POST-LIBERALIZATION POLITICS IN ARGENTINA, PERU AND MEXICO:
THE RISE AND FALL OF “SECOND GENERATION” REFORMISM

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ABSTRACT

I examine three cases of successful second generation reformist political opposition to market reforming leaders in Argentina, Peru, and Mexico. In these three countries, opposition presidential candidates, despite considerable public discontent with economic conditions, did not propose a clear alternative to the free market economic model established by the incumbent party, but instead proposed minor and marginal changes intended to improve the social outcomes of the free market model. In contrast with their promises of continuity on economic policy, presidential challengers drew strong distinctions between themselves and incumbent party leaders on issues of governance. The campaign messages of opposition candidates accorded with the widespread perception that Latin America required a “second generation” of reforms.

I conduct case studies and examine public opinion and electoral data from the three countries in order to explain the emergence of a similar opposition campaign message in three apparently different contexts. I find that the use of a similar reformist message is paralleled by similarities in the attitudinal and demographic sources of support for the opposition in each case: the opposition’s supporters, in addition to having a greater concern with governance issues, tended to represent more educated and affluent sectors than supporters of the governing party. I link this pattern to a previous pattern also present in each case: a “neoliberal populist” approach to the implementation of market
reforms, in which strong executives promoted economic liberalization while maintaining the electoral support of the popular sectors. I then examine the experiences in government of the reformist challengers, and argue that setbacks and failures encountered by the new administrations can be linked to the manner in which the reformist opposition coalition was established.
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Chapter 1 - Introduction

Latin America and Second Generation Reformism in the Era of “Reform Fatigue”

Politics in Latin America during the 1990s was marked by the culmination of two broad trends: the nearly universal consolidation of democratic regimes, and the region wide adoption of programs of market-oriented structural reform. By the middle of the decade, it had become clear that the transitions to democracy that had swept the Americas were more than a passing trend, and reversion to outright authoritarianism seemed a distant prospect in most of the hemisphere. At the same time, market oriented economic reform programs had become the norm throughout Latin America. Many of the crucial questions surrounding Latin American politics during the 1990s involved the interaction of these two transitions.

The retraction of the state from its central role in economic policy, beyond causing economic changes, also undermined traditional structures of political representation that had been built around the government role as an arbiter among social interests. The breakdown of traditional corporatist representative structures was accompanied by a generalized weakening of political parties, and declining levels of public faith in parties and leaders. Moreover, the perceived imperative to move in a market-oriented direction raised questions about the quality and content of programmatic political representation, and the capacity of parties to offer clear alternatives to voters.
dissatisfied with the status quo. Both the practical constraints imposed by fiscal burdens, and the general ideological discrediting of state-centered approaches to development, resulted in a perception that shifts toward a market economy were the only available option.

To a great extent, the consequences of these trends would depend on the performance of Latin America’s newly liberalized economies, and the degree to which Latin American publics were satisfied with those results. Strong economic performance would likely lessen the tensions between market reform and political democratization, helping political leaders to maintain public approval and offering opportunities to build and strengthen representative ties, while economic underperformance would tend to sharpen public concerns about inadequate political representation, potentially threatening democratic stability and governability. During the early 1990s, initial signs in this regard appeared positive. Economic growth returned to Latin America following the prolonged stagnation of the “lost decade,” and voters in several Latin American countries offered strong electoral support to parties or leaders that had presided over sweeping programs of market reform. By the end of the decade, however, a different political context had emerged. Economic stagnation and persistent or rising unemployment became a region-wide trend, and were accompanied by a widespread sense of disillusionment with the outcomes of economic reforms.

