
Averting “Disruption and Reversal”: Reassessing the Logic of Rapid Trade Reform in Latin America

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Abstract

This study revisits the debate on trade reform in Latin America, focusing specifically on what combinations of conditions were necessary and sufficient for very rapid trade liberalization. It departs significantly from two types of studies that have been previously used to examine Latin American trade reform: (1) those using large samples and linear statistics to test the mean effects of variables on levels of trade protection and (2) those isolating necessary conditions for rapid reform but using a small number of case studies. Using fuzzy-set qualitative comparative analysis and short case studies, the study considers trade policy in sixty-one administrations. It finds that a key motivating factor for rapid trade opening is potential resistance from protected industry; it further identifies several other important enabling conditions, such as hyperinflation, devaluation, and an unconstrained executive. In combination, these enabling conditions are sufficient to account for a high percentage of rapid reform episodes.

Keywords

trade policy, trade liberalization, Latin America, fuzzy-set qualitative comparative analysis, Uruguay, Mexico, Peru

Between the early 1970s and the turn of the twenty-first century, Latin American countries moved away from inward-oriented economic development plans to strategies that emphasized open markets and export-led development. Regionally, this shift

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occurred gradually over several decades; between 1970 and 2000, the average country's score on the most popular index of Latin American trade liberalization increased by only 1.4 percent a year.¹ Hence, the vast majority of alterations to tariff rates and dispersion came in minor, incremental shifts. However, a handful of administrations rapidly tore down their countries' tariff barriers and exposed their industries to the consequent flood of international competition. By most accounts, these rapidly liberalizing administrations risked burdening their countries with a variety of short-term dislocations, from the loss of employment to the displacement of domestic producers, so the decision to undertake rapid reform was a weighty one. Given the seriousness of this policy decision, a natural question arises: what conditions were necessarily present and sufficient for an administration to impose rapid trade liberalization, recognizing, as it must, the short-term dislocating effects of such a rapid policy shift and the potentially less serious consequences of gradual opening?

This article revisits the debate about the causes of liberalization in Latin America from a tack different from previous studies. First, rather than examining incremental policy changes or instances of reform across policy areas, it focuses solely on trade policy and only on episodes of very rapid reform.² Second, it isolates necessary and sufficient conditions for rapid trade liberalization with methods explicitly designed to identify these kinds of conditions. Third, rather than examining only necessary conditions as independent factors, it treats the conditions as conjuncturally important.

With regard to the first difference, the costs and benefits of rapid policy change differ from those of incremental shifting; hence, the motivating logic behind rapid changes of policy is inherently distinct from the logic that recommends incrementalism, and episodes of rapid reform are worth examining as a unique class of policy changes. The counterfactual outcome in the study, then, is either gradual trade liberalization or increasing protectionism. Moreover, while trade reform has often been coupled with shifts in other economic policies, the focus on trade reform alone is intended to avoid conflating the politics of one kind of reform with another. Brooks and Kurtz show that the politics of different kinds of economic reform are unique and that it is, therefore, inappropriate to analyze them in aggregate.³ Second, the search for necessary and sufficient conditions is consistent with the logic of qualitative research designs, and single and small- to medium-*N* studies have identified (if not explicitly) political and economic conditions that are necessary for countries to undergo liberalizing reforms.⁴ Examples are numerous: Sheahan (*N* = 5) identifies state-sponsored repression as a necessary condition for successful marketizing reforms; Skidmore (*N* = 3) similarly argues that only coherent authoritarian governments can implement economic stabilization measures; Geddes (*N* = 2) finds that the existence of insulated and autonomous state bureaucracies is a necessary condition for implementing potentially unpopular policy reforms; Weyland (*N* = 4) identifies the psychology of risk acceptance spurred by inflationary crises.⁵ Using fuzzy-set qualitative comparative analysis (fsQCA), this study seeks to identify necessary and sufficient conditions across a much larger number of cases.⁶

With regard to the final difference, linear statistical models treat factors as having independent effects on an outcome, while small-*N* comparisons generally treat causal conditions conjuncturally but often have too few cases to formalize the patterns they describe or to make claims about more than a single causal factor. Few outcomes in politics are the result of a single cause.⁷ The search for patterns of conjunctural conditions at the very least allows for the identification of interaction of “opportunity” and “willingness” (or means and motive) conditions that enable and are sufficient for an outcome.⁸ Studies frequently identify one type of condition or the other but fail to examine their conjunctural dynamics. Although recent years have seen numerous advances in the sophistication of methods used to test necessary conditions across larger numbers of cases, no efforts have been made to employ these methods to analyze the politics of liberalization in Latin America.⁹ To begin to address this gap, the puzzle of rapid trade liberalization is addressed here with a combination of case study and fuzzy-set analysis.

The article begins with a discussion of the theoretical foundations of rapid versus incremental trade reform and potential political and economic conditions for rapid implementation. It progresses to an fsQCA of the dynamics of reform in a group of sixty-one Latin American administrations, and then elucidates the findings of the fsQCA section with three schematic case studies of Uruguay, Mexico, and Peru. It finds that key motivations to open trade rapidly are the potential for resistance from the manufacturing sector and hyperinflationary crises, but that without authoritarian government, these conditions were insufficient for rapid reform to be implemented. By the same token, however, it finds that authoritarian rule alone is an insufficient basis for rapid trade liberalization. In the absence of either powerful protected manufacturers or hyperinflationary crises, even the most ruthless dictators will opt for a gradual approach to reform.

Trade Liberalization, Political Inefficiency

Proponents of classical economic thought have long viewed free trade as a mutually beneficial activity for trade partners.¹⁰ For developing countries, specifically, it has been proposed as the means by which they can benefit from their individual comparative advantages and reduce the income gap between themselves and the developed world. This sanguine vision of trade liberalization sees a number of channels through which benefit would come to developing nations:

improved resource allocation in line with social marginal costs and benefits; access to better technologies, inputs and intermediate goods; an economy better able to take advantage of economies of scale and scope; greater domestic competition; availability of favorable growth externalities, like the transfer of know-how; and a shakeup of industry that may create a Schumpeterian environment especially conducive to growth.¹¹

The theorized benefits of liberalized trade, however, do not take into account the political obstacles that may stand in the way of the alteration of trade policy.

From a political perspective, there is general agreement that the liberalization of trade policies is a difficult reform for leaders to initiate, however economically beneficial openness may be in the long run. Rodrik argues that under normal conditions trade liberalization is a “politically inefficient” policy reform.¹² The difficulty of trade liberalization stems from the unfavorably high ratio of total income redistribution to aggregate gain that the policy change produces. In other words, the policy change may create a general increase in the national income, but the degree to which that increase is accompanied by shifting income between groups generates opposition. Rodrik’s heuristic for this political cost–benefit ratio is

$$\text{PCBR} = 1/2 [(\sum_j |\Delta \text{income}_j| - \text{net gain})/\text{net gain}]$$

The heuristic has two moving parts: first, as the aggregate absolute value of changes in income increases, the cost–benefit ratio rises, making the reform more politically difficult. While trade reform may make long-term economic sense, “[f]rom the perspective of policymakers, the pure reshuffling of income must be counted as a political cost.”¹³ Second, as the economic gains rise relative to redistribution, the net gain–driven denominator increases, lowering the ratio. In short, with minimal redistribution and high net gain, the ratio approaches zero, while more redistribution and/or lower gains elevate it.

The alteration of trade policy allegedly becomes even more politically intractable because of the status quo bias that stems from uncertainty about the results of the reform.¹⁴ Potential winners of trade reform may not have complete and certain information about the effects of the reforms *ex ante*. As a consequence, potential winners may not recognize themselves as such and may therefore resist reforms that might redound to their benefit *ex post*.¹⁵ Meanwhile, for trade liberalization, certainty in the outcome of trade policies is arguably stronger on the side of potential losers: protected import-competing industries and their organized laborers are surely well aware of the negative impact liberalization will have on them.

More generally, historical institutionalists have argued convincingly for the “stickiness” of institutions and the difficulty of altering institutions once they have developed constituencies that benefit from them. Import-substituting economic institutions, such as tariff barriers and quotas, generate protected pockets of industry that benefit from the state’s intervention into free markets. In economic terms, these material benefits are rents that are created by market inefficiencies that skim income from some actors and distribute it to others; in terms of political institutionalism, they are part of the mechanism of positive feedback by which those constituencies that benefit from a particular policy will militate for its maintenance.¹⁶ The alteration of institutions that have generated such constituencies can be prone to resistance by those constituencies. Reform becomes politically unviable if the beneficiaries of the policy are also supporters of the administration that controls policy making.

Based on the political difficulties of enacting trade reform, the policy changes that are most likely to take hold are those that are (1) made gradually and (2) made under conditions that dampen the negative effects of reform on the economic losers.¹⁷ When undertaken in times of economic growth, the redistributive effects of trade reform are dampened by general prosperity. In terms of Rodrik's heuristic cost-benefit ratio, the general gains from economic growth are added to the net gain from trade, mitigating the effect of the aggregate change in incomes. In terms of gradual opening of trade, the potential winners in the redistribution will presumably have more opportunity to recognize the benefits to them, and will, as a consequence, be less resistant to further change. In other words, the inherent uncertainty generated by policy change—especially with regard to potential winners—may be mitigated by the slow progression of trade liberalization. Moreover, under a gradual shift, those domestic firms and sectors that were potentially competitive on the world market would have time to heighten efficiency or lower costs in order to avoid being ruined by foreign competition. With regard to trade liberalization in Turkey, Spain, and Thailand in the 1980s, Haggard and Webb note that “[g]radualism provided the opportunity for firms to adjust to the new environment and in effect constituted a form of compensation.”¹⁸ Of course, even in good economic times and when trade is gradually liberalized, the political task associated with reform is still the alteration of a policy of protection with a vested constituency that has an incentive to resist changes to the status quo.

Given the political costs of implementing trade reform at all, the question of why a government would engage in very rapid trade liberalization becomes even more salient. Arguably, the political problems presented by trade liberalization are compounded when trade is opened very quickly. While Rodrik's political cost-benefit ratio does not specify how time affects the tenability of liberalization, it stands to reason that a more rapid shift will more quickly generate the redistributive effects that make reform difficult in the first place. Moreover, industries that might be capable of adapting to slowly opened trade are more likely to be ruined by the rapid liberalization, an outcome that is undesirable for both industry and government. In short, there is every reason to believe that while trade reform may be politically difficult, rapid trade reform should be unthinkable, unless there is a substantial economic or political impediment to gradual reform that is alleviated by rapid policy alteration.

