstrated rising support for the referendum. The second referendum, held on December 13, 1992, passed with 67 percent approval of derogation amid 83 percent turnout. This action blocked the sale of the major SOEs and made the legislature less willing to push for new, broad privatization initiatives.

The economic policies pursued in practice under Lacalle, which could be described as a tougher version of Sanguinetti’s emphasis on trade reform and fiscal discipline, produced a persistent drop in inflation without causing a recession. The gross domestic product grew at a faster and steadier clip than it had in the late 1980s; the average GDP growth rate for 1990–1994 was just below 4 percent. Meanwhile, annual inflation declined every year. It fell from 129 percent in 1990 to 45 percent in 1994. Despite this growth combined with greater price stability, unemployment remained steady throughout this period; it was never lower than 8.4 percent or higher than 9.3 percent. Uruguay was not the “poster child” for economic reform that Argentina had become under Menem, but it was far from being an economic basket case.


New democratic regimes emerged in the mid-1980s in Argentina and Uruguay amid serious economic crises and elevated economic expectations about the prospects for real wage recovery, given the restoration of civil liberties. The presidents elected in the founding elections, Raúl Alfonsín and Julio Sanguinetti, made concerted efforts to meet those expectations for growth with redistribution while trying to avoid inflation. Both administrations failed to meet this extremely difficult challenge. Sanguinetti’s term ended with inflation on the rise; Alfonsín was forced to
Table 1
Regime Preference for Various Policies, 1988 (percent of respondents)

<table>
<thead>
<tr>
<th></th>
<th>Economy</th>
<th>Security</th>
<th>Poverty</th>
<th>Corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>U</td>
<td>A</td>
<td>U</td>
</tr>
<tr>
<td>Democratic</td>
<td>70.6</td>
<td>87.8</td>
<td>53.5</td>
<td>72.3</td>
</tr>
<tr>
<td>Military</td>
<td>9.7</td>
<td>2.9</td>
<td>32.3</td>
<td>17.0</td>
</tr>
<tr>
<td>Either</td>
<td>6.1</td>
<td>3.2</td>
<td>4.7</td>
<td>3.4</td>
</tr>
<tr>
<td>Neither</td>
<td>6.9</td>
<td>2.2</td>
<td>3.1</td>
<td>3.0</td>
</tr>
<tr>
<td>Don't know</td>
<td>6.7</td>
<td>3.9</td>
<td>6.2</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Question: Which type of political regime is better?
A = Argentina; U = Uruguay

resign early so that President-elect Menem could take on a hyperinflationary spiral of monumental proportions.

The second administrations elected in these new democracies both tried to implement market-oriented reforms. Menem took a "full speed ahead" approach—at times side-stepping or revising democratic institutions and norms. Lacalle (who admittedly lacked the political initiative that Menem paradoxically gained by having greater problems to confront) saw many of his market-oriented initiatives blocked in the legislature and in referendums. After these dissimilar experiences with economic reform, in which nation did public attitudes toward democracy and the market seem headed in a more supportive direction?9

Any research on attitudinal change must begin by establishing a baseline from which the subsequent evolution of trends will be derived. In this research, that baseline consists of data from a survey conducted by the POLIS group in December 1988 in Argentina and Uruguay.10 That survey, conducted shortly before the election of the Menem and Lacalle administrations, demonstrates that Uruguayan respondents were more supportive of democratic norms and more skeptical about market norms than their Argentine counterparts.

A majority of Argentine and Uruguayan respondents preferred democracy to nondemocratic forms of government, but Uruguayan support for democracy was broader and more robust. When asked which type of government they preferred in general, 79.1 percent of Uruguayan respondents and 73.7 percent of Argentines preferred democracy. When asked what form of government was better for dealing with particular policy areas, however, noticeably larger majorities of Uruguayans preferred democracy—whether the issue at hand was the economy, security concerns, poverty, or corruption (see table 1).