Taking note of these unwelcome developments, many international observers asserted that the region needed a “second generation” of reforms. According to this view, the initial programs of stabilization and market-oriented structural adjustment, while
necessary and positive, were insufficient to guarantee sustained economic growth or to ensure that economic growth would translate into improved standards of living. To supplement the initial, “first generation” reforms, Latin American governments were advised to implement a new set of measures. These second generation reforms would build on the positive results of the initial liberalization process, but would involve renewed attention to the role of the state. The second generation reformist agenda had two major components: a socioeconomic dimension and a governance dimension. In socioeconomic terms, the second generation reformist agenda involved sectoral reforms and regulations to ensure competition and efficiency, as well as an increased emphasis on distributional concerns and on investment in “human capital.” The governance dimension involved increased attention to the quality of institutions: issues of democratic accountability, administrative integrity, and the rule of law (Naím 1994, Krueger 2000, Pastor Jr. and Wise 1999). Overall, the second generation reformist agenda (discussed in more detail in the following chapter) can be summarized as an acceptance of the basic principles of the free market with minor adjustments to promote efficiency and improved social outcomes, alongside a strong emphasis on issues of good government.

The disappointing outcomes of economic reform created opportunities and challenges for opposition parties and candidates in Latin America. While public disenchantment with economic conditions offered an opening for political opposition in many countries, establishing a clear and convincing case for an alternative policy agenda entailed significant difficulties. Under these conditions, opposition campaign messages in
Latin America varied substantially in the extent to which they accorded with the second generation reform agenda.

In particular, three cases from this period of “reform fatigue” are notable for the adoption of a clearly second generation reformist message by challengers to market-reforming leaders and parties: the presidential elections of October 1999 in Argentina, April 2000 in Peru, and July 2000 in Mexico. Despite significant differences among the three cases in terms of the political context in which the elections occurred, the opposition in each case proposed a similar agenda and adopted a similar message. The campaigns of Fernando de la Rúa of the Alianza in Argentina, Alejandro Toledo of Perú Posible in Peru, and Vicente Fox of the National Action Party (PAN) in Mexico, all took pains to avoid sharp criticism of the free market policies adopted by their incumbent opponents. Instead, they proposed more marginal changes to give more of a “human face” to the market. In order to draw clear contrasts with incumbent parties and leaders, De la Rúa, Toledo, and Fox relied primarily on criticisms related to the quality of governance, promising less corrupt and more democratic leadership and an end to abuses of power.

In each of the three countries, this type of opposition met with considerable success: the reformist challenger won a decisive victory in Argentina and Mexico, and overcame severe disadvantages to force a runoff election in Peru (and eventually won office after scandal drove the incumbent from power). The study that follows addresses the following questions: Why did the most important opposition leaders in these three countries adopt a second generation reformist message in response to public
discontentment at the end of the 1990s? Why was such an approach politically successful? And, what were the eventual consequences of the political success of second-generation reformist opposition, in terms of the political sustainability and policy success of their reformist agenda?

The answers to these questions potentially hold significant implications for broader questions surrounding the relationship between democratization and economic liberalization in Latin America. The impact of the mutual interaction between these simultaneous transitions has been the subject of extensive scholarly interest. Much of the inquiry in this regard has been concerned with the prospects for initial implementation of market reform and the compatibility of these liberalization efforts with political democracy. By the end of the 1990s, the dramatic and seemingly durable free-market shift throughout most of continent, and the equally widespread and unprecedented expansion and persistence of democratic systems in Latin America, apparently confirmed the basic compatibility of economic liberalization and democratization. The emergence of “reform fatigue” in a context of political openness and democratic competition raised a new set of general questions. How, and to what extent would the democratic political system provide a vehicle for the representation of renewed economic demands? To what extent would public discontents, and the messages of the political leaders that represented those discontents, take the form of opposition to the recently installed neoliberal model?

In regard to these questions, the second generation reformist opposition campaigns in Argentina, Peru, and Mexico are particularly notable cases. These were the instances in which the political opposition that emerged in response to economic
discontentment most closely paralleled the views of the international financial establishment; despite substantial economic hardship, the political opposition’s route to success did not involve challenges to the neoliberal economic model, but rather an outright endorsement of that model. For advocates of market reform (and believers in the compatibility of such reform with healthy democracy), these opposition campaigns could be viewed as supporting an optimistic scenario in which widespread social acceptance of market economics and democratic politics reinforced each other, channeling political competition into pressures for good government and administrative effectiveness, rather than ideological polarization. An alternative, pessimistic explanation for the opposition’s adoption of second generation reformism might link the apparent consensus on free market economics to shortcomings of the new democratic system; for example, an artificial narrowing of the ideological agenda as a result of neoliberalism’s negative impact on mass representation and organization.