In spite of the ostensible political difficulty associated with rapid trade liberalization, Dornbusch emphasizes that more measured trade liberalization may face unique political challenges that are alleviated by the rapid implementation of open trade policy: “Too long a phase-in period with too many safeguards for those who might be adversely affected is an invitation to disruption and reversal.”¹⁹ As a consequence, administrations that face potential roadblocks to their plans for a relatively gradual liberalization may instead risk rapid liberalization in order to circumvent the development of a countermovement against the policy change. In a similar vein, Roland sees a trade-off for policy makers planning to liberalize: rapid change may have lower *ex ante* acceptability but is less reversible, while gradualism may be more immediately acceptable but more easily reversed.²⁰ In the case of trade policy, rapid opening may

have the effect of weakening the coalition that might resist reforms by driving the most likely to be resistant (i.e., the least competitive on the global market) out of business, allowing for the long-term consolidation of reforms. There is a calculated logic to rapid trade reform, then, even if it appears politically and economically counterintuitive. The puzzle is under what conditions the logic of rapid reform becomes more compelling to policy makers than the fact that trade reform is likely to be politically inefficient and potentially unpopular in the short run.

Conditions Necessary for the Logic of Rapid Reform

Case studies and theoretical accounts have identified a number of conditions necessary and sufficient for administrations to undertake the politically troublesome task of rapidly lowering trade barriers. Particular proposed conditions include (1) authoritarianism or the weakness of constraints on the executive, or dissimulation by elected officials about their policy intentions (i.e., “policy switching”); (2) economic crisis conditions that raise the acceptability of rapid policy alteration; (3) conditions (e.g., prosperity) and policies (e.g., devaluation) that dampen the short-term costs of liberalization; and (4) the presence of entrenched manufacturing interests resistant to reform. Although not often framed in these terms, these enabling conditions may be grouped into either “willingness” or “opportunity” conditions, or conditions that create “the will to act” or the “real-world situation that somehow permits action to occur,” respectively.²¹ An authoritarian executive may be able (i.e., opportunity) to make rapid policy changes, for example, but without motive to do so (i.e., willingness), such a change is unlikely; the same is true when willingness (e.g., inflationary crisis) exists but opportunity does not. In this view, what becomes analytically important are not simply the individual conditions that enable an outcome but the combinations of conditions that are sufficient for an outcome to occur. The proposed role of each of the conditions in promoting the logic of rapid trade liberalization is laid out in Table 1, willingness conditions following conditions that generate opportunity.

Beginning with conditions that enable liberalization by generating opportunity for rapid reform, executive autonomy arguments for liberalization generally focus on the capacity of the administration to make reforms without being hampered by veto players elsewhere in the government or by civil society opponents of the policy changes. One strain of thought suggests that rapid liberalizing reforms are likely to evoke protest and resistance from social coalitions that are adversely affected by those reforms; as such, authoritarian administrations are linked to or are the most likely to oversee rapid liberalization.²² A different version of this argument indicates that the important condition is not so much authoritarianism itself, but whether there are effective checks on the executive. In situations where there are few institutional veto players, the executive is able to pursue policies that are deemed necessary or desirable, leaving other government or civil society actors little recourse.²³ With institutional checks on the authority of the executive, the concerns of civil society are more likely to derail efforts at liberalization.

Table 1. Proposed Necessary Conditions for Logic of Rapid Trade Liberalization by Type

Opportunity conditions	Willingness conditions
Unconstrained executive (Sheahan 1980) Policy switch (Stokes 2001) Devaluation (Dornbusch 1992) Strong growth (Rodrik 1994)	Hyperinflation (Weyland 2004) Negative growth (Bates and Krueger 1993) Strong manufacturing sector (Dornbusch 1992)

Second, campaign dissembling and precipitous policy switching have also been framed as enabling conditions for democratically elected presidents to reform trade policy rapidly. Dissembling allows for unpopular policy to be initiated by a democratically elected executive who campaigned on a platform opposing the policy in question.²⁴ The switch itself amounts to an opportunity to implement the policy unavailable to the opposing candidate who advocated the unpopular policy and was defeated. Stokes argues that these policy switchers are more likely to mislead about their policy intentions when a race is close and to switch policy abruptly when they have little support in the legislatures. In Latin America, policy switchers have uniformly run on a platform of “security-oriented” policies, which have populist appeal, and implemented “efficiency-oriented” policies once in office.²⁵ There is a “Nixon goes to China” logic to many of these policy switches, in which avowed critics of trade liberalization argue that there is no choice but to reform trade policy; this allegedly lends policy switchers the benefit of the doubt in the eye of a public that would not elect an advocate of that same policy. In short, policy switching after a vague or security-oriented campaign is potentially an opportunity to initiate policy that was resisted by the public in elections.

Last, two economic conditions are likely to dampen the effects of trade liberalization: strong growth and devaluation of the domestic currency. These conditions theoretically provide windows of opportunity for the rapid lowering of protections: the rapid reduction of protection under these propitious conditions reduces the potential for the reforms to be reversed at a later point when conditions do not provide the same cushion for protected, import-substituting producers. Rodrik argues that strong overall growth across the economy helps to mask the redistributive effects that make trade liberalization politically inefficient.²⁶ In terms of his heuristic for the political cost–benefit ratio, the gains from strong economic growth combine seamlessly with the net gains from trade liberalization, consequently lowering the cost–benefit ratio. Essentially, the net gain from trade reform is indistinguishable from general economic growth; those who are on the losing side of the redistributive effects of the reform are less likely to suffer—or likely to suffer less—in times when there is strong economic growth across the economy. Hence, in opposition to the prediction that liberalization will accompany economic crisis, the logic here predicts that trade reform will be adopted in times when the losers are partially compensated by a strong economy. The second compensatory measure is devaluation.

Dornbusch argues that devaluation of the domestic currency is a necessary component of successful liberalization: falling value of the domestic currency both increases the competitiveness of domestically produced goods on the world market by making them less expensive abroad and weakens the capacity of domestic consumers to import foreign goods by making them more expensive.²⁷ Otherwise unpopular devaluations can thus mitigate the effects of rapid market opening by allowing previously protected producers to defend their domestic markets and enter foreign markets simultaneously.

The second set of conditions includes those that might foster rapid reform by generating a desire to liberalize quickly. Economic crises in the form of stagnant growth, high inflation, and debt have been recognized as important causes of the shift to neoliberal, open-market economies in Latin America. Weyland is the chief proponent of the inflationary crisis hypothesis. His explanation for radical neoliberal “shock treatments” epitomized by the Fujimori shock plan of 1990 relies on prospect theory, the notion that citizens are more willing to accept risky economic policy when they are in the “domain of losses,” or suffering economic crisis.²⁸ This argument treats hyperinflation—a phenomenon that broadly affects a country—as the economic condition that is sufficiently destructive for people to consider themselves in the domain of losses. Though Weyland’s argument is geared more toward stabilization, one would expect to find hyperinflation to be a necessary condition for rapid liberalization more broadly, at least in countries where there are democratically elected executives; indeed, trade liberalization aligns domestic and international prices and is thus a generally accepted solution for spiraling inflation.²⁹ A second measure of economic crisis is also used here: negative annual GDP growth, which also represents an economic crisis that, if not as salient as hyperinflation, is often addressed by policy alterations. Bates and Krueger suggest that poor rates of growth are a necessary condition for reform in general: “Conditions of economic stagnation (and the recognition that it is likely to continue) or continued deterioration are evidently prerequisites for reform efforts.”³⁰ More specifically, for countries with stagnant growth rates “trade reform can shake an economy out of a slow-growth trap, toward an acceleration of growth which then develops its own dynamics and financing.”³¹ Thus, both inflationary and growth crises may be tied to the willingness to adopt rapid liberalizing reforms in general, and trade reform in particular.

The final condition is the presence of entrenched interests that might effectively disrupt a gradual reform of trade policy. As cited above, Dornbusch treats gradual liberalization that invites “disruption and reversal” as a real threat. Broadly speaking, he views the import-substituting manufacturing sector (and labor in that sector) as the natural enemy of trade liberalization.³² Nor is he alone. Having been the beneficiary of a protected domestic market and state subsidies, the import-substituting sector has been seen largely as inefficient and uncompetitive, profiting only because of state intervention in the market. In fact, the protected manufacturing sector faces a double threat from liberalization: a flood of cheap imports that would displace local goods from the domestic market; and an inability to export because of low quality and high production

costs. In short, this sector is naturally resistant to liberalization, and, commonly having ties to the government itself, is precisely the kind of disruptive force that Dornbusch supposes. Rapid liberalization, then, may be a response to the strength of this import-substituting sector and its potential to disrupt reform and a means of circumventing the sector's efforts to disrupt more gradual reforms.

The relative importance of these potentially necessary opportunity and willingness conditions for rapid trade liberalization is explored in the following sections, first through an fsQCA of sixty-one Latin American administrations between 1970 and 2000 and second through three capsule case studies. The fuzzy-set analysis isolates patterns of conditions among the universe of cases, while the case studies are meant to elucidate the dynamics involved in the implementation of rapid trade liberalization; the details are, of course, specific to the Mexican, Uruguayan, and Peruvian experiences, but are illustrative of the wider patterns.

Fuzzy-Set Qualitative Comparative Analysis

Fuzzy-set methods allow investigators to transform qualitative categories into continuously coded scores that are subject to analysis. They do so by (1) assigning “fuzzy” set membership scores to the cases based on the degree to which they correspond to the relevant qualitative categories and (2) analyzing the relationships between the values of the membership in causal conditions with the outcome. This “diversity-oriented” approach offers a middle way between the specificity of case studies and the breadth of larger- N studies by generating a means by which the logic of case studies may be applied to numerous cases.³³ Several features of case studies differ explicitly from the variable-oriented, linear statistical approach to larger- N studies: (1) elements of cases are treated not as distinct and independent causes but as conjunctural elements that must be considered in the context of each other; (2) case studies are outcome-oriented in the sense that they are designed to begin with an effect and look for the causes, while linear statistical methods begin with causes and calculate the effects; (3) causation is treated as multiple and conjunctural, in that there may be numerous causes or combinations that lead to the outcome in question, rather than relying on the assumption of homogeneity across cases.³⁴ At the same time, set analysis uses quantified representations of particular characteristics of the cases in question, making it possible to use the non-homogenizing, outcome-oriented case study logic across a larger number of cases without the extensive narrative that would otherwise be necessary. As it specifically seeks to identify conditions necessary and sufficient for the logic of rapid reform across a relatively large number of cases, this study uses fsQCA as described by Ragin for the primary large- N analysis.³⁵

Set theory—including fuzzy-set theory—rests on a very different logical foundation than the probabilistic statistical methods increasingly employed in the social sciences. Although it has been convincingly argued that the manner in which these different methods approach causality is incomparable, efforts have been made to evaluate them side by side.³⁶ Katz, Vom Hau, and Mahoney recognize that the difficulty inherent in

these comparisons results from the fact that they work in “different causal universes,” that linear statistical methods focus on the effects of particular causes rather than on the causes of a particular event.³⁷ Moreover, set methods are geared toward the isolation of necessary and sufficient conditions rather than the estimation of the mean effects of independent variables on the outcome variable.

