

Review Article:
“The Political Effects of Inequality in Latin America: Some Inconvenient Facts”

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Daron Acemoglu and James A. Robinson, *Economic Origins of Dictatorship and Democracy*. New York: Cambridge University Press, 2006. 416 pp.

Larry M. Bartels, *Unequal Democracy: The Political Economy of the New Gilded Age*. New York: Russell Sage Foundation; Princeton and Oxford: Princeton University Press, 2008. 325 pp.

Carles Boix, *Democracy and Redistribution*. New York: Cambridge University Press, 2003. 264 pp.

Abstract: Recent books by Carles Boix and by Daron Acemoglu and James A. Robinson provide bold theoretical arguments about how economic inequality can undermine the survival of democracy. Many of their key assumptions, however, are called into question by existing research on “third wave” Latin American democracies. There is little evidence that the poor are more likely to vote for higher taxes or for left parties, and little evidence from survey research that poor people are more likely to think the distribution of income is unfair. More sustained examination of American democracy by Larry M. Bartels reaches parallel conclusions. The review calls for a more careful examination of political-economy assumptions about the relationship between actors’ “objective” economic circumstances, and their perceived interests and behavior. (9943 words)

Referring to the extreme economic and racial inequalities that have characterized his country since the colonial era, Fernando Henrique Cardoso has famously said that Brazil is no longer an underdeveloped country, but an unjust one. Surveys of mass publics throughout Latin America indicate that large majorities hold similar views about their own societies. All but small percentages in each country agree that the current distribution of income is “unfair” or “very unfair.” (Latinobarometro 1995, 1997, 2001, 2002)¹ There is also evidence that inequality retards economic growth (eg., Birdsall, Graham, and Sabot 1998; Rodrik 1999). But even if that were *not* the case, we should still care a great deal about the inherent injustice of societies with such high concentrations of wealth and income.

The purpose of this review is to raise questions about the *political consequences* of inequality – in particular, its effects on popular protest and democratic stability. The idea that a high concentration of wealth leads to intensified class conflict and democratic instability goes back at least as far as Aristotle. I focus, however, on two very recent books: *Democracy and Redistribution* by Carles Boix (2003), and *Economic Origins of Dictatorship and Democracy* by Daron Acemoglu and James A. Robinson (2006). Each of these highly influential studies is based on the simplifying motivational assumptions of formal political economy, and together they provide the boldest and most systematic efforts to theorize about the causal connection between the underlying distribution of income and assets and the establishment and survival of democracy.

The “inconvenient facts” in the title of this essay refer primarily to aspects of the recent democratic experience in Latin America that seem to run counter to expectations about the destabilizing effects of inequality. To provide a still broader comparative

¹ Do you think that the distribution of income is very fair, fair, unfair, or very unfair?

perspective, however, I also examine Larry M Bartels' *Unequal Democracy: The Political Economy of the New Gilded Age*, a penetrating study of the puzzling relation between growing inequality and democracy in the United States. The evidence from both Latin America and the United States has significant implications for our understanding of key theoretical assumptions about the motivations and behavior that lie at the core of the political economy models under review.

Following Meltzer and Richard (1981), Boix's basic model holds that the poorer the median voter, the more she will support taxes on the wealthy and transfers to lower-income groups. This expectation affects the both likelihood of transitions to democracy and the prospects for consolidation. These prospects, Boix argues, are good in countries with low or moderate levels of inequality: a relatively even distribution of assets provides lower income groups with greater access to organizational resources, while also limiting the costs to the elite of redistributive policies. The probabilities of transition and consolidation decline sharply, however, in societies with highly unequal distribution of assets and income. Faced with much stronger redistributive pressures, authoritarian elites are less likely to give way to demands for democracy. And where democracies do emerge, the rich have stronger incentives to repress the demands of the median voter through a reversion to authoritarian rule.

An additional point of emphasis in Boix's work – one which I will take up later in the paper – is that asset specificity exacerbates these effects. Control of mobile assets provides the rich with an economic exit option and encourages the non-rich to temper redistributive claims. High levels of asset specificity, conversely, eliminate these

options. Combined with high levels of inequality, this increases the likelihood of revolution or civil war.

Acemoglu and Robinson (hereafter A&R), like Boix, place redistributive struggles at the core of their analysis of democracy. They distinguish between “de facto” deployment of non-institutional resources such as wealth, weapons, or organizational capacity, and “de jure” power, which is embedded in institutional rules of the political game. In challenging the rich, the poor may initially deploy de facto power resources (strikes, mass demonstrations, rebellions) to gain short-term redistributive concessions. But only the formal power resources provided through de jure democratic institutions can assure their capacity to press their demands in the future.

In their model of transitions, A&R differ from Boix in that they posit an inverted U-shaped relation between inequality and democracy. Changes from low to moderate levels of inequality increase the chances for transitions, because they trigger demands for redistribution. Short-term redistributive concessions are unlikely to fend off these demands or the threat of rebellion, because without a shift toward democratic institutions, elites cannot credibly commit that they will maintain these policies over time.

Sustainable commitments of this sort, however, are likely only at moderate levels of inequality. Like Boix, A&R argue that high and persistent levels of inequality are negatively related to democracy. Elites face redistributive demands that are more costly to address, and have stronger incentives to turn to repression.

Such theories would not auger well for the prospects of democracy in Latin America, a region with one of the most extreme concentrations of income in the world (see Karl 2000). Yet the pessimistic conclusions implied by the Boix and A&R models

have not been born out, so far, during the “third-wave” transitions to democracy of the 1980s and 1990s. The performance of democratic governments during this period has been spotty and often deeply disappointing, and there has been backsliding towards authoritarianism in some cases. Yet most democratic regimes have survived – many for over two decades -- despite the stubborn persistence of very high levels of inequality. .

In my discussion of this paradox, I begin in Section I with a brief overview of the democratic transitions that have occurred in Latin America since the 1980s. My emphasis in subsequent sections, however, is on evidence related to the motivations and redistributive pressures that are said to provide the causal links between inequality and democratic instability. Section II focuses on the relation between redistribution and electoral politics. Section III explores the relation between inequality and individual political orientations, drawing on data from Latinobarometro public opinion surveys of 17 Latin American countries. The fourth section reviews the Bartels study on the United States. In the final section, I turn to some of the theoretical and empirical questions about the way we think about the relationship between inequality, political polarization, and democratic instability.