Thus, the question of what the appearance of second generation reformism tells us about political representation in post-liberalization Argentina, Peru, and Mexico is clearly central to assessments of the quality of democracy in those three countries. Furthermore, the character and strength of the representative ties between reformist challengers and the electorate has profound implications for future democratic governability. The sources of electoral loyalty and the nature of the democratic mandate granted to reformist challengers can be expected to have a significant impact on the sustainability of public support for those leaders following the election, and on the political viability of their reformist agenda. As such, an in-depth examination and a precise explanation of the phenomenon of second generation reformist opposition in Argentina, Peru and Mexico

1 As per Fukuyama (1989), this could be dubbed an “End of History” scenario.
could offer insight into both the short and longer-term political trajectories of those three countries, helping account for their immediate reactions to “reform fatigue” as well as for the eventual performance of second generation reformists once in office.

Rejecting Possible Explanations: Democratization

A possible approach to explaining the emergence of second generation reformist opposition might view democratization processes as central; the decision of an opposition party to focus on governance issues when criticizing an incumbent might result from a context where democracy and democratization were pressing issues of the day. However, at the time of the elections considered here, Argentina, Peru, and Mexico confronted very different situations with regard to both the status and the apparent direction of processes of democratization.

In Argentina, the 1999 elections were widely regarded as signifying the full consolidation of democratic politics in the country. Argentina’s transition from authoritarianism had occurred sixteen years earlier, and the country had already witnessed a peaceful transfer of power between parties, when the incumbent Unión Cívica Radical (UCR) was swept out of office by the Peronist party (Partido Justicialista, or PJ), under Carlos Menem. While Peronist government in the past had invariably resulted in military intervention, Menem went on to serve two full terms, and the presidential and legislative elections held in Argentina during the 1990s were universally considered to be free and fair.
Despite the persistence of democratic procedures and the cementing of political freedoms, Argentina’s transition to democracy through the 1980s and 1990s was not entirely smooth. Conflicts over human rights resulted in several confrontations between civilian authorities and the armed forces, and eventually compelled Argentina’s leaders to largely abandon attempts at transitional justice and install sweeping amnesty for crimes committed during the dictatorship. The transfer of power to Menem was somewhat irregular, with the previous president being forced to leave office several months early in the face of a severe economic crisis. And Menem’s leadership in the subsequent decade was marked by obvious corruption, attempts to undermine judicial independence and administrative oversight, and personalistic and autocratic tendencies.

However, by the end of the 1990s, these troubling trends largely paled in the face of clear progress toward stable and institutionalized democratic politics. The military had lost virtually all of its clout and had become essentially weak and apolitical, Menem’s attempts to allow himself a constitutionally prohibited third term had failed, and the freeness and fairness of the upcoming election was viewed as a given. At the end of the 1990s, democracy in Argentina seemed more secure than at any time in the country’s history and observers described Argentina’s typically tumultuous politics as becoming “normal” (Levitsky 2001, Di Tella 2000); another successful election would simply serve to confirm this trend.

In Peru, by contrast, the situation was very different. Peru had also experienced a transition to democracy at the beginning of the 1980s, and Peru’s president Alberto Fujimori took office via democratic elections. However, Fujimori, faced with an economic crisis and a debilitating insurgency, proceeded to take Peruvian politics in a
distinctly authoritarian direction. The first obvious indication of this trend came in 1992, when Fujimori dissolved the legislature and suspended the constitution in response to legislative opposition.

Enjoying strong public support as a result of the autogolpe (self coup), economic progress, and victories against the Sendero Luminoso terrorist group, Fujimori went on to restore electoral procedures in the years that followed, and won a sweeping reelection in 1995. Following the 1995 elections, Fujimori’s popularity began to decline. At the same time, he began setting the groundwork for a constitutionally prohibited third term, in large part via obvious attempts to manipulate the judiciary. As Fujimori began his campaign for a third term, concern grew over the regime’s use of undemocratic electoral tactics, including bribery of journalists and media owners, manipulation of state resources for political ends, and harassment and defamation of opposition figures (Conaghan 2001, McClintock 2006, Mauceri 2006, Burt 2003, Grompone and Cotler 2000). As Fujimori’s administration cemented its grip on power, increasing attention was paid to the president’s political reliance on the military and the state intelligence services. Overall, as the elections approached, Fujimori’s authoritarian tendencies and electoral abuses became more conspicuous, eventually coming to occupy a central position in the electoral debate. Thus, at the time of the 2000 elections, the immediate future of Peru’s democracy seemed uncertain, and there was little confidence that the election process itself would be valid.