Uruguayan respondents were more supportive of democracy than Argentines, even though Argentines were much less critical of their own
Table 2
Presidential Approval Ratings, December 1988 (percent of respondents)

<table>
<thead>
<tr>
<th>Rating</th>
<th>Alfonsin</th>
<th>Sanguinetti</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very good</td>
<td>11.3</td>
<td>3.4</td>
</tr>
<tr>
<td>Good</td>
<td>31.4</td>
<td>14.5</td>
</tr>
<tr>
<td>Average</td>
<td>29.2</td>
<td>36.0</td>
</tr>
<tr>
<td>Bad</td>
<td>17.5</td>
<td>24.5</td>
</tr>
<tr>
<td>Very bad</td>
<td>9.0</td>
<td>19.3</td>
</tr>
<tr>
<td>Don't know</td>
<td>1.6</td>
<td>2.8</td>
</tr>
</tbody>
</table>


Table 3
Preference for Government's Role in the Economy, 1988
(percent of respondents)

<table>
<thead>
<tr>
<th>Sector</th>
<th>A</th>
<th>U</th>
<th>A</th>
<th>U</th>
<th>A</th>
<th>U</th>
<th>A</th>
<th>U</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater</td>
<td>69.1</td>
<td>82.9</td>
<td>36.7</td>
<td>52.2</td>
<td>41.0</td>
<td>55.5</td>
<td>35.0</td>
<td>57.1</td>
</tr>
<tr>
<td>Same</td>
<td>10.6</td>
<td>7.2</td>
<td>25.8</td>
<td>20.4</td>
<td>15.5</td>
<td>19.4</td>
<td>26.3</td>
<td>23.4</td>
</tr>
<tr>
<td>Less</td>
<td>11.5</td>
<td>2.6</td>
<td>19.8</td>
<td>9.9</td>
<td>33.9</td>
<td>17.1</td>
<td>29.0</td>
<td>12.3</td>
</tr>
<tr>
<td>Don't know</td>
<td>8.8</td>
<td>7.2</td>
<td>17.5</td>
<td>17.5</td>
<td>9.6</td>
<td>8.0</td>
<td>9.6</td>
<td>7.3</td>
</tr>
</tbody>
</table>

*Includes radio and television only.

Question: Should government activity be greater in this sector?
A = Argentina; U = Uruguay


The lame duck president (see table 2). In Uruguay, Sanguinetti's combined positive evaluation rating (good to very good) totaled 17.9 percent. Alfonsín, despite his economic difficulties, had a positive evaluation from 42.7 percent of respondents. In short, despite much more dissatisfaction with the current administration, Uruguayan support for democracy was greater than that found in Argentina in late 1988.

On the market norms question, however, the roles were reversed. Although a minority of respondents favored a decrease in government participation in the economy in both countries, Argentines were noticeably more receptive to this idea than were Uruguayans: 11.5 percent of Argentines wanted a smaller government role, while only 2.6 percent of Uruguayans felt this way (see table 3). This trend held for questions about specific sectors for which privatization debates had already begun in both countries. In banking, transportation, and the broadcast media, majorities of Uruguayans favored more government intervention, while only pluralities of Argentines shared that sentiment. In turn, the percentage of
Argentines favoring state shrinking in these sectors was strikingly higher—particularly in regard to transportation (33.9 percent versus 17.1 percent).

Given that Argentine and Uruguayan dialects are decidedly similar, the identical wording in these parallel surveys gives us some confidence that the survey captures some real attitudinal differences in these two countries in December 1988. Those public attitudes may have played a significant role in shaping the political styles of the Menem and Lacalle administrations as they pursued similar policy goals. Luis Lacalle confronted a country with a long democratic tradition and visible support for democracy in all possible contexts, along with a substantial majority opposed to state shrinking. Both of these constraints may have motivated his consensual, gradualist approach. Carlos Menem, sensing a more pragmatic, situational support for democracy and relatively greater skepticism about the continued efficacy of government, may have concluded that occasional democratic shortcuts might be more readily tolerated in Argentina.

As these leaders pursued these policies, how did their actions—and national economic outcomes—affect economic and political attitudes? Unfortunately, in answering this crucial question, we do not have the advantage of an identical follow-up to the 1988 POLIS survey’s questions on economic attitudes. We will instead examine other longitudinal data on economic attitudes.