I. Inequality and Democracy in the Third Wave: An Overview

Two broad “facts” about the Latin American transitions of the 1980s and 1990s raise some initial challenges to the claims made in the Boix and A&R studies. First, all of the transitions occurred during a period of increasing inequality. A&R, as noted above, do argue that the poor are more likely to demand democracy when inequality increases from low to moderate levels, but in most Latin American countries initial levels were already very high.

Second and more important, contrary to expectations in both A&R and Boix, the persistence of high inequality in itself does not appear to have had a strong impact on the survival of the democratic regimes. When democracy is measured as the number of years a country receives a Polity IV score of 6 or better, the Pearson correlation with gini scores for 18 Latin American countries is only $-.38$ for the period between 1980 and 2006. And, if we look only at the more recent years between 1990 and 2006, the correlation falls to zero. These correlations, to be sure, cover very limited time periods, and do not take into account other factors such as asset specificity that – as Boix argues -- can exacerbate the effects of inequality. Even so, at first glance, wide gaps between the rich and poor do not seem to have posed an insuperable barrier to democratic stability in recent decades.

Table 1 provides a more nuanced look. In Costa Rica and Uruguay, two of the most democratic countries in the region, gini indexes were in the low or mid-40s – good for Latin America, but well above coefficients for many East Asian and Eastern European countries. In Chile – a widely-cited democratic success story since its transition in 1990 --- the gini in the early 2000s was about 56 (one of the highest in the region), and had actually increased slightly under the democratic governments of the 1990s. In Brazil, inequality has declined slightly since the mid-1990s, but it still remains very high. Cross-national patterns also quite mixed in other countries as well. The gini index was relatively low in two widely discussed backsliders -- Chávez's Venezuela and Fujimori's Peru. Conversely, democracy in Argentina has survived despite a steep increase in the gini measure.

Bartels' book on the United States, to be discussed at greater length below, provides a vivid reminder that inequality can affect the *quality* of democracy, not only in Latin America but also in more established systems. Where wealth is highly concentrated, wealth-holders may be more able to convert their assets into political power and to limit the effective voice of majorities. (on Latin America, see Reuschemeyer 2004). But the political economy studies under review focus more directly on the stability of democratic regimes, a focus which is far from inappropriate in a region such as Latin America. To the extent that we are concerned about the durability of the basic procedural criteria customarily used to define democratic regimes, inequality does not appear to have a significant impact.

Table 1 here

A full test of such a claim would require a more sophisticated multivariate test, a task that lies beyond the scope of this review. In the following sections, I focus instead on the core assumptions in these theories about the effects of inequality on demands for redistribution. To what extent are these assumptions supported by empirical evidence? I first address the relationship between redistributive politics and electoral competition and then turn to what survey research reveals about inequality and individual political orientations.

Section II: Do poor people demand redistribution? Evidence from electoral politics

A core assumption underlying both Meltzer-Richard and contemporary extensions is that in highly unequal societies, politicians face strong electoral pressure from poor voters for redistribution. A number of empirical studies, however, cast serious doubt on these assumptions, at least as expressed in simplified form.

1. The poor do not necessarily vote for higher taxes on the rich or for redistributive transfers.

Several types of evidence call this claim into question. First, notwithstanding the transitions to democracy, the tax take in Latin America (outside of Brazil) is still very low by international standards; even in relatively large states such as Argentina and Chile, revenues are well below the OECD average. Neutral or regressive consumption taxes, moreover, comprise about 60 percent of revenues within the region, as compared with an OECD average of only 30 percent (Birdsall, de la Torre, and Menzes 2008: 60). It is noteworthy, finally, that Latinobarometro surveys show no relation between respondents' beliefs about the unfairness of the distribution of income and preferences for higher taxes and more welfare spending.

More general studies that go beyond Latin America raise similar doubts about the redistributive demands of the electorate. For example, Wallerstein and Moene (2003) find that in OECD countries, the median voter votes against unemployment protection as she becomes poorer, because she perceives that the cost of additional social insurance outweighs the transfers she would receive if she were to lose her job. Cheibub (1998) finds that the tax take of democracies is not significantly different from the tax take of authoritarian regimes. And despite growing inequality in the United States, Bartels shows that voters have been indifferent to the regressive Bush tax cuts and have consistently supported repeal of the estate tax.²

One problem with a simple model that connects inequality, the median voter, and redistributive transfers is that democracy empowers not only low-income voters, but

² A long-standing explanation offered by Benabou and Oks (2001), is that forward-looking voters anticipate that they will achieve higher income levels in the future.

middle-income and working-class interest groups that often oppose a shift of resources toward the poor. Although “high-tax coalitions” of low- and middle-income sectors are possible, they are by no means inevitable. When they do not materialize, better organized middle-income interest groups and unions are likely to prevail over the poor in the contest for scarce resources.

2. Discontent over inequality does not cause voters to reject incumbent office holders.

It has been widely assumed that inequality and/or disappointment with the unequal distributive effects of neoliberal reform underlies electoral volatility and shifts toward the opposition. Some aspects of neoliberal reform are unpopular, but systematic evidence does not show that this derives from protest against inequality *per se*.

Lora and Olivera (2005) examine electoral shifts in 66 presidential and 81 legislative elections held in 17 Latin American countries between 1985 and 2002. They find considerable evidence for retrospective voting: general economic conditions have a consistent impact on whether voters reward or punish incumbents. High inflation is particularly damaging for office holders, as a number of other studies have also shown. Lora and Olivera also find that voters punish governments that pursue “neoliberal” structural reforms; surprisingly, this is true even when these reforms appear to have positive macroeconomic effects. *However, they find no relation between inequality and swings toward the opposition.*

Other research which disaggregates specific aspects of reform (Baker 2003 and 2008 forthcoming) suggests similar conclusions. Privatization is especially unpopular and may well be the main reason for the electoral opposition to “neoliberalism” seen in the Lora and Olivera study. The important point, however, is that opposition to

privatization does not break along the basic class divide that might be expected from an inequality hypothesis. It is relatively weak among low-income groups that benefit from increased access to services, and strongest within the middle class, which already had access but must now pay higher prices. Trade liberalization, interestingly, has substantial support among all income groups (Baker 2003), presumably because of its positive effect on price levels and consumer access to goods and services.