In contrast with the democratic consolidation associated with the Argentine election, and the democratic deterioration associated with Peru’s election, the Mexican
elections of 2000 marked the possible culmination of a long period of democratic transition. The 2000 elections offered the best chance to unseat the hegemonic Institutional Revolutionary Party (PRI) from Mexico’s presidency following 71 years of continuous rule. Cracks had begun to appear in the PRI's formerly unchallenged hegemony decades earlier. Mexico's move towards genuine political contestation may have begun with the brutal suppression of student protests in Mexico City in 1968. More recent notable events in this process included the debt crisis of the early 1980s, and the 1988 elections, in which a newly competitive opposition was defeated under suspicious circumstances amid widely held assumptions of substantial fraud.

Accompanying these events and the pressures they imposed on the PRI were a series of electoral reforms that opened up space for opposition parties (Levy and Bruhn 2006, 88-89; Domínguez 1999, 1-10). The most recent of these reforms took place in 1996, and included measures to make party financing more equitable, and to guarantee independence for electoral oversight bodies (Schedler 2000). The effect of these reforms was felt rapidly and profoundly, as the 1997 legislative elections resulted in the PRI losing control of the lower house of Congress, and the Mexico City mayor's office. Approaching the 2000 campaign, the newfound competitiveness of Mexican politics that had been demonstrated by opposition victories augured well for the chances of an opposition candidate breaking the PRI's hold on the presidency.

In sum, Argentina, Peru, and Mexico found themselves in very different circumstances with regard to the process of democratization at the beginning of the 1990s. In Argentina, democracy had firmly taken hold, and the competitiveness and
fairness of elections were assured, in Peru, the integrity of democratic procedures was under assault from a semi-authoritarian leader, and in Mexico, an opposition victory in the election would be seen as signaling the completion of a transition from a long-standing one-party regime. Given these differences, the appearance of a second generation reformist opposition agenda in each of the three cases cannot be viewed simply as an outgrowth of processes of democratic transition and the accompanying importance of institutional concerns.

Rejecting Possible Explanations: Political Parties

A logical explanation for the adoption of a similar campaign message by opposition parties would consider the history, ideology, and structure of the opposition parties themselves as crucial. In general, one would expect a party’s political agenda to stem from its historical identity, its internal decision making structure, and the ideological origins of its leaders and activists. However, in Argentina, Peru, and Mexico, second generation reformist opposition parties differed drastically in these regards.

In Argentina, the second generation reformist banner was taken up by the Alianza, a coalition between two parties: the long existing UCR, or “Radicals,” and the recently created FREPASO (Front for a Country in Solidarity). The UCR was a centrist party that had its origins in the late nineteenth century, and had traditionally represented the country’s middle class. During the mid-1990s, the UCR’s public support dropped to all-time lows. Already discredited by the disastrous outcome of the previous UCR administration, the party lost further prestige and considerable support when its
leadership signed on to a set of constitutional reforms proposed by Menem, apparently abdicating their role as the main opposition. The new leftist party, FREPASO, emerged to help fill the political vacuum left by the UCR’s decline. Initially focusing on the issues of economic policy and human rights, the new party soon switched its primary focus to corruption. On the basis of the positive images of its leaders and the support of disaffected UCR supporters, FREPASO performed strongly in the 1995 election. In 1997, the two opposition parties joined forces to contest the PJ, and won a convincing victory in the 1997 midterm elections.