Longitudinal data on Argentine support for privatization itself do not paint a picture of growing support for market institutions driven by the many solid macroeconomic achievements associated with reforms in the first Menem administration. In the years 1989 to 1992, support for privatization in greater Buenos Aires stayed between 70 and 80 percent in a series of 13 near-quarterly surveys—mirroring the level observed during all of 1988 (see table 4). In 1993, the year of best economic performance

---

Table 4
(average percentage of respondents)

<table>
<thead>
<tr>
<th>Year</th>
<th>Support</th>
<th>No. of surveys</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>71</td>
<td>2</td>
</tr>
<tr>
<td>1989</td>
<td>73</td>
<td>3</td>
</tr>
<tr>
<td>1990</td>
<td>74</td>
<td>4</td>
</tr>
<tr>
<td>1991</td>
<td>79</td>
<td>4</td>
</tr>
<tr>
<td>1992</td>
<td>75</td>
<td>2</td>
</tr>
<tr>
<td>1993</td>
<td>61</td>
<td>2</td>
</tr>
<tr>
<td>1994</td>
<td>70</td>
<td>3</td>
</tr>
<tr>
<td>1995</td>
<td>65</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Mora y Araujo, Noguera y Asociados.
Table 5
Confidence in Democratic Institutions, 1988 and 1995
(percent of respondents)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislature</td>
<td>38</td>
<td>36</td>
<td>43</td>
<td>41</td>
</tr>
<tr>
<td>Politicians</td>
<td>35</td>
<td>26</td>
<td>39</td>
<td>36</td>
</tr>
<tr>
<td>Judiciary</td>
<td>52</td>
<td>34</td>
<td>42</td>
<td>52</td>
</tr>
</tbody>
</table>


in the years under examination, support for privatization dropped to an average of 61 percent. In 1994–95, it varied from a low of 62 percent to a high of 73 percent. Instead of marking a rise in support for privatization in greater Buenos Aires, the table shows a visible decline over the course of the first Menem administration.

While Menem’s macroeconomic successes did not generate increased support for the president and the reforms, Uruguayan support for some market reforms grew, despite vibrant and visible campaigns against certain major reforms (for example, social security and privatization). In May 1991, just less than 40 percent of Uruguayans supported the notion of permitting private businesses to compete in sectors that were currently public monopolies. By February 1992, in the middle of the campaign for the first referendum on the controversial Law on Public Enterprises, 54 percent of Uruguayans favored this action, including many people who opposed privatization (Equipos Consultores 1992).

Regarding attitudes toward democracy, the POLIS survey again serves as a baseline. The evolution of diffuse support for democracy in the two countries did not demonstrate any visible change despite the marked differences in economic reform and in economic outcomes. Both countries’ diffuse support for democracy remained at the levels observed in the 1988 POLIS survey, in response to a very similar question in the 1995 Latinobarómetro survey administered in May and June in the two countries. Despite persistent unemployment and an ongoing debate about national economic stagnation in Uruguay, democracy still retained the support of 80 percent of respondents. In Argentina, although the Menem government had led a very successful fight against inflation and a series of internationally praised economic reforms, a stable 76 percent of respondents preferred democracy.

While diffuse support for democracy remained stable in both countries, longitudinal data on trust in democratic institutions present some more troubling indicators of the political legacy of the first Menem administration. Comparing the 1995 Latinobarómetro survey to the results
of the 1988 POLIS survey reveals a visible decline in Argentines' confidence in some core democratic institutions (see table 5). Confidence in the legislature did remain within the margin of error in the survey (38 percent of the respondents in 1988, down to 36 percent in 1995). Evaluations of politicians more generally, however, manifested a significant decline, from 35 percent to 26 percent—perhaps reflecting the disillusionment with interactions between politicians in the executive branch. Most striking was that after six years of highly publicized allegations of judicial manipulation, Argentine confidence in the judiciary collapsed, falling from 52 percent in 1988 down to 34 percent in 1995.