Data and Calibration

While there are a number of different manners of assigning membership in fuzzy sets, the method applied here is the “direct calibration” of the raw data as described by Ragin.³⁸ The process involves tying the raw data to anchors or cut points that are of qualitative and theoretical importance (full membership, midpoint, and full nonmembership) and then using a log odds transformation to calculate the degree of membership on a scale of zero to one. In this process, there is often some loss of variation in the observed values; Verkuilen argues that “[t]o the extent that conceptual boundaries are . . . part of [the] theory, they should be represented even at the cost of variation,” and Ragin posits that a tighter fit between data and theory is one of the strengths of fuzzy-set analysis.³⁹

Take, for example, trade liberalization. In this study, “rapid” trade liberalization is defined as a 50 percent or more change over two years in a country’s score on Morley, Machado, and Pettinato’s commercial reform index, which is a composite of the average tariff level and dispersion; this follows Morley et al.’s definition of “major reform” as a 50 percent change in the overall index over a decade period.⁴⁰ Administrations from eleven Latin American countries between 1970 and 2000 that lasted over a year are treated as single cases ($N = 61$).⁴¹ The largest two-year change in the trade index during each administration, be it positive or negative, is treated as that administration’s raw trade liberalization score. Changes of less than 5 percent in the index are considered incremental or gradual policy changes that would not have the dislocating effects on the populace in the short term; hence incremental positive changes of less than 5 percent and all negative (i.e., increasingly protectionist) changes are classified as full nonmembers of the set of rapid liberalizers. In other words, variation below the 5 percent change mark is considered immaterial. The midpoint is defined as a 25 percent change, the point at which membership is the most ambiguous. A transformation is used to impose these external, qualitative anchors on the raw scores by calculating the log odds of membership in the set based on the degree of deviation from the defined midpoint. A standard transformation is then used to convert the log odds scores to a number between 0 and 1, which represents the degree of membership in the set of rapid liberalizers. Figure 1 represents the outcomes of this transformation, plotting the calibrated fuzzy-set score against the raw rates of trade liberalization.⁴² As full members or full nonmembers of the set of rapid liberalizers, the variation above a 50 percent change and below a 5 percent change is theoretically immaterial.

Table 2 lists those among the sixty-one administrations that made trade policy changes that registered a 10 percent or greater change on the commercial reform index

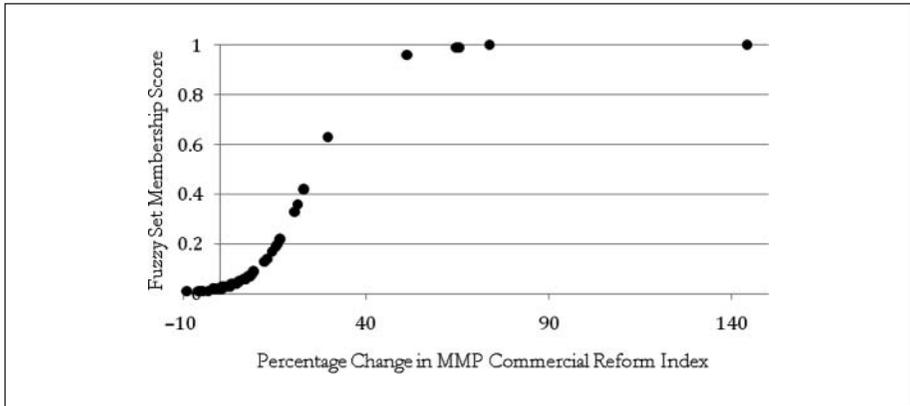


Figure 1. Calibration of trade liberalization data

Table 2. Rapid Trade Liberalizing Administrations in Latin America, 1970–2000

Country	Executive	Administration years	Liberalization years	Percentage index change	Fuzzy-set membership
Uruguay	Military	1972–85	1977–79	8716.7	1
Chile	Military	1973–90	1973–75	144.2	1
Argentina	Military	1976–83	1976–78	73.8	1
Paraguay	Stroessner	1970–89	1985–86	65.5	.99
Peru	Fujimori	1990–95	1990–92	64.6	.99
Peru	Military	1970–80	1978–80	51.2	.96
Brazil	Sarney	1985–90	1986–88	29.5	.63
Bolivia	Military	1971–78	1972–73	22.9	.42
Colombia	Barco	1986–90	1988–90	21.3	.36
Ecuador	Borja	1988–92	1988–90	20.4	.33
Colombia	Pastrana B.	1970–74	1972–74	16.5	.22
Venezuela	Perez	1989–93	1989–91	15.8	.20
Mexico	de la Madrid	1982–88	1985–87	15.4	.19
Argentina	Menem	1989–95	1989–91	14.3	.17
Brazil	Collor	1990–92	1990–92	12.9	.14
Colombia	Gaviria	1990–94	1990–92	12.2	.13

and their corresponding calibrated score in the set of rapid trade liberalizers.⁴³ While all sixty-one administrations are coded and included in the analysis, these administrations represent the highest membership scores in the set of rapid liberalizers—with the top six countries approaching or reaching full membership.

An identical procedure is used to code the potentially necessary conditions of rapid reform. Measurements for each of the potentially necessary conditions correspond to

the first year of the reform, when particular trade policies were initiated. The proposed necessary conditions outlined above are quantified with a set of seven measurements. Executive autonomy to act without institutional constraints is quantified with the 7-point scale for executive constraints from the Polity IV database.⁴⁴ The index for executive constraints is used in lieu of the democracy index since the capacity for executives to act freely is more closely tied to institutional constraints than to the presence of democratic elections *per se*.⁴⁵ Recent policy switching data are taken from Stokes, and a variety of other historical sources were used to search for evidence of policy switches prior to the period covered by her study; elected administrations are categorized as full policy switchers or clear non-switchers, and half membership was assigned for vague campaigns or partial switches.⁴⁶ The presence of economic crisis is captured with measurements for inflation and negative economic growth. Strong economic growth and a rapid loss of value for the domestic currency are treated as factors that would create propitious conditions for rapid reform by mitigating the losses caused by liberalization. Last, the presence of a sector resistant to reform of trade protections is measured by the percentage of value added to the domestic GDP by manufacturing firms. Using the percentage of value added to the GDP has the benefit of indicating the strength of manufacturing relative to other sectors in the economy, which is important because the capacity of the sector to resist or disrupt reforms rises with its relative importance to the economy. As the case studies below suggest, the strength of business organization in the manufacturing sector seems to have been less critical than its importance to the economy as a whole. Moreover, value added to the GDP is useful because it is a single figure that captures that shared interest that capital and labor in protected manufacturing share in the maintenance of trade protection. (Appendix A provides the specific sources for these measurements, as well as the anchors used to calibrate them into fuzzy-set scores. Appendix B provides the actual membership scores for each of the administrations in the study.)

Analysis

The fsQCA analysis of necessary conditions involves the examination of the membership of each of the sixty-one administrations in the set of rapid trade liberalizers with their membership in the sets of the causal conditions; conditions are considered necessary when the membership in a condition set is greater than or equal to the membership in the set of trade liberalizers (i.e., when Y is a subset of X). This is often depicted visually with a scatterplot of the two membership scores of the cases: for necessary (or nearly necessary), the marks will be clustered below the forty-five-degree diagonal that runs from the origin to upper right corner. Figure 2 depicts this relationship for hyperinflation: in 70 percent of the cases, the points fall on or below the line (i.e., $X \geq Y$). The extent to which this subset relationship is true is referred to as “consistency”; hyperinflation has a .7 consistency score relative to rapid liberalization. For sufficient (or nearly sufficient) conditions, the points should be clustered above the forty-five-degree

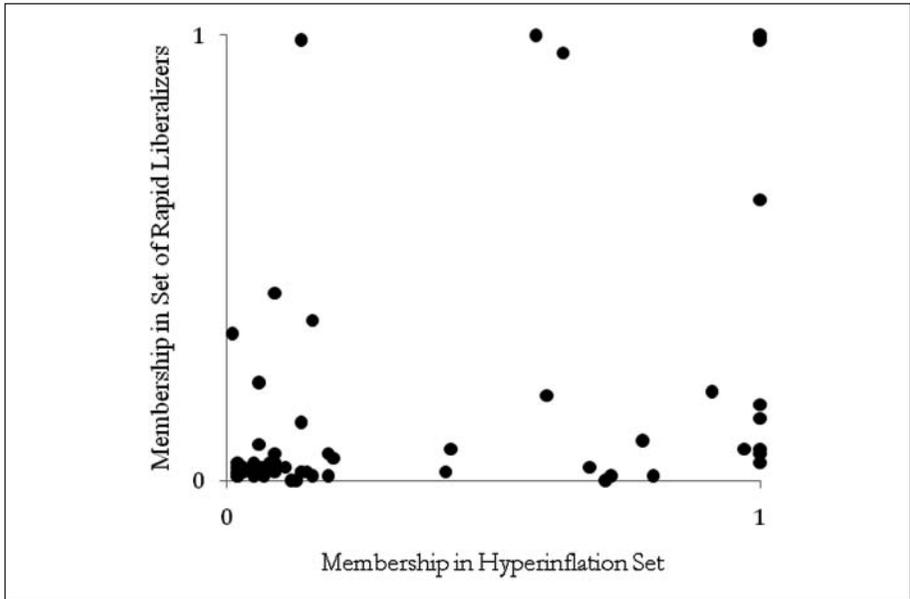


Figure 2. Hyperinflation as necessary condition

line. With perfectly necessary and sufficient conditions, the points should fall exactly along the forty-five-degree line (i.e., $X = Y$).