In contrast to Argentina’s second generation reformist coalition, Peru’s opposition parties could barely be considered parties at all. Peru’s traditional party system had fallen into disrepute during the 1980s, and continued to decline during the 1990s. Unlike in Argentina, where traditional parties remained in the forefront of politics and attempted to reinvent themselves during the 1990s, Peru’s main political parties essentially faded from the scene, being replaced by personalistic movements associated with individual leaders. Both the governing party of Alberto Fujimori and the main opposition alternatives were similarly weak, being little more than labels applied to individual campaigns, with no strong institutional structures, social ties, or programmatic underpinnings. The party of the eventual opposition challenger, Alejandro Toledo, Perú Posible, was amorphous, ideologically vague, and personalistic even by Peruvian standards. Toledo did not emerge onto center stage until just before the election. In rising from virtually insignificant support to the position of top challenger within a matter of weeks, Toledo became the standard-bearer for a diverse assortment of opponents of
Fujimori; neither the candidate nor his party ever built a durable base of public support within the broader electorate.

Mexico’s second generation reformist opposition party differed greatly from Argentina’s center-left coalition and Peru’s heterogeneous and personalistic political movements. The Mexican PAN was a longstanding party of the center-right that had contested the PRI’s control of the Mexican political system almost since the beginning of the one-party era. The party had maintained strong links with business interests and the Catholic Church throughout its history. Over time, the party’s ideology shifted between an emphasis on Christian Democratic social policies and a pro-business agenda; however, the party retained a commitment to the same basic principles from its founding until its presidential victory of 2000. In 2000, the PAN momentarily took on a less ideological character in order to successfully challenge the PRI for supremacy. Vicente Fox, a candidate who had established his profile mostly independently of his party, promoted his campaign as an inclusive and diverse movement whose sole purpose was to unseat the PRI from power, and appealed for “useful votes” from strategic anti-PRI voters in order to temporarily extend his party’s electoral reach.

Thus, the three opposition parties examined here differed markedly in terms of their historical background, identity and structure. In Argentina, the second generation reformist opposition was a coalition of the center and left; in Peru it was an unstructured, ideologically unclear, and personalistic movement, and in Mexico it was a well established party of the center-right that had temporarily adopted a more inclusive and
less ideological appeal. Given these dramatic differences, the nature and history of political parties cannot provide an explanation for the emergence of a similar second generation reformist agenda in the three cases.

Partial Explanations: Neoliberal Consensus and Lack of Alternatives

Taking into account these differences among the three countries, another potential explanation for the emergence of second generation reformist opposition would view the phenomenon as fundamentally a result of larger trends throughout Latin America, rather than individual characteristics of Argentina, Peru, and Mexico. In this regard, a likely explanation would center on the overall dominance of the free-market paradigm and pro-market international forces in the post-1990 environment, and the resultant difficulty for opposition campaigns in creating a coherent alternative economic policy. According to this view, drastic challenges to market economics are seen as imprudent or lacking credibility in the post-socialist era. Factors such as the widespread acceptance of free market principles following the Cold War (Castañeda 1993) a reduction of the state’s capacity to intervene in the economy, practical limitations on policy choices created by debt and capital mobility, and the propensity of many leaders to violate campaign promises by imposing neoliberal policies after taking office (Stokes 2001) have all mitigated against the ability of Latin American opposition parties to propose and credibly commit to clear alternatives to the neoliberal economic model. In place of clear

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2 Beyond the differences in the character and historical background of the opposition parties specifically, the overall nature of the party systems in Argentina, Peru, and Mexico exhibited strong differences. According to the classifications of Mainwaring and Scully (1995), Argentina could be considered to have an institutionalized party system, Peru an inchoate party system, and Mexico a hegemonic party system in transition.
alternatives, opposition parties may be forced to fall back on general promises of “change,” often based on vague assurances of a higher standard of governance (Hagopian 1998, 108).

The presence of these general constraints undoubtedly provides a partial explanation for opposition parties’ reliance on second generation reformist themes. However, even under these conditions (and contrary to the expectations of some observers), post-liberalization political opposition in Latin America has been characterized by a wide variety of rhetorical campaign strategies. The reformist campaigns detailed here represent one response to the post-reform Latin American political environment, but a range of other responses existed.