In contrast, in the same two surveys, Uruguayan confidence in all three sets of institutions remained stable or increased. The sharpest contrast with Argentina occurs in regard to the judiciary. In 1988, 42 percent of Uruguayan respondents expressed trust in the judiciary (10 percentage points fewer than in Argentina). In 1995, whereas Argentine confidence had collapsed, the percentage of respondents expressing confidence in Uruguay rose to 52 percent. Apparently, just as sidestepping democratic procedures in Argentina may have incurred a cost in public support, there may have been a gain in legitimacy associated with the highly publicized court decisions validating controversial citizen-generated referendums on social security reform and privatization in Uruguay.

**Preliminary Conclusions About an Ongoing Process**

The public opinion data analyzed here are not conclusive indicators of the consolidation of democracy and the market in Argentina and Uruguay. Nevertheless, the trends discernible in the data are not wholly congruent with the expectations of the "reform first" approach. Advocates of that approach argue that consolidation of democratic and market norms are driven more by outcomes and less by faithfulness to democratic procedures. Because, in turn, they also assume that most pro-market policies need to be in place to generate those good outcomes, they recommend moving with all possible speed toward a market-oriented economy. These policy recommendations were largely achieved by the first Menem administration but only partially realized by the Lacalle government. In addition, the swift implementation of those policies in Argentina was followed by several of the desired results: low inflation, increased investment, and higher GDP growth.

Public attitudes in Argentina however, did not evolve along the anticipated lines. Despite the emergence of good economic outcomes—superior to outcomes in any other presidency in the last quarter-century—Menem's approval rating did not improve, it declined. Indeed, his positive approval rating was only slightly higher toward the end of his term (37
percent) than Alfonsín's was in early 1989 (Estudio Mora y Araujo, 1988–95). Support for democracy and confidence in democratic institutions did not increase, either. Actually, trust in politicians and in the judiciary declined visibly.

Similarly, Uruguayan attitudes did not evolve along the lines presumed by the "reform first" approach. One might think that five years of persistent inflation (albeit decreasing somewhat under Lacalle), limited economic reform, and the clear perception of a divided and deadlocked government would be precisely the kinds of negative outcomes that would undermine democratic norms without building support for market norms. Nevertheless, Lacalle, the standard bearer for market reforms, grew more popular as his term wore on. His approval rating rose from a low of 11 percent in August 1992 to its highest level (24 percent) during 1994, his last year in office (Equipos Consultores, 1988–94). Support for democracy did not decline despite the debate over executive-legislative gridlock during this period. Confidence in core democratic institutions remained stable or, in the case of the judiciary, increased.

Events since the end of these administrations, furthermore, leave open the possibility that Uruguay's go-slow, consensual approach to reform is not simply "spin-doctored" stagnation, but rather may eventually build a working consensus for reform. During 1995 and 1996, the second Sanguinetti administration—elected in a near three-way dead heat in November 1994—negotiated a market-oriented reform of the social security system and a constitutional reform aimed at reducing the role of factionalism in the Uruguayan party system. On the economic front, growth rates during 1996 and 1997 were comparable to those found in Argentina, and inflation rates continue to drop (albeit slowly).

Menem won reelection in May 1995, handily defeating a badly divided opposition. Progress on deepening economic reforms, however, was hampered by serious discontent with record unemployment (almost 20 percent in 1995) and a deep recession in 1995. The gross domestic product declined by 4.4 percent in 1995 despite growth in the mineral and agricultural sectors, deemed the growth engines of the Argentine economy by Cavallo's economic team. Although the economy rebounded in 1996 and grew briskly in 1997, unemployment remained high. This sluggish job growth, combined with the weight of additional political scandals and a reunified opposition—led to the defeat of the Peronist party in the October 1997 midterm legislative elections.

When examined through the lens of these two countries' experiences, the consensual reform model appears to have fulfilled theoretical expectations better than the reform first model (which in Argentina relied on considerable constitutional exceptionalism). The reform first approach
to consolidation would predict gains in system support in Argentina that have yet to materialize. By extension, it would predict that relatively lackluster economic performance in Uruguay would produce a decline in system support; this decline did not occur.