A second element of the analysis—the assessment of triviality—addresses the commonly leveled critique against the examination of necessary conditions that they are often trivial: in a probabilistic world, for a condition to be absolutely necessary for an outcome, it must be essentially constant. Downs, for example, argues that because there are innumerable necessary conditions that can be demonstrated to exist for any particular phenomenon, such as gravity is a necessary condition for war; the isolation of these conditions is clearly not meaningful.⁴⁷ Ragin’s concept of “coverage”—defined as “the degree to which a cause or causal combination ‘accounts for’ instances of an outcome”—addresses this concern by providing a measure of empirical relevance.⁴⁸ Where the coverage score is very low, it indicates that the causal condition, while fully or nearly necessary, is far from being the only causal pathway to the outcome of interest (i.e., it is not a sufficient condition). The coverage score is calculated as $\sum[\min(x_i, y_i)] / \sum(x_i)$, or the sum of the smaller membership scores divided by the sum of the membership scores for the causal condition.⁴⁹ Visually, the coverage or triviality is represented by the distance between each point on the scatterplot and the forty-five-degree line: the farther from the line each point is (i.e., closer to $X = 1$ if $Y \neq 1$), the lower the aggregate coverage score and the less important the necessary condition is empirically. Hyperinflation as a usually necessary condition, for example, has a

coverage score of .35. The assessment of the importance of sufficient conditions is generally the same, but the key measurement is from points *above* the forty-five-degree line to the diagonal.⁵⁰

In addition to the issue of triviality, this analysis of these cases takes into account a second critique that has been levied against set analysis in the social sciences: it adopts a non-deterministic view of the relationship between conditions and outcomes by using a modified, or relaxed, notion of necessity. As a response to criticism that set methods isolate necessary conditions and therefore treat causality deterministically, Ragin proposed consistency guidelines for “usually necessary” and “almost always necessary” conditions, .65 and .80, respectively.⁵¹ While linguistically the notion of a necessary condition that is not always necessary seems paradoxical, it fits the study of most social phenomena better than a strictly deterministic view and accounts for the possibility of measurement error and random effects. It is only after conditions have been determined to be necessary or nearly necessary that their relevance is calculated.

In QCA, the combination of sufficient conditions is done with the logical combiners “AND” and “OR.” Used in the calculation of sufficient conditions, AND allows for the determination of when joint conditions (i.e., where both are present) are sufficient. “OR” allows for calculation of conjuncturally sufficient conditions where either one or the other is present. Technically speaking, AND is a minimizing function that results in the combination having the lower of the scores from the two constituent conditions. For example, $.5 \text{ AND } .75 = .5$; if an administration is largely unconstrained (.75) and only partly affected by hyperinflation (.5), its membership in the set of unconstrained administrations suffering hyperinflation is .5. OR is a maximizing function as it takes the higher of the two values. Thus, $.5 \text{ OR } .75 = .75$, or an administration’s membership in the set of unconstrained or hyperinflationary administrations is .75.

While necessary conditions are treated as individually enabling, sufficient conditions are assessed as conjuncturally meaningful rather than simply as individual conditions. The assessment of the sufficiency is done with the creation of a “truth table” consisting of all possible combinations of conditions (128 possibilities for the seven conditions treated here). Each combination has a joint membership score, based on the rules of combination above, that can be used to assess whether the causal combination is a consistent subset (i.e., $X \geq Y$) of the outcome, or the set of rapid trade liberalizers. The consistency cutoff in the process of assessing sufficient conditions is .75, the minimum recommended for truth table analysis of sufficient conditions; those below the threshold are considered false solutions.⁵² The consistently sufficient combinations are then reduced or simplified to the most parsimonious solutions by excluding the conditions whose presence and absence is immaterial for the outcome when included in otherwise identical combinations of conditions. Again, as absolute sufficient conditions are rare in social science, near sufficiency is treated as probabilistically meaningful.⁵³

Table 3. Analysis of Necessary Conditions

		Rapid liberalization		~Rapid liberalization	
		Consistency	Coverage	Consistency	Coverage
Opportunity conditions	Unconstrained executive	.79 ^a	.50	.19	
	~Unconstrained executive	.38		.84 ^a	.95
	Policy switcher	.37		.30	
	~Policy switcher	.86 ^a	.20	.75 ^a	.86
	Devaluation	.73 ^a	.31	.35	
	~Devaluation	.39		.67 ^a	.92
	Strong ec. growth	.37		.46	
	~Strong ec. growth	.76 ^a	.22	.59	
Willingness conditions	Hyperinflation	.74 ^a	.35	.31	
	~Hyperinflation	.45		.72 ^a	.93
	Negative ec. growth	.35		.14	
	~Negative ec. growth	.68 ^a	.14	.86 ^a	.87
	Strong manufacturing	.83 ^a	.26	.46	
	~Strong manufacturing	.47		.57	

Note: ~ indicates the inverse of a condition (1 – membership score).

a. Meets .65 consistency benchmark for usually necessary conditions

fsQCA Results

Table 3 lists the outcomes of the fsQCA test of the necessity of conditions, providing the “consistency” and “coverage” scores for each of the individual conditions in question relative to the outcome. Superscript indicate those conditions that meet or exceed the .65 consistency benchmark; coverage scores are only calculated for those conditions. The inverse of each condition and the outcome is indicated by the tilde (~) and is simply one minus the membership score for each condition. The inverse conditions are included as a means of confirming the relevance of each of the conditions. In terms of opportunity-generating conditions, on the left side of Table 3 an unconstrained executive appears, as anticipated, to be a nearly necessary condition for rapid liberalization. This is reinforced by the finding in the right column that a constrained (i.e., not unconstrained) executive appears to be a nearly necessary condition for not undertaking rapid reform. Economically, both a strong devaluation and the absence of strong economic growth appear to be important enabling conditions, though negative growth itself does not seem to be a strongly motivating factor. This does not conform to either of the competing expectations that rapid liberalization will be undertaken at times of heady and compensatory economic growth or in times of stagnation. In terms of conditions that enable rapid reform by generating willingness, in the lower portion of Table 3 there is clear support for the notion that hyperinflationary conditions are

usually necessary. However, the enabling condition that is the most consistent with rapid liberalization is the presence of a potentially resistant import-substituting manufacturing sector, the sidestepping of which may be accomplished by rapid policy change. Although not sufficient by themselves to generate rapid trade liberalization, both of these conditions are found to be factors that enable hasty liberalization by raising the stakes of gradualism or inaction. Individual enabling conditions are likely to be usually sufficient in combination with each other.

The right side of the Table 3 represents necessary conditions for non-rapid liberalization (i.e., either gradual change or increased protectionism), which is, as discussed above, the norm. The analysis of the conditions associated with gradualism or increased protectionism allows for the confirmation of the importance of the conditions evaluated in the left side of the table. The conditions that are the most consistent are also those that are generally "normal" among the administrations in question: some executive constraints, not being a democratically elected policy switcher, not strongly devaluing domestic currency, not having an inflationary crisis, and not having strongly negative GDP growth. The fact that these conditions appear to be highly consistent with the modal approach to trade policy lends support for the manner in which the conditions have been defined.

Several findings in Table 3 require further explanation: both policy-consistent elected administrations and non-negative economic growth are found to be usually necessary conditions for both rapid liberalization and for gradual liberalization. In both cases, policy switching and negative growth are rare conditions, enough so that they appear to be enabling for the opposing outcomes. This finding illustrates the importance of the coverage score for illustrating the relative importance of necessary conditions: the comparatively high coverage score for both conditions in the right-hand column indicates that they are markedly more important as a condition for not reforming rapidly. Not undertaking rapid reform is the "normal" outcome, so it is logical that these comparatively common conditions would be identified as important for it.

The results from the truth table analysis for sufficient conditions are presented in Table 4. The analysis and simplification result in three combinations of conditions that are "usually sufficient" for rapid reform: the simultaneous presence of a strong devaluation and an unconstrained executive, hyperinflationary crisis and an unconstrained executive, and the simultaneous presence of a strong manufacturing sector and an unconstrained executive. Individually, each of these conditions was found to be a usually necessary, or a strong enabling, condition; in combination with each other, they are found to be usually sufficient. Each of these combinations is highly consistent with the undertaking of rapid trade liberalization.

Considered along with the conditions that were found to be nearly necessary, there are several points to be elucidated. First, it is clear that an unconstrained executive is both an important enabling condition and a key part of sufficient combinations of conditions.⁵⁴ The dynamic revealed by this analysis, however, does not indicate that rapid liberalization is simply about the capacity of institutionally unconstrained administrations to make whatever policy changes they desired. In the first place, numerous

Table 4. Analysis of Sufficient Conditions

	Rapid liberalization	
	Consistency	Coverage
Devaluation AND unconstrained executive	.77 ^a	.56
Hyperinflation AND unconstrained executive	.76 ^a	.60
Strong manufacturing AND ~strong ec. growth AND unconstrained executive	.66 ^a	.58
Total solution	.63	.65

Note: ~ indicates the inverse of a condition ($1 -$ membership score).

a. Meets .65 consistency benchmark for usually necessary conditions.

authoritarian administrations chose not to make any rapid alterations to trade policy but instead chose gradualism. For example, neither Brazil's nor Bolivia's authoritarian regimes undertook rapid reform, nor did numerous administrations in the single-party Mexican government. Additionally, a lack of constraints was not enough for these executives to choose rapid change. Instead, it is a dynamic that also includes conditions that may have helped make that decision more broadly perceived as necessary or viable: the potential for resistance to change from entrenched manufacturing groups, the compensation of those and other potential losers through devaluation, or a hyper-inflationary threat to all sectors. Second, there is potential overlap between these sufficient combinations of conditions. In the case studies below, this potential overlap becomes clear. In Mexico, for example, de la Madrid, was relatively unconstrained and allowed devaluation to accompany the rapid liberalization program in order to compensate the initially resistant manufacturing sector; although the policy was enacted quickly to make an end run around sectoral opposition, partial devaluation was also allowed as an added measure to limit opposition from import-substituting manufacturers.

The dynamic that emerges from the analysis of necessary and sufficient conditions is one that highlights potential resistance to reform and conditions that made it possible to avoid the disruption of reform by that opposition. Where sectoral resistance was likely or had been successful in stalling trade reform in the past, administrations approached reform with the understanding that liberalization had to be done rapidly enough to sidestep some or all of the resistance from the protected manufacturing sector. While this appears to have been the strongest condition shaping the impetus to reform quickly, a variety of strategies seem to have been adopted to either help appease manufacturers or undercut their capacity to resist. With regard to appeasement, devaluation was one of the key components of rapid liberalization, a manner of making the transition to an open market more feasible for manufacturers. Again, devaluation assisted marginally competitive import-substituting manufacturers by making competing foreign goods more expensive domestically and by making domestic goods

relatively cheaper abroad, opening the possibility for exportation. With regard to side-stepping potential resistance, the lack of constraints on the executive was clearly of central importance. Finally, it appears that even in the case of hyperinflation, which produces popular support for speedy reform, an unconstrained executive is still a necessary component of overcoming protected manufacturing resistance to reform, a dynamic demonstrated below with the case of Peru's Fujimori, who went from policy switcher to autocrat in the process of enacting trade reform.

Case Studies

While the fsQCA analysis uses the logic of case studies on a large scale, the inclusion of several representative case studies is helpful in elucidating the dynamics and conditions that enabled and heightened the appeal of rapid reform. Episodes of tariff liberalization from Uruguay, Mexico, and Peru serve as illustrative—though naturally unique—cases. Uruguay (1977–79) represents an unconstrained executive with potentially strong resistance from protected manufacturers; Mexico (1985–87) represents both action by a moderately unconstrained executive and a compensatory devaluation in the face of strong manufacturing resistance; and the Peruvian case (1990–92) represents an elected erstwhile policy switcher and autocrat facing hyperinflationary crisis and moderately strong manufacturing resistance.

