Economic Crisis and Democracy in Latin America

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ABSTRACT While the world is focused on the economic impact of the financial and credit meltdown, what might be its impact on politics? In well-established democracies, probably not more than elections lost by incumbent parties seen as having mismanaged the economy. But what of consolidating democracies that predominate in the developing world, where some forecasts expect the crisis to hit the poor especially hard? This article uses AmericasBarometer survey data from Latin America and the Caribbean drawn on the eve of the crisis to project how it might affect democracy in the region.

In times of crisis, scholars and pundits alike often seek inspiration from the classical thinkers. The worldwide credit and financial meltdown that began in 2008 has been accompanied by almost daily reference to the classics on the Great Depression, such as John Kenneth Galbraith's (1955) study of the stock market crash of 1929, or John Maynard Keynes's (1936) analysis of recessions and depressions. Surprisingly, however, political scientists seem little concerned about the *political* consequences of the current economic crisis. Maybe this is because so much attention on the economic crisis has focused on the advanced industrial democracies where the meltdown began, and therefore we expect no more than conventional actions from citizens; voters will punish incumbents with "new brooms" to sweep away the crisis and in the process will "throw the bums out." The great Republican Party losses in the 2008 U.S. elections are a case in point, as are the recent elections in Iceland.

In developing countries, however, the current economic crisis may have a far more profound impact. Their economies do not have the deep pockets (or hard currencies) that the governments of advanced industrial societies do, which makes it far more difficult for them to follow the Keynesian prescription that in times of economic slowdowns governments should spend their way out of them. Furthermore, in many of the developing nations, democracy itself has had only a brief history and is often still in the process of being consolidated. To gauge the possible political effects of the current severe economic downturn, political scientists might do well to turn their attention to their own classics. No more relevant piece of that literature is the J-curve theory of University of Oregon political science professor emeritus James Davies (1962, 5): "Revolutions are most likely to occur when a prolonged period of objective economic and social development is followed by a short period of sharp reversal. People then subjectively fear that ground gained with great effort will be quite lost; their mood becomes revolutionary." His theory presumes that during extended periods of growth, people come to expect a better future as the norm, but with the onset of a sudden downturn in the ability of the economy to satisfy those expectations, there emerges an "intolerable gap between what people want and what they get" (Davies 1962, 6), driving some individuals to participate in violent protests and even revolution. Davies supports his theory with an analysis of several rebellions and revolutions, including the French, Russian, and American Revolutions.

Predicting rebellions and revolutions remains today about as difficult as it was when Davies wrote more than 40 years ago. Davies himself takes note of mitigating factors. For example, the Great Depression in the U.S. did not produce revolution, largely because of, in his view, the strong actions taken during the Roosevelt years to mitigate its impact on people's lives. To make sounder predictions, Davies concludes that one needs to be able to assess the "state of mind" of the population by using data emerging from the (then embryonic) field of survey research. Fortunately, the recent widespread growth of surveys among the developing nations makes such an assessment possible for those countries today.

In this article, we examine the state of mind of Latin Americans on the eve of the current great economic crisis in order to get a fix on what might be its ultimate impact. We do so with the

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AmericasBarometer 2008 round of surveys carried out in the first half of 2008 by the Latin American Public Opinion Project (LAPOP), which covered 24 countries in the Americas and included 40,519 interviews. We restrict the analysis in this article to 22 countries in Latin America and the Caribbean area, omitting the U.S. and Canada, the only two advanced industrial democracies in the region. More information about the survey, the questionnaires, and online data analysis is available at www.AmericasBarometer.org.