3. There is no systematic relation between income inequality and left voting.

Swings toward the left in recent years have also commonly been attributed to disappointment over distributive inequalities. Again, however, there are reasons for skepticism about any simple relationship. For one thing, as we just saw above, although retrospective judgments had a strong effect on swings away from incumbent governments – often toward an opposition on the left -- inequality did not. In at least some cases, moreover, left victories had less to do with an increase in support than with splits among conservative candidates, most notably the case with the recent Sandinista victory in Nicaragua.

More important, if we look across the region, we find only an imperfect relationship between class divisions and the left resurgence. Drawing on Latinobarometro surveys, Handlin (2007) shows that throughout the 1990s and early 2000s, middle class voters in Chile and Uruguay were more likely to support left parties than were low-income voters; and during Brazil's first direct election campaign of 1989, support for the left-oriented candidacy of Luiz Inacio Lula da Silva also came primarily from the non-poor and the middle class. By the election of 2006, Lula's support base had shifted to the poorer regions in the north of the country, but much of this support was an

effect of pro-poor policies adopted after taking office.³ Similarly, it is also likely Chávez's appeal to low-income voters was not consolidated until the early 2000s, after the launching of his *misiones* programs.

In Ecuador and Bolivia, we might expect the vote for radical, "ethno-populist" candidates (Madrid 2007) to coincide more closely with class divisions, since there is a substantial overlap between income levels and ethnic identification. Even in these countries, however, incentives for multi-class appeals are strengthened by cross-cutting ethno-linguistic differences within the indigenous population and by diffuse boundaries between indigenous and mestizo identities (Madrid 2007). In Ecuador, the radical candidacy of Rafael Correa initially drew support from the urban sectors rather than the poorer, more rural, indigenous population, although he was later supported in a runoff by the leading indigenous party. In Bolivia, Madrid (2007:25) shows that Morales's MAS party won in 2006 with the support of a broad range of dissatisfied voters, but he finds no statistically significant relation with either income or urbanization.

Matthew Cleary (2006) argues that the resurgence of the left in Latin America has come mainly in countries with long historical experiences with labor-based parties, presumably because such experiences created political loyalties or organizational bases that could help launch political challenges to inequality. But as is implied above, the evidence and causal mechanisms are unclear. As noted, labor-based parties in Chile and Uruguay receive much of their support from the middle-class; and in Argentina, the Peronists have relied heavily on clientelism, rather than on class-based appeals, to garner the votes of low-income groups. In Venezuela, Ecuador, and Bolivia, left surges were

³ Moreover, although Lula gained personally from these pro-poor programs, there is less evidence of increasing support for the PT as a party (Hunter and Power 2007).

led not by traditional labor-based parties but by new political movements that arose in opposition to the old, dominant political alignments. It may be the case that these outsiders tapped into social networks and individual voters that had previously supported traditional labor-based parties, but there is little evidence to this effect.

Finally, and most obviously, the “lefts” that have emerged in the last decade differ widely – from market-oriented social democrats in Brazil, Chile, and Uruguay, to much more radical, populist movements in Venezuela, Ecuador, and Bolivia. These differences do not correspond closely, however, to cross-national variations in inequality. To be sure, Bolivia’s distribution of income is one of the worst in the region, and in Argentina, the shift to the left under Kirchner in 2002 followed a massive increase in transfers from the poor to the rich. But in Chile and Brazil, left parties have remained quite moderate, despite very unequal distributions of income and sometimes quite difficult macroeconomic conditions. In Venezuela, although income distribution deteriorated substantially in the 1980s and 1990s, the gini index is still relatively low.

Section III. Evidence from survey research

As Robert Dahl (1971: 81-105) argued over thirty-five years ago, the politicization of inequality implies a long intervening chain of perceptions and beliefs: people must *perceive* inequality as unjust; they must *believe* that government, elites, or other relevant reference groups cause the injustice; and they must *believe in the efficacy* of entering the political arena.

To explore whether and how such mediations might work in Latin America, I have examined individual beliefs shown in four Latinobarometro surveys (1995, 1997, 2001, 2002), each of which asks respondents if they think the distribution of income in

their society is fair/unfair (on a four-point scale).⁴ Ideally, of course, we would also want to know the reference groups to which the respondents referred (neighbors, elites, etc.), and whether they thought inequalities were growing wider. Nevertheless, perceptions of unfairness constitute a reasonable first approximation of beliefs about the distribution of wealth.

The key analytic questions are a) whether such beliefs are predictably related to an individual's actual economic circumstances, and b) whether they in turn predict political orientations toward democracy. Tables 2 through 4 show logit estimates related to these questions for the pooled Latin American sample in each of the four survey years, with country dummies used to control for cross-national differences.⁵ We have also replicated these models for each country in each survey. These are available on request.

The answer to the first question – whether there is a link between a respondent's “objective” economic conditions and her subjective perceptions – appears to be “no.” Table 2 shows the relation between perceptions of unfairness in income distribution (PUID) and several core measures of economic conditions and perceptions. Respondents oriented toward the left and those relatively pessimistic about their prospects of upward mobility (POUM) are more likely to find the distribution unfair. But these political orientations and beliefs are not strongly related to their underlying socioeconomic position. As discussed above, social class is not a reliable predictor of left orientations, and our exploratory regressions (not presented in Table 2) show that the

⁴ I am grateful to Brian Cramer and Terance Teo of Rutgers University for their assistance on this part of the paper.

⁵ We do not pool the surveys from separate years because response categories on several key variables, including PUID, wealth, and POUM, are slightly different in each survey.

relation between the actual economic condition of respondents and POUM is also surprisingly weak.

Table 2 here

The latter finding is consistent with research conducted by Graham and Pettinato (1999, 2001). In a panel study of Peruvian households between 1985 and 1997, they find that upwardly mobile respondents were no more likely than those with limited improvement to say that they were doing well (1999). Moreover, in a subsequent cross-national study (2001: 212), they find only weak and highly contingent relationships to levels of wealth and none at all to employment status. They conclude that “POUM captures hopes and expectations as well as realistic socioeconomic assessments.”