Uruguay

The coup carried out by the Uruguayan military in 1973 ended both a long period of military nonintervention in politics and longstanding policies of heavy state intervention in the economy, highly protected industrial development for domestic consumption, and economic redistribution.⁵⁵ Uruguay's history of protection for the promotion of industrialization reached back to 1875; over the century that followed, tariff rates and quantitative restrictions were raised and complicated by intense lobbying by beneficiary firms. This cycle of protection and lobbying generated perverse incentives: "The complications of the system led firms to believe (rightly) that obtaining tariff advantages was at least as important as bolstering productivity or improving quality control."⁵⁶ For a small country with the attendant small domestic market, the depth of import-substituting industrialization that the country had undertaken by the 1960s was striking; the coup, however, was a response to the economic and political instability resulting from the stagnation of the import-substituting model.⁵⁷

The economic project of Uruguay's new neoconservative or "Market-Authoritarian" regime was originally based on the National Development Plan (Plan Nacional de Desarrollo [PND] 1973–77) developed by the civilian regime preceding the coup.⁵⁸ The PND envisioned dismantling the import-substituting intervention in exchange for export-oriented growth and more liberalized trade as a response to poor growth rates and inflationary pressure throughout the 1960s. Rather than a significant lowering of tariff barriers and reduction of market intervention, however, the period from 1973 to

1977 was marked primarily by the active promotion of exports, specifically nontraditional.⁵⁹ Credit incentives and modified drawbacks (*reintegros*), which were later “quite openly used as plain subsidies,” were the chief mechanisms by which the regime prodded firms into exporting their goods; moreover, the continued erosion of real wages undercut domestic demand. These incentives were largely successful: by 1977 the industrial product had grown by 22 percent in real terms, exports had vastly increased, and many import-substituting firms were experimenting with exporting some products.⁶⁰ The growth of the export sector also created a constituency for the economic policies of the military regime.

In spite of the success of export-promoting strategies, high tariff barriers still protected import-substituting manufacturers. The military regime, pushed by technocrats in the Ministry of the Economy and Finance, decided to begin dismantling those protections in 1977, a time at which growth had rebounded and inflation had slowed but external debt had ballooned. The lowering of tariffs was viewed as the final step in the restructuring of the old economy and the dismantling of the protected industry and its capacity to lobby for market interventions. Finch argues that, for the reformers within the regime, the rapid dismantling of this sector was an urgent priority because of the potential for resistance if future conditions improved for manufacturers: “The contraction of the market since 1974, while severely affecting domestic industry, nevertheless [left] open the possibility of its recovery.”⁶¹ Rapid reform of the tariffs would be the nail in the coffin of protected manufacturers, who would be forced to become competitive on the open market or fold, either of which would eliminate their interest in maintaining a highly protected domestic market. Hence, the possibility of future resistance by protected producers was foregone by the establishment of a tariff reduction schedule, which, although suspended in 1981-1982, was swiftly implemented in the late 1970s. The brutal nature of the military regime circumscribed the capacity for protected manufacturers to resist. Indeed, based on interviews with Uruguayan firms, Mezzera and de Melo note a sense that the lowering of tariff barriers was a *fait accompli*, in stark contrast to the previous system of lobbying for protection: “[W]hen economic authorities decided to implement a course of action, they left few doubts about their intention, and extremely low profit opportunities remained outside the chosen path.”⁶²

In short, the unconstrained nature of the regime that undertook rapid unilateral trade liberalization in Uruguay made it possible for the rapid implementation of tariff reform; the combination of the condition with the historical strength of the protected manufacturing sector was sufficient for the implementation of rapid rather than gradual trade reform.

Mexico

Although by the quantitative metric used in the fsQCA section (i.e., average tariff levels and dispersion), Mexico in the mid-1980s does not achieve full membership in the set of rapid trade liberalizers, it is a suggestive case.⁶³ The process of unilateral liberalization of trade under the de la Madrid administration in the early 1980s reveals

both the importance of the strength of the import-substituting industrial sector as well as the use of devaluation and the lack of major institutional constraints. As in many other previously export-oriented Latin American countries, the Mexican strategy of inward development was initiated in the mid-1930s as a response to the global depression. Over the next four decades, the PRI-led state greatly expanded its role in the economy: it nationalized key sectors, most notably petroleum; established state-run enterprises; financed and guaranteed private businesses; and protected domestic import-substituting industries through tariff barriers and, the preferred method of protection, through import quotas.⁶⁴ By the 1970s, quota protections had become so high that some 80 percent of all products required an import license. In spite of pressures on the ISI development strategy, the Mexican government was able to maintain its *dirigista* presence through the 1970s, first through petrodollar loans and then through a spike in its own revenue earned from petroleum exports.⁶⁵

Undoubtedly, incentives to stabilize the Mexican economy and undertake deep economic reforms sprung out of the 1982 debt crisis. However, by 1985, when the more rapid trade liberalization was designed and implemented, inflation had slowed slightly, and the economy had returned to positive growth, in spite of falling petroleum prices.⁶⁶ Although there was slower growth and higher inflation to come, the economy had been relatively stabilized; the legacy of the economic crisis, then, appears to have been the motivation to initiate trade reform in general, rather than the factor that determined the speed with which it was implemented beginning in 1985.

In the aftermath of the 1982 crisis the de la Madrid administration came into office planning reforms to create freer trade, although the envisioned policy changes were “decidedly moderate and gradualistic,” involving primarily the rationalization of import licenses and export promotion.⁶⁷ Resistance to liberalization came from the entrenched interests of protected industries in Mexico and from allies in the executive branch, particularly the Ministry of Commerce and Industrial Development (SECOFI).⁶⁸ In the early to mid-1980s, manufacturing accounted for almost a quarter of the value-added to the Mexican GDP, making the sector a force to reckon with in efforts to alter trade policy, in spite of the fact that it was less organized than labor or the rural sector.⁶⁹ The diversity of the manufacturing sector notwithstanding, the protected manufacturing sector was by and large opposed to liberalization, and exerted its influence through SECOFI to forestall any liberalization.⁷⁰

Technocrats in the Central Bank, the Treasury, and the Ministry of Planning and Budgeting (SPP) became the chief proponents within the administration of a deep policy reform during this time; these agencies were significantly more insulated from political and personalistic demands from civil society and open to pressure from international financial institutions such as the World Bank. After 1985, as oil prices fell and the Mexican government began to see a shortage of foreign exchange, the World Bank worked closely with the Central Bank and SPP to design a liberalization program; these ministries began to argue for the importance of liberalization to economic stabilization, allowing trade reformers to conceptually “delink trade from industrial policy and to subordinate it to fiscal, monetary, and budgetary objectives. The operation allowed free marketers to wrest control over trade policy from SECOFI, thus depriving

interventionists of their main levers of influence.⁷¹ A more aggressive liberalization followed on the heels of these developments in a unilateral fashion, surprising and angering protectionists.⁷²

The simultaneous devaluation of the Mexican peso that occurred in 1985 was in large part due to pressure generated by the deterioration of Mexico's account balance.⁷³ However, Cronin argues that at least a partial devaluation was used as a gambit to keep newly exposed manufacturers from derailing the liberalization: "The devaluation deliberately provided a further margin of protection to domestic producers while creating incentives for exports. . . . Fewer imports would reduce import competition and, [reformers] hoped, keep at least some producers from pressuring the government to reduce course."⁷⁴ Although the decision to remove trade barriers appears to have been made, the devaluation was a compensatory mechanism to undermine and curtail unified resistance to the policy change.

The rapidity of the liberalization served a variety of purposes. First, as part of a stabilization program, it was intended to help swiftly resolve the Mexican government's exchange shortfall. Second, and more germane here, it allowed the more autonomous Central Bank and SPP to put in place their preferred policies while the advocates of protection (or simply more gradual reform) were deprived of their capacity to resist. Ultimately, as in Uruguay, although it was resentful, the speed of the implementation convinced the import-competing sector that the government was strongly committed to a long-term trade opening, rather than an implementing policy that would shift back toward protection with sufficient pressure.⁷⁵ In a sense, the acceleration of reform both precluded resistance from protectionists in the short-term and won their more long-term acceptance of freer trade.

The Mexican experience with trade liberalization also speaks to the importance of the capacity of the executive branch to act without major constraints: "Trade liberalization was not in the interest of important members of the governing political coalition, particularly an industrial sector that enjoyed a significant voice in the government. Nevertheless, a group of officials managed to muster sufficient support to bring about significant policy change."⁷⁶ Had the preferences of the import-substituting sector continued to be translated into trade policy, liberalization—especially relatively rapid liberalization—would likely not have been pursued. The strength of the protected manufacturers in Mexico and their capacity to resist wholesale liberalization through pressure on the government forced the group of reformers to use devaluation to compensate and divide the sector and speed to avoid effective opposition. Rapid and deep reforms would weaken the protected sectors and allow a liberal trade policy to be consolidated without such entrenched resistance. The effort to push tariff reforms aggressively in order to avoid resistance from interests illustrates precisely the dynamic that appears to have occurred in other Latin American states that liberalized very rapidly.

Peru

Peru in 1990 is a case in which there was a moderately high potential for resistance to trade liberalization (in addition to both growth and inflationary crises); moreover,

given electoral opposition to a liberalizing shock and successful resistance to previous liberalizing reforms, a policy switch was necessary to initiate a rapid opening. Historically, Peru undertook import-substituting industrialization at a relatively late date. The effort to industrialize the country began in the early 1960s as a consequence of rising uncertainty about continued expansion of primary exports (especially in the mining and petroleum sectors) and the need to address Peru's staggering income inequality. The first Belaúnde administration (1963–68) began the industrializing project in earnest. "Debt-led state intervention" continued under the reformist military regime of Juan Velasco, and only in the late 1970s was there thought given to lowering the protections that had been raised over the previous two decades.⁷⁷ Between 1963 and 1990, despite the differences in the administrations, there was remarkable consistency between them in their lack of will to liberalize trade. In sum, "The Peruvian manufacturing sector developed for three decades [1960–90] sheltered by a set of tariff and nontariff barriers that permitted it to enjoy very high—and in some cases infinite—levels of protection."⁷⁸

Although some trade opening had occurred in the late 1970s under the military regime, earlier democratic efforts at trade liberalization had been frustrated by opposition from the manufacturers whose livelihoods were threatened by increased trade openness. Shortly after coming to office in 1980, the Belaúnde administration announced a sharp reduction of tariff and non-tariff barriers to be implemented in 1981. Domestic industry was heavily affected by these changes—manufacturing output falling by 20 percent and idle capacity growing by more than 50—such that pressure brought by the manufacturing sector succeeded in forcing Belaúnde to restore the tariff levels to their pre-reform levels.⁷⁹ These protections were maintained throughout the administration of Alán García, in spite of stagnating growth and hyperinflation.