Methodologically, because we are interested in assessing how the personal and national economy affects citizens' attitudes, we relied on multilevel modeling techniques. Hence, unlike the conventional approach used in comparative politics of considering either *individuals* or *nations as units of analysis, by employing the newer trend of multilevel analysis, we simultaneously took into account how individual economic traits and characteristics of the national economy influence their state of mind.*

BACKGROUND: GROWTH AND CRISIS

The J-curve focuses on a period of strong growth, followed by a sharp economic downturn. While Latin America's past has been littered with periods of either economic decline or slow growth coupled with dictatorship, instability, and democratic breakdowns, the years since the new millennium began have been boom years for most countries in the region. In sharp contrast to the 1990s, when growth averaged only 1.7% in the seven largest countries, which collectively account for 91% of the region's GNP, it increased only to 2% by 2003. Beginning in 2004, however, growth was steadily above 6% annually. Inflation, long a serious problem in Latin America, declined from an annual average of 35% in 1991 to about 5% beginning in 2003. During this period, real exchange rates appreciated by nearly 40% and stock markets prices quadrupled (Izquierdo and Talvi 2009, 5–6).

As of this writing, it is impossible to say how severe the current crisis will turn out to be or how strong its impact on Latin America will eventually become. Yet, this much is already clear: "The triple shock in external drivers—industrial country recession, a severe drop in commodity prices and terms of trade and FP [financial precarization] … has had stark implications for LAC's [Latin America and Caribbean] growth forecasts" (Izquierdo and Talvi 2009, 16). Macroeconomic stabilization will depend to a great degree on how quickly recovery will occur in the advanced industrial nations. If recovery resumes in 2009, the Inter-American Development Bank predicts that Latin American countries will be able to weather the storm. On the other hand, if the crisis is protracted in the advanced industrial world, the negative economic outlook will likely endure for years to come.

The social costs of the economic crisis, however, are already deep. Deteriorating standards of living as a consequence of the decline in remittances and increasing unemployment are prominent. Indeed, falloffs in remittances have been observed in many high-migration countries (SELA 2009), resulting in a reversal of more than a decade of steady growth. Moreover, according to the latest predictions, as a consequence of the economic crisis, between 2.3 and 3.2 million more people will likely lose their jobs in the Latin American region in 2009, joining the 15.9 million who were already unemployed there in 2008 (ILO 2009). Thus, it is reasonable to explore whether growing economic hardship will affect citizens' views on their lives, politics, and democracy.

THE STATE OF MIND OF LATIN AMERICANS ON THE EVE OF THE CRISIS

The survey data that were gathered on the eve of the crisis allow us to develop some informed speculation as to how the crisis, depending of course on its severity and how it is managed in each country, might affect the state of mind of the population in Latin America. We assess how important economic conditions are, at the individual and national levels, for shaping core attitudes linked to democracy. Our goal is to envision what the likely consequences of failing to cope with the economic crisis might be for democracy. In particular, we examine whether deteriorating personal economic conditions and poorly performing national economies are likely to produce more discontented citizens and more individuals with less confidence that national problems can be solved effectively through democratic institutions and within the bounds of liberal democracy.