As Table 2 shows, finally, the direct effects of socioeconomic position on perceptions of unfairness also appear weak or inconsistent. The coefficient for unemployment is significant only in 1997, and is “wrongly” signed in 2002. Coefficients for education are significant in three of the four years, but go counter to expectations; people with limited education are *less* likely in those years to think distribution is unfair. Our measure of wealth show somewhat stronger results in 1995 and 1997, but fails to reach standard levels of significance in 2002, and is wrongly signed in 2001. Separate country-level estimates show a similar pattern: the coefficient for wealth reached standard levels of significance in the expected direction in only 12 of the 59 country regressions, controlling for all of the other variables included in Table 2. Many other coefficients in the country regressions went in the “wrong” direction, often significantly so. At least according to these surveys, then, a respondent’s judgment about

the unfairness of the distribution of income does not map clearly onto her economic conditions or to her position in the class hierarchy.

Some caveats and disclaimers are in order here. It is important to emphasize that these surveys do not take into account broader aspects of the economic and political system which would certainly influence both perceptions and political behavior. This point is particularly relevant to the work of A&R. They argue that demands for democracy are spurred by “de facto,” and inherently transient, mass mobilizations. The authors, however, simply assume an underlying preference for redistribution, and it is this assumption that the survey evidence calls into question.

Tables 3 and 4 examine the second question posed above: what is the impact of beliefs about fairness, expectations of upward mobility, and left political orientations on respondents’ satisfaction with the way democracy works in their country and on support for the principle of democracy? With regard to the determinants of satisfaction (Table 3), the coefficients for the key explanatory variables go in the expected direction and are highly significant in all four survey years. People with negative perceptions of income distribution (PUID) and mobility opportunities (POUM), as well as those oriented toward the left are more likely to be dissatisfied with the way democracy functions in their country. Of these, however, the coefficient for PUID – our substantive variable of greatest interest – is the only one that is consistently positive and significant across all of the country surveys.

Table 3 here

The determinants of support for the principle of democracy (Table 4) are more complex. On the one hand, “leftists” and people with negative views of income

distribution tend on the whole to be supportive of democracy, although the substantive effects are rather modest. “Leftists” in 1995, for example, were only approximately 9 percent more likely to support democracy than conservatives, and the difference between negative and positive views of distribution is only approximately 19 percent.⁶ As A&R imply, those who seek fairer distribution may be somewhat more inclined to believe that democracy provides the best long-run opportunity for reaching that goal. .

On the other hand, as we saw in Table 3, these same people are also likely to be dissatisfied with the way democracy works in their country, and the results in Table 4 in turn show that those who were dissatisfied were much less likely to support the principle of democracy. In the 1995 survey, highly dissatisfied respondents were over twice as likely to consider authoritarian alternatives as those who expressed satisfaction with the way democracy worked in their country. The link between dissatisfaction and lack of support for democracy was also highly robust in the individual country models.

Table 4 here

These results, in combination with our findings on the strong effects of PUID on dissatisfaction shown in Table 3, indicates that the greatest danger that inequality poses to existing democracy is not necessarily the one emphasized in the “class-conflict” models elaborated by A&R and Boix. In these models, the greatest threat comes from the rich, seeking to defend their assets against the redistributive demands of the poor. The foregoing analysis, on the other hand, suggests that it comes from socially-diverse coalitions of people who are dissatisfied with the existing distribution of wealth, who

⁶ Although we refer only to the 1995 survey, the effects of these variables in subsequent surveys are approximately the same.

perceive that the democratic system is ineffective, and who are relatively more inclined to accept the possibilities of non-democratic “solutions.”

Further survey research would be required to test this proposition thoroughly. But support for this claim goes beyond the surveys themselves. First, international influences appear to have been quite important in recent decades in undermining the bases of right-wing authoritarian regimes. The winding down of the Cold War in the mid-1980s undercut the anti-communist rationale used by military dictatorships to garner international and domestic support. Even as the memories of these dictatorships fade, moreover, diplomatic pressures and the incentives of international trade have helped to deter reversions to military rule. In this changed international context, the rich may still deploy their formidable power resources to deflect electoral challenges to their wealth (Acemoglu and Robinson 2008, Reuschemeyer 2004). But they are likely to do so within the framework of democratic institutions.

Anti-democratic challenges from the non-rich have also typically emerged within the framework of democratic institutions themselves, rather than from revolutionary protest. These challenges have taken the form of radical-populist movements which have gained elected office in a number of countries (Venezuela, Ecuador, Bolivia, Paraguay) and have made significant electoral advances in others (Peru, Mexico). Although such movements do not call explicitly for the establishment of authoritarian regimes, they tend to take their countries in distinctly “illiberal” directions – toward an elimination of constitutional constraints and an increasing concentration of power.

Despite important differences among such movements (Roberts 2007), they engage in a political discourse which is generally consistent with our analysis of the

Latinobarometro data. Populist leaders exploit resentments against the “oligarchy,” established parties, and foreign capitalists, but they appeal not only to the poor, but to broad sectors of the middle class, business people, and even conservatives. As Javier Corrales (2007) has argued, the glue that holds this diverse coalition together is broad dissatisfaction with the status quo.

Section IV: Unequal Democracy in the United States

Larry M. Bartels’ book, as noted above, is more concerned about the quality of American democracy than its durability. Nevertheless, the empirical paradox at the core of his analysis is similar to the ones we discuss above. Since the 1970s, income inequality in the United States has increased dramatically, yet demands for redistribution have remained weak.⁷ This paradox, in turn, is compounded by the fact that Republican presidents have been dominant throughout most of the post-1970 period, despite substantial evidence that working and middle-class voters have fared much better under the Democrats. Electoral majorities consistently appear to vote against their own economic interests.

Against much of the conventional wisdom, Bartels argues that this is *not* because “values” issues have trumped economic concerns among white working-class voters. His survey data show that the salience of social issues has increased much less among voters at the bottom third of the income ladder than among the middle- and upper-third; and jobs, taxes, and other economic issues remain the paramount concern among voters in all income categories. Outside of the South, moreover, Democrats continue to draw support most heavily among white low-income voters.

⁷ As of the mid-2000s, estimates of the gini coefficient were about .45, still low by Latin American standards but far higher than most other developed countries and many other middle income countries.