President Fujimori reversed this protectionist trend with his precipitous policy switch in 1990. The belief is widespread that he would not have won the election had he campaigned on promises of the reform policy that he implemented.⁸⁰ Like other presidents who campaigned on what Stokes calls "security-oriented" policy but enacted "efficiency-oriented" policy, it was the dissimulation (nefarious or not) about the policy to be enacted that allowed Fujimori to be elected in the first place; hence, the switch itself generated the opportunity for the initiation of rapid reform. Although the claim that Fujimori simply did not comprehend the depth of the problems in the Peruvian economy until he was elected may be incredible, it is unlikely that he purposefully misled the electorate about his intentions.⁸¹ It was not until after his election and a variety of meetings with International Monetary Fund and Inter-American Development Bank (as well as the Japanese government) that the decision was made to implement a package of reforms, including trade liberalization; the international financial institutions advocated for a rapid implementation of reforms, warning that failure to do so would lead to continued economic problems.⁸² All involved were no doubt aware of the successful resistance to Belaúnde's earlier efforts at liberalization. In short, having been elected—a consequence of promising

gradualism—left Fujimori in the position to make rapid change, which he believed necessary to end the hyperinflationary crisis.

The opening of trade policy was severe and not uncontroversial. During the first years of the “Fujishock,” the mean tariff level fell from 71.9 percent to 23.6 percent while categories of protected goods dropped from fifty-six to three.⁸³ While there was support among some business groups for the reform package, Gonzales documents resistance to the trade liberalization among manufacturers and businesses that were rendered insolvent by the falling barriers to trade.⁸⁴ Moreover, parallel resistance to the reforms in the Peruvian Congress were at the heart of Fujimori’s decision to carry out the *autogolpe* that included the dissolution of Congress, an indication of the extent to which the reforms were threatened by the legislative body. In spite of a measure of domestic resistance, Fujimori was bolstered by the absence of criticism from segments of the international community that supported rapid liberalizing shocks.⁸⁵

In sum, in terms of motivating factors for pursuing trade reform rapidly, Peru faced both slow growth and staggering levels of inflation, and, although Peru had a lower level of economic reliance on the import substituting manufacturing sector than other Latin American countries, its previously successful resistance to democratically led trade reform presented a clear threat to new efforts as well. Fujimori’s policy switch made initiation of rapid liberalization possible, while the temporary dissolution of Congress allowed the reforms to take hold.

Conclusions

This study addresses the logic of rapid trade reform, a policy decision that is by most accounts politically difficult. The results of the fuzzy-set analysis indicate that speed has appeal when there is a danger that incremental reforms will be “disrupted and reversed” and when there is a means by which that disruption may be averted by partially compensating the resistant sectors and using political power to initiate and carry out rapid trade reforms. While almost always necessary for the initiation of rapid reform, these conditions are independently insufficient to ensure that it will be initiated. Only in combination do the conditions appear to be sufficient for rapid reform. Neither potential resistance from a protected manufacturing sector nor hyperinflationary crisis appear to have been sufficient until coupled with the presence of an authoritarian or relatively unconstrained executive.

The methodological value of this study lies in its application of fsQCA as a corrective to (1) quantitative studies that consider a large number of cases without an appropriate means of assessing all combinations of conditions and (2) small-*N* comparative studies that do consider conjunctural causes but lose leverage because of the small number of cases considered. The brief treatment of the Uruguayan, Mexican, and Peruvian cases illustrates how the nearly necessary conditions interact with each other to generate combinations of conditions that are sufficient, while the fsQCA section allows for that comparison to be expanded to a much broader group of Latin American administrations. With combinations of willingness and opportunity conditions analytically

important, a means of assessing the importance of the conjunction of conditions is crucial; the fruitful application of this broadly discussed but underutilized method in this study recommends its broader consideration in the social sciences.

As a method capable of handling large numbers of cases, the fsQCA analysis also offers substantive correction to conclusions drawn from comparative studies that examine fewer cases. For example, Weyland's study of the cases of stabilization programs in Peru and Argentina (compared with Brazil and Venezuela) concludes that rapid policy change is made acceptable to policy makers and the masses alike during inflationary crises, when the citizens find themselves in the "domain of losses." This study does not rebut the importance of hyperinflation in an administration's decisions about the speed at which trade reform is to be adopted; quite to the contrary, Fujimori's trade reform in Peru and Menem's in Argentina (and a large percentage of all rapid liberalizing projects) are qualified in this study as having been initiated under hyperinflationary conditions. However, the study does illustrate that, for a broader group of administrations throughout Latin America, neither crisis in growth nor in massive inflation is by itself a sufficient condition for rapid changes to the trade regime. This undermines the general notion that the manner in which trade reforms have been implemented in Latin America is shaped primarily by poor economic conditions, as even under such conditions governments are bound by political concerns, both institutional and coalitional. The study offers a similar corrective for studies that place a paramount emphasis on the importance of authoritarian executives: lack of institutional constraints is an important enabling condition, but by itself is not always sufficient to produce rapid policy change, instead generally requiring the presence of other conditions that generate a willingness to act quickly.

While hyperinflation and authoritarianism have been discussed at length in other studies, this analysis offers confirmation of Dornbusch's suspicions about the political difficulties of incremental trade reform: rapid reform is often provoked by the presence of a strong, protected manufacturing sector, willing to lobby to derail reform; its potential opposition requires rapid reform, generally pushed forward by an executive branch with few or no constraints. This is clearly one of the causal pathways to rapid reform identified by the fuzzy-set analysis. On one hand, the finding may seem paradoxical; rapid implementation, however, had the short-term benefit of creating the sense that liberalization was a *fait accompli* as well as weakening the manufacturing sector's longer-term capacity to resist trade reform, even if the sector was partially compensated by currency devaluation.

Finally, this analysis also emphasizes the existence of various paths to rapid liberalization. Not all rapid reforms were motivated by hyperinflation but instead by the potential resistance to reform. In combination with an authoritarian executive, these represent two distinct paths that led to the rapid implementation of reform. Few outcomes in the social world are the consequence of a single variable; similarly, many outcomes have more than a single causal pathway. The fsQCA analysis has shown both of these to be the case regarding the causes of rapid trade reform in Latin America.

Appendix A

Data Description and Cut Points for Fuzzy-Set Membership Assignment

Condition	Definition	Descriptive statistics for raw data	Cut points for set membership assignment	Source
Rapid trade liberalization (outcome)	Largest two-year percentage change in MIMP Commercial Index	Mdn = 3.1% M = 150.0% Min = -19.8% Max = 8,716.7% N = 61	Full member: 50 Midpoint: 25 Full nonmember: 5	Morley, Machado, Pettinato, "Indexes of Structural Reform" (data updated to 2003)
Unconstrained executive	Administration score for executive constraints during reform	Mdn = 6 M = 5.3 Min = 1 Max = 7 N = 61	Full member: 2 Midpoint: 4 Full nonmember: 6	Gurr and Jagers (Polity IV, Executive Constraints)
Elected policy switcher	Perceived degree to which presidents violate campaign promises about economic policy	Mdn = 0 M = .19 Min = 0 Max = 1 N = 61	Full member: 1 Midpoint: .5 Full nonmember: 0	Stokes, Mandates and Democracy
Exchange rate devaluation	Annual percentage of value lost by domestic currency against USD in first year of reform	Mdn = 59% M = 990.8% Min = -2.6% Max = 15,429.1% N = 61	Full member: 200 Midpoint: 100 Full nonmember: 50	World Bank, World Development Indicators
Strong economic growth	Annual rate of GDP growth in first year of reform	Mdn = 3.1% M = 2.6% Min = -8.6% Max = 14.0% N = 61	Full member: 6 Midpoint: 4 Full nonmember: 2	World Bank, World Development Indicators

(continued)

Appendix A (continued)

Condition	Definition	Descriptive statistics for raw data	Cut points for set membership assignment	Source
Hyperinflation	Annual rate of inflation in first year of reform	Mdn = 25.3% Ml = 424.7% Min = -7.7% Max = 12,338.7% N = 61	Full member: 100 Midpoint: 50 Full nonmember: 10	World Bank, World Development Indicators
Negative growth	Annual rate of GDP growth in first year of reform	Mdn = 3.1% Ml = 2.6% Min = -8.6% Max = 14.0% N = 61	Full member: -3.0 Midpoint: -1.5 Full nonmember: 0	World Bank, World Development Indicators
Manufacturing economy	Percentage value added to economy by manufacturing sector in first year of reform	Mdn = 19.2% Ml = 21.0% Min = 8.2% Max = 39.1% N = 61	Full member: 30 Midpoint: 20 Full nonmember: 10	World Bank, World Development Indicators

Appendix B

Fuzzy-Set Membership Scores for Outcome and Causal Conditions

Country and date	Executive	Date of liberalization	Rapid liberalizer	Strong manufacturing	Strong devaluation	Hyper-inflation	Strong economic growth	Unconstrained executive	Policy switcher	Negative economic growth
arg 73-74	Peron	73-74	0.01	0.99	0	0.72	0.14	0.18	0.05	0
arg 74-76	de Peron	74-76	0.01	0.99	1	0.19	0.91	0.18	0.05	0
arg 76-83	Military	76-78	1	1	1	1	0	0.99	0.05	0.74
arg 83-89	Alfonsín	83-85	0.07	0.96	1	1	0.5	0.01	0.05	0
arg 89-95	Menem	89-91	0.17	0.96	1	1	0	0.18	0.95	1
arg 95-99	Menem	96-97	0.03	0.4	0	0.02	0.91	0.18	0.62	0
arg 99-01	de la Rúa	99-01	0.02	0.35	0	0.02	0	0.05	0.05	0.98
bol 71-78	Military	72-73	0.42	0.15	0.09	0.09	1	0.99	0.05	0
bol 82-85	Siles Z.	83-85	0.04	0.03	1	1	0	0.01	0.05	0.99
bol 85-89	Paz E.	85-87	0.04	0.31	1	1	0	0.01	0.62	0.59
bol 89-93	Paz Z.	90-92	0.03	0.39	0.03	0.07	0.72	0.01	0.95	0
bol 93-97	Sanchez	96-97	0.02	0.42	0	0.05	0.63	0.01	0.62	0
bol 97-01	Banzer	00-01	0.02	0.2	0.01	0.03	0.1	0.01	0.05	0
bra 70-85	Military	73-75	0	0.95	0.02	0.12	1	0.99	0.05	0
bra 85-90	Sarney	86-88	0.63	0.98	1	1	1	0.18	0.05	0
bra 90-92	Collor	90-92	0.14	0.9	1	1	0	0.05	0.62	1
bra 92-95	Franco	92-94	0.06	0.8	1	1	0	0.05	0.05	0.11
bra 95-03	Cardoso	96-98	0.03	0.28	0.01	0.08	0.06	0.05	0.62	0
chi 73-90	Military	73-75	1	0.9	1	1	0	0.99	0.05	1
chi 90-94	Alwyn	90-92	0.03	0.47	0.02	0.11	0.39	0.01	0.62	0
chi 94-00	Frei	98-00	0.03	0.38	0.01	0.03	0.24	0.01	0.62	0
col 70-74	Pastrana B.	72-74	0.22	0.63	0.01	0.06	1	0.05	0.05	0
col 74-78	Lopez	74-76	0.02	0.75	0.03	0.14	0.93	0.05	0.05	0
col 78-82	Turbay	80-82	0.01	0.76	0.03	0.16	0.54	0.05	0.05	0
col 82-86	Betancur	82-84	0	0.64	0.13	0.13	0.01	0.05	0.62	0.01