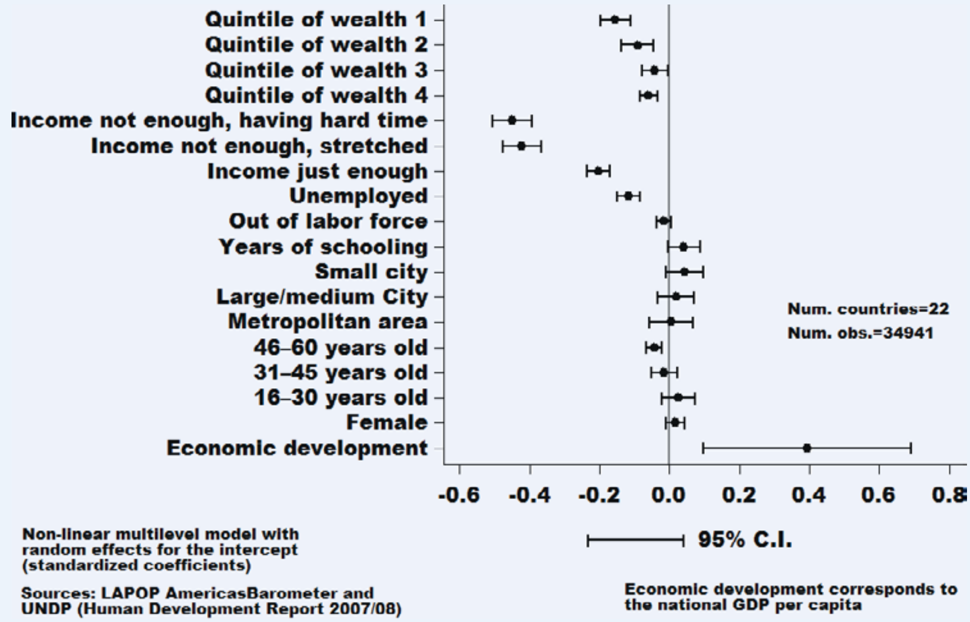
Specifically, we explore whether bad economic times and disappointment with how the state deals with the crisis might translate into more citizens being dissatisfied with their lives and skeptical that elections are effective in securing change in their country. If those predictions are borne out, then we further hypothesize that citizens are increasingly likely to oppose representative democracy. Finally, we then speculate that disaffected citizens opposing representative democracy may also favor authoritarian alternatives to solve national problems such as the current economic crisis. In this article, we seek to provide answers to these questions.

Methodologically, because we are interested in assessing how the personal and national economy affects citizens' attitudes, we relied on multilevel modeling techniques. Hence, unlike the conventional approach used in comparative politics of considering *either* individuals *or* nations as units of analysis, by employing the newer trend of multilevel analysis, we simultaneously took into account how individual economic traits and characteristics of the national economy influence their state of mind. To do this, at the individual level, we assessed the effects of objective and subjective measures of economic well being. Economic literature and evidence from Latin America in particular indicate that economic well being is multidimensional (Gasparini et al. 2008), suggesting that more than one measure is needed to explore its political effects. For example, Davies suggests that subjective assessments of personal economy rather than objective well being are what matters the most for political discontent; however, it is far from clear in the literature whether *being* poor and/or *feeling* poor are what matter the most for the formation of citizens' political views. For this reason, we took into account in our statistical analysis two objective measures of individual economic well being: the level of household wealth and the respondent's occupational status. The wealth index was constructed on the basis of a list of household-asset indicators in the survey using Principal Component Analysis (PCA) and a quintiles-of-wealth variable was then computed.[1] Respondent occupational status was determined by three indicator variables: whether the person is employed, unemployed (i.e., actively looking for a job), or out of the labor force (i.e., student, homemaker, retired, or permanently disabled). Individuals' subjective economic well being was measured by an item in the survey that reads as follows: the salary that you receive and total family income is (1) good enough for you, you can save from it; (2) just enough for you, so that you do not have major problems; (3) not enough for you, you are stretched; or (4) not enough for you, you are having a hard time. Other things being equal, we expected that individuals at the bottom of the economic ladder (i.e., those falling in the first quintiles of wealth), the unemployed, and those self-reporting economic stress would show more negative attitudes toward democracy.

At the country level, we looked at the effects of economic growth and the level of economic development measured by the GDP per capita.[2] Because at the country level our sample size is relatively small (N = 22), in our statistical analysis we tested the effect of these two macroeconomic indicators one at the time. We expected that individuals living in countries that have experienced relatively low economic growth would show more negative attitudes toward democracy. Similarly, we expected individuals living in the less developed countries in the region to express greater political discontent, suggesting that if the current economic crisis results in negative economic growth and consequently in setbacks in national economic development, as will most likely be the case in many countries in Latin America and the Caribbean, then the crisis might lead to an unhealthy political mood for democracy, to use Davies's terminology.