In contemplating the lessons to be drawn from this comparison, it is important to recognize the constraints that the first Menem administration confronted. One could make a plausible assertion that the consensual reform model was not feasible—especially during the years 1989 and 1990. Hyperinflation and concomitantly short time horizons made protracted negotiations difficult, if not impossible. That said, this study is not an effort to explain the dynamics of the policy choice itself but rather the implications of the choice between consensual and exceptionalist reform models for the consolidation of democracy and the market. Understanding the consequences of the reform first model seems particularly important given the reliance on exceptionalist means in reform-minded governments elsewhere in Latin America and the world beyond.

In that light, the first Menem administration might appear to be a crucial case for advocates of the outcome-based, reform first approach. Menem's government made the recommended reforms rapidly; most of the desired economic outcomes came quickly; and the administration even had the political cover of a severe economic crisis to minimize potential criticism of lax adherence to democratic procedures. Despite delivering the goods, however, the Menem regime inspired no observable increase in popular support for democracy and the market over the years 1988 to 1995. On the contrary, some declines were apparent—particularly trust in the judiciary and support for privatization. In short, the reform first model may have been the best feasible option in Argentina, but it was not without its costs. Conversely, the Uruguayan experience holds out the possibility that the gradualist, consensual reform model should not be dismissed cavalierly.

Can either model (or both) succeed? The forward-looking nature of scholarly research on consolidation implies that the answer to this question will be written over the next couple of decades. If recent events in Uruguay and Argentina provide a useful glimpse of that future, Uruguay's prospects look much brighter than they would have in, say, 1993. Conversely, Argentina's relatively rosy 1993 has given way to a cloudier horizon. Perhaps the tortoise can still perform well in this difficult and important race.
NOTES

Research for this paper was supported by the Regional Training Program of the Organization of American States and by the James Madison University Program of Grants for Faculty Assistance. An earlier version of this paper was presented at the 1996 meeting of the Midwest Political Science Association. The author is grateful for the suggestions made by John Echeverría-Gent, Kurt Weyland, and the anonymous reviewers of this journal. The author is responsible for the opinions expressed in this article.

1. Note, however, that neither I nor most other analysts have concluded that majority acceptance of a greater role for the market and of the core concepts of democracy is a sufficient condition for their consolidation. For example, in a public opinion poll in Chile taken weeks before the September 1973 coup, only 27.5 percent of the respondents favored military involvement in the political sphere, while 51.5 percent opposed it (Valenzuela 1978, 132).

2. For a literature of works on political culture and democracy, see Diamond 1993. A rare longitudinal study of attitudes toward democracy and the market in new democracies can be found in Reisinger et al. 1994.

3. Unless otherwise noted, all macroeconomic data presented in the analysis are from the United Nations Economic Commission for Latin America and the Caribbean, various years (ECLAC 1982–96).


8. The Uruguayan social security system had just under two contributors for every one beneficiary by the early 1990s (Filgueira and Papadópulos 1994).

9. For a look at attitudinal research in these two countries during the new democratic regimes, see Achard, Silva, and González 1993; Aguirre 1992; Calvert and Calvert 1988; Catterberg 1991; González and Rius 1989; Lamadrid 1988; Manzetti 1993; Estudio Mora y Araujo 1989, 1991; Muszynski and Teixera Mendes 1990; and Ranis 1992.

10. The 1988 POLIS survey also examined attitudes in Brazil and Chile. The data from that survey examined in this paper were provided courtesy of Equipos Consultores (Uruguay), one of the four POLIS members that conducted the 1988 survey. The other members were Estudios (Argentina); Instituto de Estudios
Económicos, Sociales y Políticos de San Pablo (Brazil); and Centro de Estudios de la Realidad Contemporánea (Chile). There were 1,976 respondents in Argentina and 996 in Uruguay.

11. The 1995 Latinobarómetro survey also examined attitudes in Brazil, Chile, Mexico, Paraguay, Peru, and Venezuela. Those survey data examined in this paper from Equipos Consultores. The survey drew 1,200 respondents in Argentina and 1,213 in Uruguay.

REFERENCES


Bodemer, Klaus, ed. 1993. La reforma del estado: más allá de la privatización. Montevideo: FESUR.


Fanelli, José María. 1992. Transformación estructural, estabilización y reforma del estado en la Argentina. Documento CEDES no. 82. Buenos Aires: CEDES.