Republicans win frequently, Bartels argues, for three very different reasons. First, voters are myopic: while they vote retrospectively, they focus on the year preceding a presidential election, rather than on the four-year record of the incumbent administration. This places Democrats at a disadvantage, because the large income gains they promote during their initial years in office tend to tail off somewhat at the end of their term. Second, Bartels also shows that, for reasons that are not entirely clear, voters attach greater weight to gains of upper income groups than to their own incomes in the voting decisions. Finally, and perhaps most germane to Latin America, money talks: Republican spending advantages grow when upper-income voters make economic gains, and the inflow of campaign funds is systematically and strongly related to victory at the polls.

Findings on the connection between voter preferences and public policies are also not very encouraging. Voters expressed concerns about economic inequality, but were unaware that it had increased dramatically since the 1970s. Moreover, they did not systematically connect their concerns to positions on key policy issues; as noted, they paid little attention to the Bush tax cuts of 2001 and 2003 and actually supported repeal of the estate tax.

Incomplete information played some role in this anomaly: opposition to the tax cuts increased among “egalitarian” voters who were also “politically informed.” On other issues such as the estate tax, however, increasing information tended to sharpen prior ideological biases, rather than class divisions. Among Republicans, political information tended to increase support for a repeal of the estate taxes, whereas information was associated with a substantial decrease among Democrats. Access to

information, while normatively desirable from a democratic perspective, does not in itself guarantee greater “distributive rationality” within the American electorate.

Finally, Bartels argues that the ideology of partisan politicians, rather than constituent preferences, are the driving force behind policy choices. This conclusion carries both good and bad news. The good news is that Democratic members of congress tend to prioritize socially progressive policies, even when these are not supported by their constituents. The bad news is that there appears to be a serious disconnect in the representation of voter preferences. The legislative voting of both Democrats and Republics reflect the preferences of middle- and upper-income constituents, but there is virtually no systematic relation to the policy positions of voters in the bottom third of the income ladder. .

These claims are extensively supported both by evidence from surveys, voting data, and case studies, but Bartels leaves many important theoretical questions unanswered. There is no clear explanation, for example, about the causes of myopic voting, or why access to information does not play a more potent role in clarifying voter choices. In the policy studies, Bartels does not explain why voters who would be untouched by the estate tax nevertheless consistently support its repeal – even when they also object to inequality and believe that the rich do not pay enough taxes.

There is also no clear explanation for the disconnect that Bartels documents between partisan ideologies and constituent preferences. Although inattentiveness or ambiguity of mass preferences may provide some leeway for party elites, Bartels shows that politicians pursue their own ideological biases even in instances where constituent policy preferences are consistent and robust. He speculates that ambiguous cultural

orientations toward equality of opportunity and of results may inhibit the politicization of inequality in American society, but does not systematically explore this possibility.

From a comparative perspective, however, Bartels' empirical findings provide not only a penetrating insight into United States politics, but reinforce the conclusions of the research on the Latin American cases. On the one hand, Bartels provides a strong reminder for students of democratization in Latin America that there are many ways to pervert democratic politics. Even when the concentration of income does not lead to the outright overthrow of democratic regimes, it undermines the equality of political representation that should lie at the core of democratic politics.

On the other hand, although Bartels' book is not intended to do so, it runs counter to the basic hypothesis that, as inequality increases, redistributive conflicts can upend formal democratic institutions themselves. This possibility, of course, remains of great concern in Latin America, where societies are poorer, income gaps are wider, and democratic institutions are less deeply rooted than in the United States.

Section V: Some further issues and hypotheses in the analysis of inequality

Despite these "inconvenient facts," it would be wrong to dismiss the underlying distribution of wealth as politically inconsequential for the stability of democracy. First, it is important acknowledge that the measures deployed to assess the effects of inequality are crude. As noted in Section III, for example, survey questions about perceptions of unfairness are at best only a first pass at tapping what are necessarily more complex social psychological orientations toward reference groups, social status, and the future.

Aggregate measures of inequality pose equally, if not even more serious problems. The gini index, perhaps the most commonly used comparative measure, says

nothing about which social categories are winning or losing, and sometimes has highly misleading distributional implications (see Fields 2007; Ansell and Samuels 2008).

Inequality of land ownership, another commonly used indicator (see Boix 2003, Ansell and Samuels 2008), may provide a better measure of the way control of assets maps onto class and status hierarchies, particularly in poorer societies. Its relevance, however, has decreased substantially in the more diversified economies of many contemporary Latin American societies, where much of the wealth and population has transferred out of the agricultural sector. Neither of these measures, finally, captures diverse forms of “horizontal” inequalities related to ethnicity, region, gender, economic sector, and other forms of social and economic differentiation (Stewart 2000, Otsby 2007).

The biggest challenges, however, lie not in how we measure inequality, but in how we think about the social-psychology of individual actors and the way this is shaped by the larger political and social environments in which they are embedded. A full and coherent elaboration of such a theory is well beyond the scope of this essay, but I do review some conceptual issues and hypotheses about economic inequality that seem relevant to the contemporary politics of Latin America. I divide these into two categories: changes in the general economic context which might be expected to trigger a reframing of the issue of inequality, and more structural and institutional features of the political economy which might facilitate or exacerbate class-related demands for redistribution.

Framing inequality To start with the obvious, it is important to consider the *dynamics* of how individuals frame their economic interests and their distributional preferences.

Analyses based on comparative statics do not capture the way individuals may react to

changes in their personal condition or to new developments in their respective societies. To an extent, this point is incorporated in the political economy books reviewed in this essay, but they focus rather narrowly on the changes in the income of the median voter relative to the average wage, and their empirical tests frequently emphasize cross-national differences rather than changes over time. Given the mixed empirical support for this argument found in the literature, it may be useful to consider more complex hypotheses that may be relevant to understanding this issue in the Latin American context.

Poverty relief or inequality? One long-standing issue is whether people are likely to focus more on improvement in their own incomes or on changes in the gap between themselves and higher income groups. The targeted assistance programs common throughout Latin America often reflect the assumption that poverty relief should receive priority; and in fact there is evidence that, among the very poor, income growth increases both life satisfaction and political support for incumbents. However, Graham and Pettinato (2002) show that people quickly begin to take such improvements for granted and that, above a minimum level of income, they begin to assess their wellbeing in reference to the income of others.

The strains of “keeping up with the Jones” may be especially strong among upwardly mobile white and blue-collar workers. Such groups may become an important source of political instability if they perceive that the incomes of the rich have grown even faster. But even among low-income sectors, widening income gaps can increase the chances of political protest. As Albert Hirschman (1973) suggests in his famous “tunnel theory” of inequality, high growth – such as that evident in the Latin America’s

commodity boom of the mid-2000s -- can intensify the dissatisfaction when incomes continue to stagnate at the bottom of the social pyramid.