In the following section, we present the results of our multilevel analysis for three measures of citizen state of mind on the eve of the economic crisis: life satisfaction, trust in elections, and opposition to representative democracy. In addition, we test the hypothesis that lower levels of support for representative democracy might lead to higher support for non-democratic alternatives. Statistically significant findings are displayed graphically; full regression results are available from the authors upon request.

Figure 1
Life Satisfaction



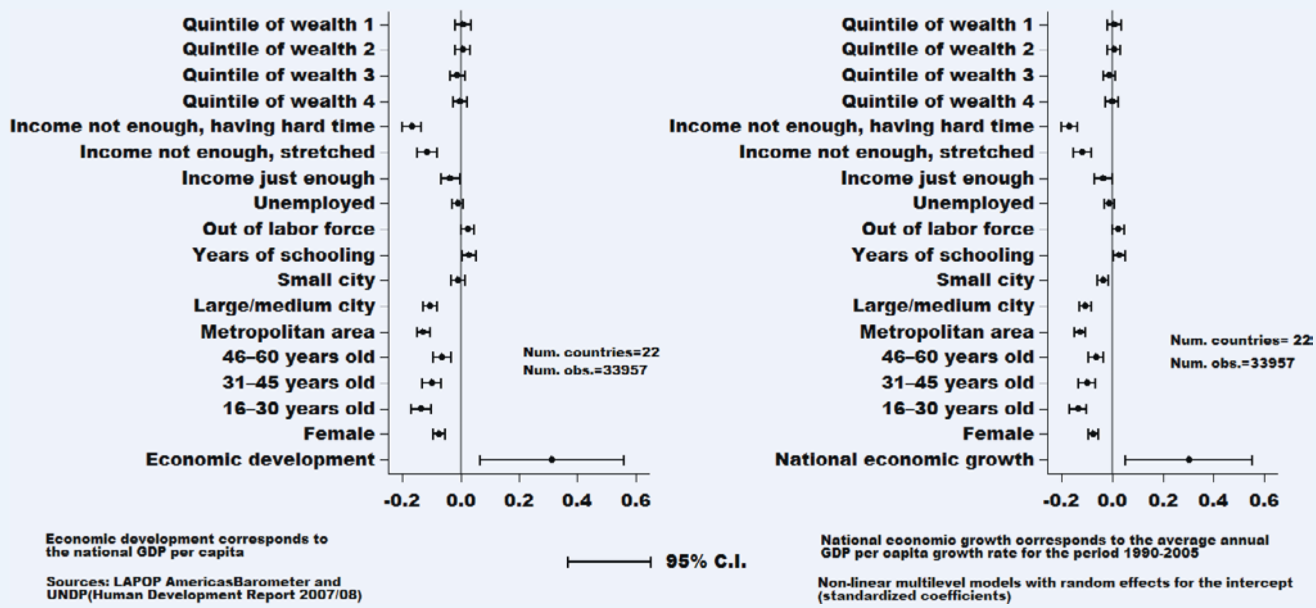
Life Satisfaction

The empirical literature suggests that countries with higher levels of life satisfaction make stronger democracies (Inglehart 1990; Inglehart and Welzel 2005).[3] Here we analyze the extent to which economic conditions determine how satisfied individuals are with their lives using the following item in the AmericasBarometer: "In general, how satisfied are you with your life? Would you say that you are . . . ? (1) very satisfied, (2) somewhat satisfied, (3) somewhat dissatisfied, or (4) very dissatisfied?"

The results of our multilevel analysis are summarized graphically in Figure 1.[4] All the independent variables included in the analysis are listed on the vertical axis. The horizontal line set at the zero value serves as a reference point to indicate whether a variable is statistically significant or not. The lines stretching to the right and to the left of each dot, or standardized regression coefficient, correspond to 95% confidence intervals. If confidence intervals do not overlap with the vertical zero line, a result is statistically significant; hence, confidence intervals to the right and left of the vertical zero line depict positive and negative statistically significant effects, respectively. We examine the impact of individual- and country-level economic factors on each of the dependent variables, in this case life satisfaction, while holding constant individuals' years of schooling, age, sex, and the size of their places of residence.