(continued)

Appendix B (continued)

Country and date	Executive	Date of liberalization	Rapid liberalizer	Strong manufacturing	Strong devaluation	Hyperinflation	Strong economic growth	Unconstrained executive	Policy switcher	Negative economic growth
col 86–90	Barco	88–90	0.36	0.64	0.26	0.16	0.52	0.05	0.05	0
col 90–94	Gaviria	90–92	0.13	0.54	0.2	0.14	0.96	0.05	0.62	0
col 94–98	Samper	94–96	0.02	0.24	0.01	0.41	0.94	0.05	0.05	0
col 98–02	Pastrana A.	00–01	0.02	0.22	0.01	0.06	0.17	0.05	0.05	0
ecu 72–79	Military	77–79	0.04	0.38	0	0.09	0.07	0.99	0.05	0
ecu 79–81	Roldos	79–81	0.04	0.48	0	0.08	0.86	0.01	0.05	0
ecu 81–84	Hurtado	82–84	0.04	0.33	0.57	0.02	0	0.05	0.05	0.13
ecu 84–88	Febres C.	85–86	0.01	0.43	0.32	0.02	0.17	0.05	0.05	0
ecu 88–92	Borja	88–90	0.33	0.64	0.95	0.01	1	0.01	0.62	0
ecu 92–96	Duran–Ballen	94–96	0.03	0.17	0.07	0.08	0.74	0.01	0.95	0
ecu 96–97	Bucaram	96–97	0.02	0.15	0.05	0.03	0.08	0.01	0.62	0
ecu 98–00	Mahuad	98–00	0.01	0.1	0.99	0.02	0.06	0.01	0.05	0
par 70–89	Stroessner	85–86	0.99	0.15	0.1	0.14	0.49	0.99	0.05	0
par 89–93	Rodriguez	89–91	0.05	0.16	0.62	0.2	0.94	0.82	0.05	0
par 93–98	Wasmosy	95–96	0.03	0.23	0	0.06	0.9	0.01	0.05	0
per 70–80	Military	78–80	0.96	0.7	0.85	0.63	0	0.99	0.05	0.03
per 80–85	Belaúnde	82–84	0	0.74	1	0.71	0	0.05	0.05	0.14
per 85–90	García	86–88	0.01	0.74	1	0.8	1	0.05	0.05	0
per 90–95	Fujimori	90–92	0.99	0.83	1	1	0	0.95	0.95	1
per 95–00	Fujimori	95–97	0.03	0.25	0.01	0.06	1	0.82	0.05	0
uru 72–85	Military	77–79	1	0.95	0.5	0.58	0.02	0.95	0.05	0
uru 85–90	Sanguinetti	86–88	0.09	0.95	0.85	0.78	1	0.01	0.95	0
uru 90–95	Lacalle	90–92	0.07	0.88	0.97	0.97	0	0.01	0.05	0.03
uru 95–00	Sanguinetti	97–99	0.02	0.38	0.02	0.09	0.83	0.01	0.95	0
ven 70–74	Caldera	73–74	0.04	0.24	0	0.05	0.99	0.05	0.05	0

(continued)

Appendix B (continued)

Country and date	Executive	Date of liberalization	Rapid liberalizer	Strong manufacturing	Strong devaluation	Hyperinflation	Strong economic growth	Unconstrained executive	Policy switcher	Negative economic growth
ven 74–79	Perez	74–76	0.07	0.37	0	0.42	0.05	0.05	0.05	0
ven 79–84	Herrera	79–81	0.06	0.25	0	0.09	0.01	0.05	0.05	0.01
ven 84–89	Lusinchi	85–87	0.01	0.42	0.41	0.05	0	0.05	0.05	0.03
ven 89–93	Perez	89–91	0.2	0.27	0.95	0.91	0	0.05	0.95	1
ven 94–99	Caldera	94–96	0.03	0.17	0.97	0.68	0	0.05	0.95	0.85
ven 99–03	Chavez	99–01	0.02	0.44	0.01	0.14	0	0.18	0.05	1
mex 70–75	Echeverria	73–75	0.08	0.7	0	0.06	1	0.82	0.05	0
mex 76–81	Lopez P.	77–79	0.06	0.7	0.04	0.19	0.29	0.82	0.05	0
mex 82–88	de la Madrid	85–87	0.19	0.77	1	0.6	0.11	0.82	0.05	0
mex 89–94	Salinas	89–91	0.02	0.64	0.01	0.15	0.57	0.5	0.05	0
mex 95–00	Zedillo	98–99	0.01	0.6	0.01	0.07	0.8	0.18	0.05	0

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Notes

1. Samuel Morley, Roberto Machado, and Stefano Pettinato, "Indexes of Structural Reform in Latin America," ECLAC, *Serie Reformas Economicas* 12 (1999): 1-36. The Morley, Machado, and Pettinato commercial index is a composite score that is based on the average tariff level and dispersion for each year in question. The period of change that defines a rapid liberalization is shortened to two years in order to allow for individual administrations to be used as the units of analysis. Although import tariffs are by no means the sole policy involved in whether a country engages in an import-substituting strategy or an export-led growth strategy, they are indisputably a primary element and, as such, a reasonable proxy for overall policy changes. See Stephen D. Krasner, "State Power and the Structure of International Trade," *World Politics* 28, no. 3 (July 1976): 317-47; Andrew Schrank and Marcus Kurtz, "Credit Where Credit Is Due: Open Economy Industrial Policy in Latin America and the Caribbean," *Politics & Society* 33, no. 4 (December 2005): 671-702.
2. In contrast to studies that look at year to year change, such as Glen Biglaiser and Greg Brown, "The Determinants of Economic Liberalization in Latin America," *Political Research Quarterly* 58, no. 4 (December 2005): 671-80.
3. Sarah M. Brooks and Marcus Kurtz, "Capital, Trade, and the Political Economics of Reform," *American Journal of Political Science* 51, no. 4 (October 2007): 703-20.
4. Charles Ragin, *The Comparative Method: Moving Beyond Qualitative and Quantitative Strategies* (Berkeley: University of California Press, 1987); Charles Ragin, *Fuzzy-Set Social Science* (Chicago: University of Chicago Press, 2000); Charles Ragin, *Redesigning Social Inquiry: Fuzzy Sets and Beyond* (Chicago: University of Chicago Press, 2008); Gary Goertz and Harvey Starr, *Necessary Conditions: Theory, Methodology, and Applications* (Lanham, MD: Rowman & Littlefield, 2003).
5. John Sheahan, "Market Oriented Economic Policies and Political Repression in Latin America," *Economic Development and Cultural Change* 28, no. 2 (January 1980): 267-91; Thomas Skidmore, "The Politics of Economic Stabilization in Postwar Latin America," in *Authoritarianism and Corporatism in Latin America*, ed. James Malloy

- (Pittsburgh: University of Pittsburgh Press, 1977), 149–90; Barbara Geddes, “Building ‘State’ Autonomy in Brazil, 1930–1964,” *Comparative Politics* 22, no. 2 (January 1990): 217–35; Kurt Weyland, *The Politics of Market Reform in Fragile Democracies: Argentina, Brazil, Peru, and Venezuela* (Princeton, NJ: Princeton University Press, 2004).
6. Ragin, *Fuzzy-Set Social Science*; Ragin, *Redesigning Social Inquiry*.
 7. Ragin, *Redesigning Social Inquiry*.
 8. Claudio Cioffi-Revilla and Harvey Starr, “Opportunity, Willingness, and Political Uncertainty: Theoretical Foundations of Politics,” in *Necessary Conditions: Theory, Methodology, and Applications*, ed. Gary Goertz and Harvey Starr (Lanham, MD: Rowman & Littlefield, 2001), 225–48.
 9. Goertz and Starr, *Necessary Conditions*.
 10. See Jagdish Bhagwati, “Fair Trade, Reciprocity, and Harmonization: The Novel Challenge to the Theory and Policy of Free Trade,” in *Protectionism and World Welfare*, ed. Dominick Salvatore (Cambridge, UK: Cambridge University Press, 1993), 17–53.
 11. Rudiger Dornbusch, “The Case for Trade Liberalization in Developing Countries,” *Journal of Economic Perspectives* 6, no. 1 (Winter 1992): 73–74.
 12. Dani Rodrik, “The Rush to Free Trade in the Developing World: Why so Late? Why Now? Will It Last?” in *Voting for Reform: Democracy, Political Liberalization, and Economic Adjustment*, ed. Stephan Haggard and Steven B. Webb (Oxford, UK: Oxford University Press, 1994), 61–88.
 13. Rodrik, “Rush to Free Trade,” 66.
 14. Raquel Fernandez and Dani Rodrik, “Resistance to Reform: Status Quo Bias in the Presence of Individual-Specific Uncertainty,” *American Economic Review* 81, no. 5 (December 1991): 1146–55.
 15. *Ibid.*
 16. See Paul Pierson, *Politics in Time: History, Institutions, and Social Analysis* (Princeton, NJ: Princeton University Press, 2004).
 17. Rodrik, “Rush to Free Trade,” 69.
 18. Stephan Haggard and Steven B. Webb, *Voting for Reform: Democracy, Political Liberalization, and Economic Reform* (Washington, DC: World Bank, 1994), 22.
 19. Dornbusch, “Case for Trade Liberalization,” 81.
 20. Gérard Roland, *Transition and Economics: Politics, Markets, and Firms* (Cambridge, MA: MIT Press, 2000).
 21. Cioffi-Revilla and Starr, “Opportunity, Willingness, and Political Uncertainty,” 225.
 22. See Sheahan, “Market Oriented Economic Policies”; and Skidmore, “Politics of Economic Stabilization.”
 23. George Tsebelis, “Veto-Players and Law Production in Parliamentary Democracies: An Empirical Analysis,” *American Political Science Review* 93, no. 3 (August, 1999): 591–608.
 24. Susan Stokes, *Mandates and Democracy: Neoliberalism by Surprise in Latin America* (Cambridge, UK: Cambridge University Press, 2001).
 25. *Ibid.*
 26. Rodrik, “Rush to Free Trade.”
 27. Dornbusch, “Case for Trade Liberalization.”