Recent empirical work by Reenock, Bernhard, and Sobek (2007) provides some general support for this proposition. In an analysis of all democratic regimes between 1961 and 1995, they find that the chances of democratic survival are significantly reduced by the interaction between economic wealth and “basic needs deprivation” (defined in terms of average caloric consumption). “When needs deprivation exists in the face of enhanced economic development,” they conclude (677), “citizens will not only notice deprivation more readily, but also, given the greater social surplus, deem it more unacceptable, provoking radical demands for redistributive justice.”

Poverty traps and Bayesian learning

A related perspective focuses on the variations in the dynamics of income growth and on how this affects expectations and preferences over time. Depending on initial distributions of income, income dynamics can lead to a polarization between some households with initial resources sufficient to sustain the investment in the human and physical capital they need to move out of poverty, and many others with more limited initial endowments whose incomes regress back toward poverty traps. Carter (2007) and Carter and Morrow (2008) argue that Latin American economies exhibit just such patterns of polarizing growth: some households may have good prospects of upward mobility (POUM), but others are likely to live indefinitely in a world where the prospects are zero (POZUM). Individuals with good prospects (POUM) may rationally refuse to support redistributive policies that benefit them in the present, because they can expect to have to contribute to the costs of redistribution in future. In contrast, as Carter (2007:13)

states: “Poor POZUM individuals can rationally expect that redistribution will always benefit them since there is no prospect of ever climbing the income ladder to a point where they will be on the wrong end of a redistributive policy.”

Learning over time is an important component of this argument as it applies to the effects of Latin America’s transition to the market. At the onset of the 1990s, uncertainties about the long-term effect of market reforms precluded a clear crystallization of redistributive preferences; indeed, in the absence of plausible alternative models, many people bought into the promises of the liberal economic reform. But individuals and households can be expected to update their beliefs over time, as the real limits of long term mobility prospects become clearer.

Although a formal model constitutes the core of this argument, Carter and Morrow offer some preliminary empirical evidence to support their claims in Chile, Peru, Nicaragua and Venezuela. Using data from the Latinobarometer surveys, they show that countries with the most polarized distributions of responses to questions about upward mobility were also those in which radical left parties had risen to power.

Aversion to loss. Various forms of insecurity might also contribute to the mobilization of protest against inequality and to pressure for redistribution. To the extent that insecurity is related to exposure to trade, the divide might be greater between the traded and non-traded sectors than along class lines. Nevertheless, insecurity can provide incentives for class protest. The middle-class and near-poor might experience the most pronounced threat of downward mobility, which could arguably increase their demand for safety-nets and social insurance transfers. Among the lowest income groups,

preferences for such transfers may be heightened by the fact that they are generally hit the hardest by economic downturns and benefit more slowly from economic recovery.

Building on the ground breaking experimental literature on prospect theory (Kahneman and Tversky 1979, Tversky and Kahneman 1986, 1992) Kurt Weyland (2002, 2003) provides an interesting perspective on the political calculus that might be associated with these fears. He argues that the tendency for individuals to weigh losses more heavily than gains accounts for the willingness to support the risky projects of anti-establishment radicals. There is, to be sure, significant indeterminacy in this perspective: the domain of loss can be defined in quite different ways, depending on whether the main point of reference is the individuals' own situation in the past, her prospects for the future, or her situation relative to that of others in the socio-economic hierarchy. Nevertheless, hypotheses based on prospect theory contain implications that are somewhat different from the PUOM/POZUM hypothesis sketched above: it is plausible that in periods of economic instability, future-oriented voters might attach much greater weight to prospects of downward mobility and short-term losses than to opportunities for economic improvement over the longer term.

Structural and institutional variables. Despite the plausibility of such hypotheses, it is unlikely that they can fully account for variation in the intensity of redistributive politics without also taking into account differences in structural, institutional, and political variables. The following seem especially relevant to contemporary Latin America.

Regional rivalries. One hypothesis suggested by contemporary developments in Latin America is that, in societies with significant geographic concentrations of poverty, the recent trend toward political decentralization may have reduced barriers to collective

action and increased the politicization of inequality. In a number of countries, regional disparities within more decentralized political systems appear to have enhanced opportunities for political entrepreneurs to mobilize political cleavages between the poor and the rich. The bitter and violent conflict between Bolivia's lowland and highland provinces provides the most vivid current example, but geographic cleavages are evident in a number of other cases as well. Mexico's poor southern states voted solidly for López Obrador in the 2006 presidential election. In Peru, the radical left candidacy of Ollanta Humala was rooted in the impoverished regions of the Sierra. In Brazil, the poor states of the northeast have moved equally solidly toward Lula.

Not all left parties have these geographic roots; indeed, those which fail to penetrate the hinterland typically gain more support from the middle-class than the poor (Handlin 2007). Nevertheless, it is plausible that when the poor are regionally concentrated, they may be integrated into communications and organizational networks that reinforce incentives to vote left and facilitate efforts to mobilize social movements and other forms of collective action.

The commodity boom and the populist temptation I mentioned above that commodity booms, in combination with lagging incomes of the poor, can activate popular discontent over inequality. But in addition to increasing the demand for redistribution, such booms also increase the opportunities for governments to increase the supply. The high export-led growth of recent years has few, if any, precedents in the last one-hundred years. It has been fueled and prolonged by increased demand in China and India, as well as in the developed world, and it has allowed many governments in the region to accumulate large reserves of foreign exchange.

Conventional wisdom holds that this massive inflow of resources will eventually come to an end, and commodity prices did indeed drop substantially during the global financial crisis of 2008. Given the changing structure of global demand, however, commodity exporters may continue to be in a more favorable position than in earlier decades, which strengthens incentives for governments to build mass support through increases in social spending. Venezuela provides the most vivid example; Chávez veered substantially to the left in 2003 as oil prices began to soar, and we see similar factors at work in Argentina, Bolivia, and Ecuador. It must be emphasized that left governments in Chile, Uruguay, and Brazil, continued to show considerable macroeconomic prudence, even in the face of the boom; windfalls enable radical policies, but do not determine them. Yet the virtual disappearance of foreign exchange constraints exerts a powerful temptation to engage in more reckless forms of macroeconomic populism.