The state of the personal economy and the degree of economic development at the national level strongly determine the extent of individuals' life satisfaction (see Figure 1). At the individual level, we find that both objective and subjective personal economic conditions have an impact on citizens' degree of life satisfaction, although feelings of personal economic insecurity have a stronger effect. Specifically, our findings indicate that the poor and unemployed, but especially those who think that their incomes are either not enough and are stretched or that they are having a

Figure 2
Trust in Elections



hard time, are more dissatisfied with their lives. Moreover, we find that individuals living in the most developed countries in the region are more likely to be satisfied with their lives, *ceteris paribus*. These individual- and country-level results are consistent with recent worldwide cross-country evidence (IDB 2008). On the whole, our findings suggest that as poverty and unemployment deepen and more people are having a hard time making their ends meet, more individuals will be discontented with their lives in Latin American and Caribbean countries; in addition, our country-level finding shows that, irrespective of one's objective and subjective economic conditions, lower levels of life satisfaction are strongly associated with poor national economic performance.

Trust in Elections

We theorize that the current economic crisis is also likely to erode citizens' trust in elections since economic performance has long been seen as impacting political legitimacy (Lipset 1960; Easton 1965; Norris 1999; Booth and Seligson 2009). Recent empirical evidence from eight Latin American countries suggests that the performance of democracy, including the health of the economy, is an important determinant of citizens' views on their political system (Booth and Seligson 2009). In this article, based on survey data gathered in 22 Latin American and Caribbean nations, we evaluate the impact of personal economic conditions and the performance of the national economy on citizens' confidence in the electoral process, a core institution of democratic systems. The corresponding survey item in the LAPOP survey reads as follows: "To what extent do you trust elections?" (based on a 1–7 scale of "not at all" to "a lot").

Economic conditions at the individual and country level have an important impact on citizens' level of trust in elections (see Figure 2). Our ordered logistic multi-level individual-level findings indicate that irrespective of one's level of wealth, individuals who perceive that their families are struggling to meet their economic needs are less likely to have confidence in the electoral process. In addition, we find that at the national level, economic development and rate of economic growth matter for individuals' level of trust in elections; citizens living in countries that have enjoyed better economic performance are more likely to believe in using institutionalized mechanisms of political participation. We expect, therefore, that trust in elections is likely to decline as individual and national economic conditions worsen as a result of the economic crisis. Our results are particularly worrisome because on the eve of the crisis trust in elections was already weak in the Latin American and Caribbean region, averaging only 4.03 points on a 1 to 7 scale.

Opposition to Representative Democracy

Do the economic conditions at the individual and national level that we have shown to produce lower levels of lack of trust in elections also yield lower support for representative democracy? In order to explore this question, we analyzed the following item in the AmericasBarometer survey: "The people should govern directly and not through elected representatives. How much do you agree or disagree with this statement?" (1–7 scale). As shown in Figure 3, both respondents in the first quintile of wealth as well as unemployed individuals are significantly more likely to oppose representative democracy, allowing us to speculate that if poverty and unemployment worsen as a result of the economic crisis, opposition to representative democracy is likely to increase. Moreover, as we found in the analysis of trust in elections, the level of economic development at the national level also matters for the extent of opposition to democratic representation; regardless of their individual-level characteristics, citizens living in the most developed countries in Latin America and the Caribbean are more likely to prefer representative democracy. The average level of opposition to representative democracy in 2008 *before*