28. Weyland, *Politics of Market Reform*. In brief, Weyland's argument is based on prospect theory, in which conditions affect the risk acceptance or risk aversion of particular actors. In his formulation, populations in the "domain of losses," or suffering economic hardship, are more likely to be acceptant of large, potentially risky policy changes than those in the "domain of gains," which tend to be risk averse. Finally, hyperinflation is the condition that places the broadest swath of a population in the domain of loss, rendering opposition to radical policy change thin.
29. Brooks and Kurtz, "Capital, Trade."
30. Robert H. Bates and Anne O. Krueger, *Political and Economic Interactions in Economic Policy Reform* (New York: Blackwell, 1993), 454.
31. Dornbusch, "Case for Trade Liberalization," 76; Brooks and Kurtz, "Capital, Trade," argue on the other hand that trade liberalization should not be tied to slow growth crises, but to situations in which GDP growth is strong enough to help compensate affected sector (as with Rodrik, "Rush to Free Trade").
32. Dornbusch, "Case for Trade Liberalization."
33. Ragin, *Fuzzy-Set Social Science*, 39; Ragin, *Redesigning Social Inquiry*.
34. See also Goertz and Starr, *Necessary Conditions*; Ragin, *Fuzzy-Set Social Science*.
35. Ragin, *Fuzzy-Set Social Science*; Ragin, *Redesigning Social Inquiry*.
36. Goertz and Starr, *Necessary Conditions*; an example of such a study is Aaron Katz, Matthias Vom Hau, and James Mahoney, "Explaining the Great Reversal in Spanish America: Fuzzy-Set Analysis Versus Regression Analysis," *Sociological Methods and Research* 33, no. 4 (May 2005): 539–73.
37. Katz, Vom Hau, and Mahoney, "Explaining the Great Reversal," 569.
38. Ragin, *Redesigning Social Inquiry*, chap. 4–5; for methods of calibration, see also Jay Verkuilen, "Assigning Membership in a Fuzzy-Set Analysis," *Sociological Methods and Research* 33, no. 4 (May 2005): 462–96.
39. Verkuilen, "Assigning Membership," 481; Ragin, *Fuzzy-Set Social Science*.
40. Morley, Machado, and Pettinato, "Indexes of Structural Reform." A number of critics have taken issue with the Morley et al. index for being a poor representation of the experience of consumers and producers in the countries in question. For instance, it may overstate the degree to which the domestic economy is affected by tariff changes that remove redundant protections, but the effective rate remains high enough to be prohibitive. That said, the index is broadly used and is generally accepted as a useful, if imperfect, measurement; more importantly, though, the scores for rapidly liberalizing administrations that are drawn from the index line up well with historical accounts of the importance of the changes in tariff policy.
41. Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela. The Central American countries are excluded from the current analysis because of the possibility of complicating factors created by the Central American Common Market (CACM). The CACM was formed in 1960 and took steps to establish a common external tariff (CET). Although the CET was never fully in place and the CACM had completely unraveled by the 1980s, the cases are excluded here because of the potential for trade policy to have been shaped in part by regional rather than domestic politics. Talks to

- restart the CACM began in the early 1990s. David O'Connor, *Encyclopedia of the Global Economy: A Guide for Students and Researchers* (Westport, CT: Greenwood, 2005).
42. A complete set of raw scores and the calibration calculations are provided at the author's personal Web site, www.unm.edu/~ssamford.
 43. The calibration of data and the analysis of necessary and sufficient conditions were completed with Charles Ragin's software for fuzzy-set qualitative comparative analysis (fsQCA), available at <http://www.u.arizona.edu/~cragin/fsQCA>.
 44. Monty Marshall, Keith Jagers, and Ted Robert Gurr, "Polity IV Dataset," 2004, <http://www.cidcm.umd.edu/polity/>.
 45. As an exception, the level of executive constraints for Peru's Fujimori is taken from 1992, the year of his "self coup," which was undertaken largely in response to opposition to his reform in congress. See discussion of Peru liberalization below.
 46. Stokes, *Mandates and Democracy*.
 47. George Downs, "The Rational Deterrence Debate," *World Politics* 41, no. 2 (April 1989): 225–37, cited in Gary Goertz, "Assessing the Trivialness, Relevance and Relative Importance of Necessary or Sufficient Conditions in Social Science," *Studies in Comparative International Development* 41, no. 2 (June 2006): 88–109.
 48. Ragin, *Redesigning Social Inquiry*, 44.
 49. The concept of coverage is equivalent to Goertz's measurement of "triviality" of necessary conditions, which is calculated slightly differently. Goertz has developed measures of triviality (T) intended to identify the relative triviality of necessary conditions. Goertz's calculation of triviality measures the distance each case's membership in the independent set (x_i) falls from one, standardized by the difference between its membership in the dependent set (y_i) and one. The overall triviality score is an average of this relationship across the cases: $T_N = (1/n)\Sigma[(1-x_i)/(1-y_i)]$. See Goertz, "Assessing the Trivialness" and Bear Braumoeller and Gary Goertz, "The Methodology of Necessary Conditions," *American Journal of Political Science* 44, no. 4 (October 2000): 844–58. Ragin's measure of coverage gives more weight to cases with higher fuzzy-set scores (i.e., stronger examples of the phenomenon in question), and as the more conservative of the two, Ragin's measurement is used in this study.
 50. The coverage of sufficient conditions is calculated with $\Sigma[\min(x_i, y_i)] / \Sigma(y_i)$. Rather than having established cutoffs, the interpretation of coverage scores is generally treated comparatively. For example, the coverage score of .35 falls well below 1, indicating simply that while generally necessary the condition of hyperinflation is far from being a sufficient condition.
 51. Ragin, *Fuzzy-Set Social Science*.
 52. Ragin, *Redesigning Social Inquiry*. For the assessment of individual necessary conditions, Ragin suggests a .65 consistency cutoff, while for the truth table assessment of sufficient conditions he suggests no lower than .75.
 53. Again, the reduction of combinations of sufficient conditions is completed with Ragin's fsQCA software.
 54. Technically this makes it 'an insufficient but necessary part of a condition which is itself unnecessary but sufficient for the result,' or an INUS condition. James Mahoney, Erin Kimball, and Kendra L. Koivu, "The Logic of Historical Explanation in the Social Sciences," *Comparative Political Studies* 42, no. 1 (January 2009): 125.

55. Martin H. J. Finch, *The Political Economy of Uruguay since 1870* (New York: St. Martin's, 1982).
56. Jaime Mezzera and Jaime de Melo, "Adjustments by Industrial Firms in Uruguay during 1974–82," in *Scrambling for Survival: How Firms Adjusted to the Recent Reforms in Argentina, Chile, and Uruguay*, ed. Vittorio Corbo and Jaime de Melo (Washington, DC: World Bank, 1985), 157.
57. Finch, *Political Economy of Uruguay*.
58. Hector Schamis, "Reconceptualizing Latin American Authoritarianism in the 1970s: From Bureaucratic Authoritarianism to Neoconservatism," *Comparative Politics* 23, no. 2 (January 1991): 201–20; John Sheahan, *Patterns of Development in Latin America: Poverty, Repression, and Economic Strategy* (Princeton, NJ: Princeton University Press, 1987).
59. Mezzera and de Melo, "Adjustments by Industrial Firms"; Edgardo Favaro and Pablo T. Spiller, "The Trade Liberalization Experiment of 1974–1982," in *Liberalizing Foreign Trade: The Experience of Argentina, Chile, and Uruguay*, ed. Demetris Papageorgiou, Michael Michaely, and Armeane M. Choski (Cambridge, MA: Basil Blackwell, 1991), 321–406.
60. Mezzera and de Melo, "Adjustments by Industrial Firms"; Finch, *Political Economy of Uruguay*.
61. Finch, *Political Economy of Uruguay*, 272.
62. Mezzera and de Melo, "Adjustments by Industrial Firms," 193.
63. Teichman argues that the Mexican government preferred quota protections to very elevated tariffs, an element that Morley, Machado, and Pettinato's index does not capture. Judith A. Teichman, *The Politics of Freeing Markets in Latin America: Chile, Argentina, and Mexico* (Chapel Hill: University of North Carolina Press, 2001). This suggests that the trade opening was more radical than indicated by the de la Madrid administration's fuzzy-set score, given in Table 2.
64. Ibid.
65. Ibid.
66. World Bank, *World Development Indicators* database, 2007 <http://databank.worldbank.org/ddp/home.do>; Teichman, *Politics of Freeing Markets*.
67. Blanca Heredia, "Contested State: The Politics of Trade Liberalization in Mexico" (PhD diss., Columbia University, 1996), 153.
68. Heredia, "Contested State"; Teichman, *Politics of Freeing Markets*.
69. Heredia, "Contested State."
70. Ibid.; Patrick Cronin, "Explaining Free Trade: Mexico, 1985–1988," *Latin American Politics and Society* 45, no. 4 (December 2003): 63–95.
71. Heredia, "Contested State," 40.
72. Ibid.
73. Nora Lustig, *Mexico: The Remaking of an Economy* (Washington, DC: Brookings Institution, 1998).
74. Cronin, "Explaining Free Trade," 80.
75. Heredia, "Contested State"; Cronin, "Explaining Free Trade."
76. Cronin, "Explaining Free Trade," 87.

77. Carol Wise, "The Politics of Peruvian Economic Reform: Overcoming the Legacies of State-Led Development," *Journal of Interamerican Studies and World Affairs* 36, no. 1 (Spring 1994): 82.
78. Ila M. Semenick Alam and Andrew Morrison, "Trade Reform Dynamics and Technical Efficiency: The Peruvian Experience," *World Bank Economic Review* 14, no. 2 (May 2000): 311.
79. Semenick and Morrison, "Trade Reform Dynamics."
80. Stokes, *Mandates and Democracy*.
81. Susan Stokes, "Democratic Accountability and Policy Change: Economic Policy in Fujimori's Peru," *Comparative Politics* 29, no. 2 (January 1997): 209–26.
82. Ibid.
83. Semenick and Morrison, "Trade Reform Dynamics."
84. Weyland, *Politics of Market Reform*; Efraín Gonzales de Olarte, "Economic Stabilization and Structural Adjustment under Fujimori," *Journal of Interamerican Studies and World Affairs* 32, no. 2 (Summer 1993): 51–80.
85. Stokes, "Democratic Accountability."

Bio

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