Asset specificity. Both Boix and A&R argue that the potential for class conflict is exacerbated when wealth is held in the form of highly specific assets which cannot be easily transferred abroad. However, whereas they emphasize the reaction of property owners to redistributive demands, asset specificity also affects governments' incentives to yield to the populist temptation. This feature of asset specificity may be more relevant to contemporary Latin America. Moderate presidents such as Lula or Tabaré Vázquez preside over economies where capitalists do have relatively significant exit options, whereas Chávez, Morales, and Correa govern economies based in petroleum and natural gas. The obsolescing bargain that underlies investment in such sectors creates strong incentives to for left governments to engage in resource nationalism, with important implications for political polarization and the stability of a democratic system.

Political Variables The politicization of class cleavages will depend on political mediations: the extent to which political leaders, parties, and other social organizations seek to build popular support. In the preceding paragraphs, I have implied that the extent of class conflict may depend on the political interests and ideological orientations of governments already in power. In other words, class conflict can be an *effect* of radical governments, not a cause. In Venezuela, for example, the divisive policies of the Chávez government are likely to have effects on class conflict that endure far beyond the tenure of his government itself – as was the case decades earlier under Juan Perón in Argentina. On the other hand, more moderate left governments – such as those of Chile, Uruguay, and Brazil – are likely to have an integrative effect that blurs the edge of class-based politics.

A brief conclusion

The purpose of this review has not been to “disprove” the arguments put forward in the work of Boix or Acemoglu and Robinson. Among its other limitations, my essay has focused only on a specific region and a limited time period, and it may well be the case that their arguments hold for a larger sample over a longer span of time. This paper is intended, however, to call into question the simplifying assumptions about interests and behavior that motivate these theories, as well as those found in the broader political economy literature.

In the past there has been some debate about whether micro-level theories can be validated by the results of large-N, aggregate-data tests that are consistent with the predicted equilibrium outcomes of the models, or whether it is also necessary to examine the motivations of the actors themselves. I place myself in the latter camp. Large-N tests

of current hypotheses have shown mixed results. But even if such analysis were to show an unequivocal relation between inequality and democratic instability, that would not be enough in itself. We need to examine critically the social and political processes that shape beliefs, preferences, and interests.

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Table 1: Gini Coefficients and Democracy in Latin America

Country	Changes in Gini in the 1980s	Gini Coefficient Early 1990s	Gini Coefficient Early 2000s	Year of 3 rd Wave Democratic Transition
Argentina	+	42.6	50.4	1983
Bolivia		54.3	55.9	1983
Brazil	+ +	59.5	57.2	1985
Chile	+ +	54.7	56.1	1989
Colombia	= -/=	55.9	55.8	1958
Costa Rica	= =	43.9	44.6	1948
Dominican Rep	+ +	50.2 (mid-90s)	48.1	1970
Ecuador		53.0 (mid-90s)	54.3	1979
El Salvador		50.5	51.8	1994
Guatemala	+	55.7*	56.0	1996
Honduras	=	55.6	53.0	1998
Mexico	+ +	53.9	52.7	2000
Nicaragua		54.2	54.1	1990
Panama	+ +	54.7	54.4	1994
Paraguay		57.8 (mid-90s)	54.9	1993
Peru	=	45.7	47.7	1980/2000
Uruguay		40.8	42.5	1985
Venezuela	= +	41.7	45.5	1958
Regional Average		50.5	51.4	

Source: David De Ferranti, Guillermo Perry et al, "Inequality in Latin America and the Caribbean: Breaking with History?" International Bank for Reconstruction and Development/The World Bank 2003, Table A.6, p. 402.

Estimates of changes in gini in 1980s: first column is from Londono and Szekely, second from Morley and Altimir, De Ferranti et al 2003, p.405

* This is for 1998: Source: WDI.

TABLE 2: Determinants of Perceived Unfairness of Income Distribution (PUID)

<i>Predictors / Survey Years</i>		1995 N=5340	1997 N=11096	2001 N=12348	2002 N=11419
	Expected Direction of Coefficients				
Education	-	0.027*** (0.009)	-0.001 (0.005)	0.009* (0.005)	0.026*** (0.005)
Marital Status	Non-directional	-0.080 (0.054)	0.013 (0.039)	-0.026 (0.037)	-0.098** (0.040)
Gender	Non-directional	-0.014 (0.051)	0.027 (0.037)	0.015 (0.036)	0.049 (0.038)
Age	Non-directional	0.004* (0.002)	0.002 (0.001)	0.004*** (0.001)	0.080*** (0.022)
Unemployment Status	+	0.168* (0.096)	0.123 (0.082)	0.016 (0.068)	-0.006 (0.068)
Wealth	-	-0.047*** (0.011)	-0.025*** (0.008)	0.001 (0.009)	-0.007 (0.010)
Political Orientation	+	0.064*** (0.011)	0.048*** (0.007)	0.021*** (0.008)	0.046*** (0.007)
POUM	-	-0.217*** (0.037)	-0.409*** (0.028)	-0.303*** (0.018)	-0.230*** (0.021)
<i>Numbers not in parentheses are logit coefficients; numbers in parentheses are robust standard errors.</i>					
<i>*p<.10 ** p<.05 ***p<.01</i>					
<i>While not indicated above, all country dummies are included in the model except for Uruguay, which is the base country.</i>					
<u>CODING OF VARIABLES:</u>					
<i>Unfairness of Income Distribution (UID): 4 values. (1) Very Fair – (4) Very Unfair. For 1995, there are 5 values.</i>					
<i>Education: 16 values. (1) 0 years of education – (16) Graduate Work.</i>					
<i>Marital Status: 2 values. (0) Married; (1) Not Married.</i>					
<i>Gender: 2 values. (0) Male, (1) Female.</i>					
<i>Age: 4 values. (1) 16-25 – (4) 61 and more. For 1995 & 1997, data are continuous.</i>					
<i>Unemployment Status: 2 values. (0) All others; (1) Unemployed.</i>					
<i>Wealth: Wealth index based on durables and other items owned by household of respondent. 11 items. (0) 0 items owned – (11) 11 items owned. For 1995 & 1997, there are 13 response categories, or items.</i>					
<i>Political Orientation: Left/Right Political Ideology Scale. 11 values. (1) Far Right – (11) Far Left.</i>					
<i>POUM (Prospects of Upward Mobility): 5 values. (1) Much Worse – (5) Much Better. For 1995 & 1997, there are 3 categories.</i>					