Figure 3

Opposition to Representative Democracy

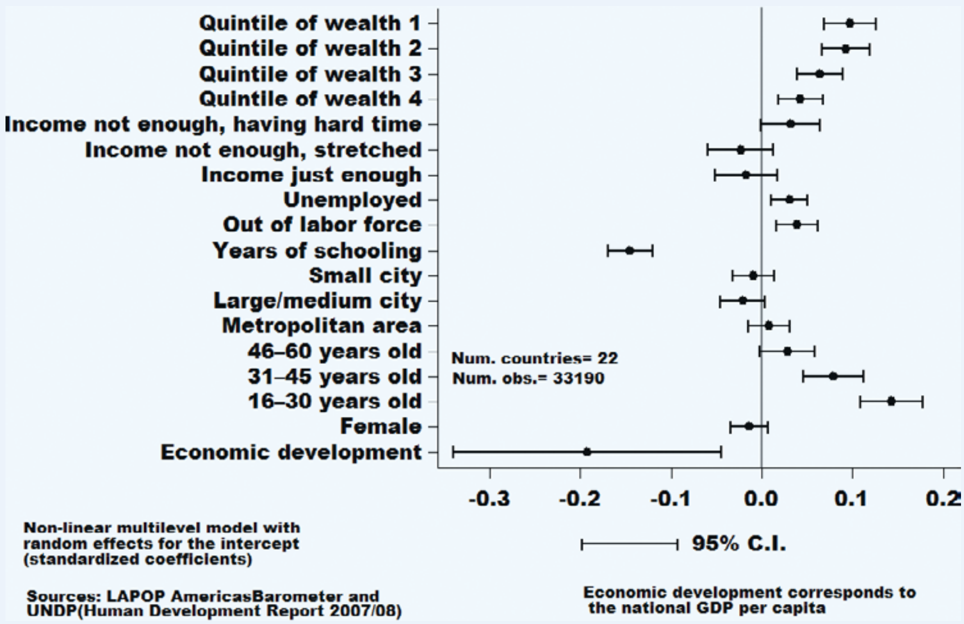
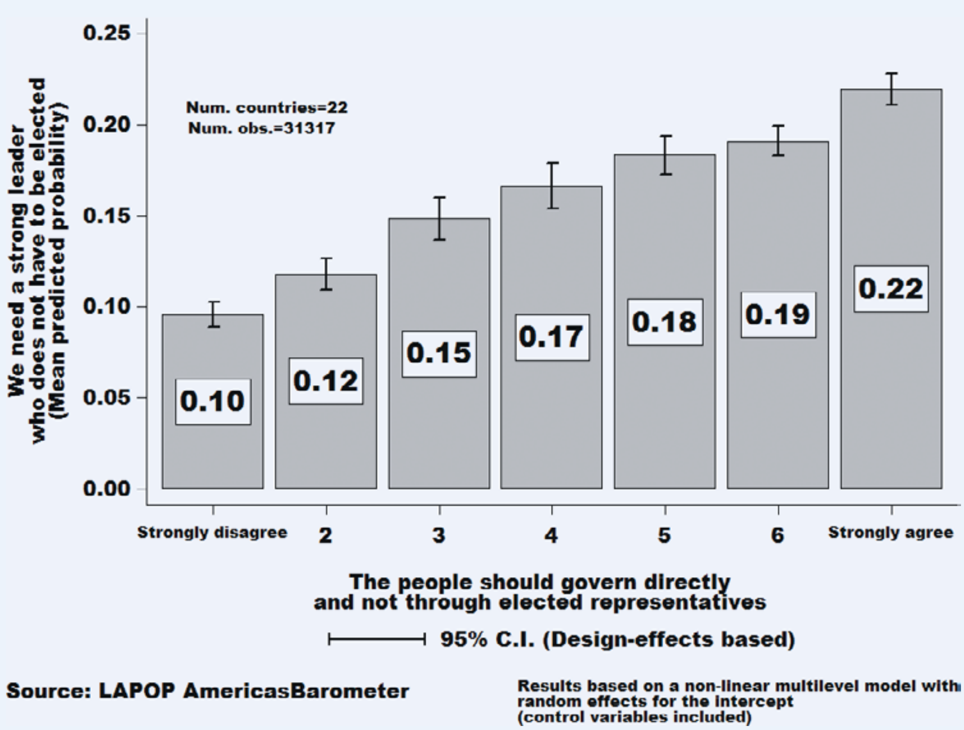