TABLE 3: Determinants of Dissatisfaction with Democracy

<i>Predictors / Survey Years</i>		1995 N=5222	1997 N=10956	2001 N=11581	2002 N=11023
	Expected Direction of Coefficients				
Education	–	0.014 (0.009)	0.012** (0.005)	0.007 (0.005)	0.014** (0.005)
Marital Status	Non-directional	-0.015 (0.054)	0.024 (0.038)	-0.011 (0.037)	-0.004 (0.040)
Gender	Non-directional	0.051 (0.052)	-0.030 (0.036)	0.112*** (0.035)	0.042 (0.037)
Age	Non-directional	-0.004* (0.002)	-0.002 (0.001)	-0.001 (0.001)	-0.089*** (0.021)
Unemployment Status	+	0.087 (0.111)	0.051 (0.088)	0.211*** (0.067)	0.220*** (0.067)
Wealth	–	-0.005 (0.012)	-0.009 (0.008)	0.010 (0.009)	-0.007 (0.009)
PUID	+	0.403*** (0.031)	0.635*** (0.027)	0.347*** (0.028)	0.356*** (0.029)
Political Orientation	+	0.040*** (0.011)	0.071*** (0.008)	0.045*** (0.007)	0.020*** (0.007)
POUM	–	-0.413*** (0.039)	-0.353*** (0.027)	-0.202*** (0.018)	-0.207*** (0.021)
<i>Numbers not in parentheses are logit coefficients; numbers in parentheses are robust standard errors.</i>					
<i>*p<.10 ** p<.05 ***p<.01</i>					
<i>While not indicated above, all country dummies are included in the model except for Uruguay, which is the base country.</i>					
CODING OF VARIABLES:					
<i>Dissatisfaction with Democracy:</i> 4 values. (1) Very Satisfied – (4) Very Dissatisfied					
<i>Education:</i> 16 values. (1) 0 years of education – (16) Graduate Work.					
<i>Marital Status:</i> 2 values. (0) Married; (1) Not Married.					
<i>Gender:</i> 2 values. (0) Male, (1) Female.					
<i>Age:</i> 4 values. (1) 16-25 – (4) 61 and more. For 1995 & 1997, data are continuous.					
<i>Unemployment Status:</i> 2 values. (0) All others; (1) Unemployed.					
<i>Wealth:</i> Wealth index based on durables and other items owned by household of respondent. 11 items. (0) 0 items owned – (11) 11 items owned. For 1995 & 1997, there are 13 response categories, or items.					
<i>Political Orientation:</i> Left/Right Political Ideology Scale. 11 values. (1) Far Right – (11) Far Left.					
<i>PUID (Unfairness of Income Distribution):</i> 4 values. (1) Very Fair – (4) Very Unfair. For 1995, there are 5 values.					
<i>POUM (Prospects of Upward Mobility):</i> 5 values. (1) Much Worse – (5) Much Better. For 1995 & 1997, there are 3 categories.					

TABLE 4: Determinants of Support for Democracy

<i>Predictors / Survey Years</i>		1995 N=4984	1997 N=10697	2001 N=11096	2002 N=10582
	Expected Direction of Coefficients				
Education	+	0.038*** (0.011)	0.034*** (0.007)	0.042*** (0.006)	0.037*** (0.006)
Marital Status	Non-directional	0.092 (0.069)	-0.031 (0.047)	0.049 (0.042)	-0.017 (0.046)
Gender	Non-directional	-0.156** (0.064)	-0.039 (0.044)	-0.160*** (0.041)	-0.074* (0.044)
Age	Non-directional	0.010*** (0.003)	0.005*** (0.002)	0.012*** (0.002)	0.145*** (0.025)
Unemployment Status	-	-0.171 (0.128)	0.087 (0.103)	0.229*** (0.078)	-0.059 (0.075)
Wealth	+	0.010 (0.014)	0.008 (0.009)	0.063*** (0.010)	0.011 (0.011)
PUID	-	0.205*** (0.035)	0.176*** (0.031)	0.138*** (0.031)	0.125*** (0.032)
Dissatisfaction with Democracy	-	-0.399*** (0.041)	-0.392*** (0.028)	-0.346*** (0.027)	-0.387*** (0.030)
Political Orientation	+	0.040*** (0.012)	0.002 (0.009)	0.025*** (0.008)	0.017** (0.008)
POUM	+	0.051 (0.046)	0.118*** (0.032)	0.008 (0.020)	0.025 (0.023)
<i>Numbers not in parentheses are logit coefficients; numbers in parentheses are robust standard errors.</i>					
<i>*p<.10 ** p<.05 ***p<.01</i>					
<i>While not indicated above, all country dummies are included in the model except for Uruguay, which is the base country.</i>					
<u>CODING OF VARIABLES:</u>					
<i>Support for Democracy:</i> 2 values. (0) Not Always Prefer Democracy – (1) Always Prefer Democracy.					
<i>Education:</i> 16 values. (1) 0 years of education – (16) Graduate Work.					
<i>Marital Status:</i> 2 values. (0) Married; (1) Not Married.					
<i>Gender:</i> 2 values. (0) Male, (1) Female.					
<i>Age:</i> 4 values. (1) 16-25 – (4) 61 and more. For 1995 & 1997, data are continuous.					
<i>Unemployment Status:</i> 2 values. (0) All others; (1) Unemployed.					
<i>Wealth:</i> Wealth index based on durables and other items owned by household of respondent. 11 items. (0) 0 items owned – (11) 11 items owned. For 1995 & 1997, there are 13 response categories, or items.					
<i>PUID (Unfairness of Income Distribution):</i> 4 values. (1) Very Fair – (4) Very Unfair. For 1995, there are 5 values.					
<i>Dissatisfaction with Democracy:</i> 4 values. (1) Very Satisfied – (4) Very Dissatisfied.					
<i>Political Orientation:</i> Left/Right Political Ideology Scale. 11 values. (1) Far Right – (2) Far Left.					
<i>POUM (Prospects of Upward Mobility):</i> 5 values. (1) Much Worse – (5) Much Better. For 1995 & 1997, there are 3 categories.					