Figure 4

Opposition to Representative Democracy as a Predictor of Support for Authoritarianism



the onset of the crisis, however, was relatively low; on the 1–7 scale, the regional average was only 3.45, although we also find significant differences across countries with some countries expressing somewhat higher average support (with a maximum of 4.0) and others far lower than this regional average (with a minimum of 2.4).

Opposition to representative democracy is not in and of itself an indication of anti-democratic sentiment because respondents could be thinking favorably of a plebiscitarian form of government. In fact, however, in Latin America and the Caribbean at least, low support for representative democracy is strongly associated with a preference for non-democratic alternatives. In the survey we asked: "There are people who say that we need a strong leader who does not have to be elected. Others say that although things may not work, electoral democracy, or the popular vote, is always best. What do you think?"[5] As Figure 4 shows, other things being equal, as support for direct popular participation increases, the probability of support for a strong leader who does not have to be elected is substantially higher. Specifically, while on average the probability of supporting an unelected leader is only 10% among those who "strongly disagree" with direct popular participation, those who support direct participation are 22% more likely to prefer authoritarianism to democracy.

CONCLUSIONS

Our analysis suggests that adverse economic conditions associated with the current global economic crisis are likely to have ominous consequences for citizen support for key elements of democracy in Latin America and the Caribbean. While Davies's "sudden downturn/revolution connection" is far from a certainty, declines in consolidation and movements in the direction of illiberal democracy (Diamond 1999) are likely in countries in which the crisis strikes the hardest. In those countries, if the economic crisis is not managed well, it may result in growing numbers of discontented individuals who lack trust in elections and representation and who express low support for electoral democracy as the best form of government. This combination, depending on the duration and severity of the crisis may well create a fertile ground for growing support for non-democratic choices and, as Davies long ago suggested, for political unrest. ■

NOTES

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1. Our quintiles-of-wealth variable was derived from LAPOP's Relative Wealth Index (RWI), developed using PCA and based on 10 items from the LAPOP survey on household assets. For a detailed discussion on the validity and reliability of the RWI, see Córdova (2009). This issue and previous ones in the AmericasBarometer Insights series can be found at www.vanderbilt.edu/lapop/studiesandpublications.
2. The national-level data on economic growth and development come from the Human Development Report 2007/2008 of the United Nations Development Program (UNDP). Economic-growth figures correspond to the average annual GDP per capita growth rate for the period 1990–2005, and economic development is measured using the UNDP's GDP per capita index. This index is based on GDP per capita in purchasing power parity terms in U.S. dollars. The index can take values between 0 and 1.
3. Inglehart and Welzel (2005, 251, 57), who include life satisfaction as a component of their "human development approach," find that its levels in the early 1990s has a correlation of .73 with "effective democracy" 2000–2002.
4. For ordinal dependent variables, such as life satisfaction and the other ordinal dependent variables analyzed here, we employed estimations based on a non-linear multilevel model (i.e., ordered logistic multilevel analysis). All multilevel models were computed using HLM 6.06. For further explanation concerning the estimation of multilevel models using ordinal dependent variables see Raudenbush and Bryk (2002, 317–25).
5. This is a democracy-support variable that we have analyzed in the context of an extended analysis of the impact of economic factors on democracy, specifically personal (i.e., ideotropic) retrospective evaluations (Córdova and Seligson 2009). Consistent with the findings on previous democracy-support items analyzed above, we find that individuals who believe that their personal economic situations are worse now that they were a year ago are significantly more likely to prefer non-elected strong leaders.

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