Leftist parties throughout Latin America mostly came to terms with the free market during the 1990s. Nonetheless, in contrast with the governance centered messages of the three cases examined here, the rhetoric of many leftist candidates still tended to center primarily on economic discontents, and on promises to shift toward a more inclusive economic model (although the exact nature of that economic alternative is rarely made clear): leaders such as Luis Inacio Lula da Silva of Brazil and Tabaré Vázquez of Uruguay can be placed in this category. Much further removed from the second generation reformist position are the more radical and anti-system campaigns of such leaders as Hugo Chávez in Venezuela, Evo Morales in Bolivia, and Lucio Gutiérrez in Ecuador; these opposition movements combined a vehement critique of neoliberalism with a similarly radical challenge to the existing political order. At the beginning of the 21st century, Latin America displayed a wide range of possible responses to disenchantment with the effects of market reform.
Despite the presence of general regional tendencies that might promote a narrowing of the ideological debate and the emergence of reformist tendencies opposition, the phenomenon observed in Argentina, Peru, and Mexico at the end of the 1990s was a relatively infrequent occurrence. Only in these countries did challengers to parties that had presided over market reforms find success by stressing their commitment to the main precepts of the free market model, proposing minor alterations to socioeconomic policies, and emphasizing governance issues in order to draw contrasts between opposition and incumbent. The emergence of a similar type of political opposition in three seemingly different contexts represents a puzzle, one whose solution could provide insight into fundamental questions about the evolution of political representation and political competition in Latin America during the post-market reform era.

From Neoliberal Populism to Second Generation Reformism

In order to explain the appearance and success of second generation reformist opposition in three apparently different cases, a possible line of inquiry involves looking for an underlying similarity among the three that may be plausibly linked to the common outcome. Adopting the logic of a “most different systems” approach, this study identifies a particular factor as crucial: the previous government’s application, in each case, of a “neoliberal populist” strategy for implementing market reform while maintaining public support.
In one form or another, processes of market reform were almost universal in Latin America during the late 1980s and 1990s; however, the political method by which market reform was implemented varied from country to country. Argentina, Peru, and Mexico represent examples of a particular pattern: the implementation of market reform by a strong executive with sustained electoral support from the lower classes. Scholars of Latin American politics and political economy have called attention to these three cases as examples of a new and unexpected fusion between political styles and strategies traditionally associated with populism, and free market economic policies that are far removed from the statist agenda that typically accompany populism. (Roberts 1995, Weyland 1996)

While the exact manner by which neoliberal populist leaders maintained support varied among the three countries, several common tendencies can be observed. Neoliberal populists successfully implemented market reform while maintaining a base of support in the lower classes (having also obtained strong support from the economic elite at some point during their tenure). This popular support was sustained in large part through effective use of clientelistic methods; under neoliberal populists, the use of clientelism involved extensive executive discretion and political targeting of state resources. Neoliberal populist strategies were associated more broadly with a concentration of power in the hands of the executive, at the expense of existing representative organizations and sometimes defiance of institutional and legal limits.

The successful application of a neoliberal populist approach as an economic policy program and electoral strategy strongly affected the options available to would-be
challengers. Most importantly, the government’s maintenance of a firm electoral base in the popular sectors required that opposition success would require winning a strong majority among more affluent and educated voters. It was this necessity that prompted the opposition candidates to avoid strong criticisms of the economic model. As such, the opposition’s decision to opt for a second generation reformist message can be viewed as representing an essentially ad hoc response to a narrow and immediate set of political circumstances. This explanation, if accurate, has significant implications both for the broader viability of second generation reformism as an electoral strategy outside of the particular cases examined here, as well as for the prospects for effective governance by parties who win office behind second generation reformist messages.

In the chapters that follow, I examine the emergence of second generation reformist opposition in Argentina, Peru, and Mexico from a historical and comparative perspective. Chapter 2 involves a more detailed discussion of the concept of “second generation” reform: the origin of the concept, its usage, its application to the debate over Latin American economic policy at the end of the 1990s, and some of the limitations and shortcomings of the concept. In Chapters 3 through 5, I examine each of the three countries in which second generation reformist challenges to a market reforming incumbent party were politically successful. I describe the major political developments associated with the implementation of market reform and the nature of the market reforming incumbent party. I then describe the origin and nature of the main opposition alternative in each case, and the content of their campaign message. I conclude by describing the election campaign and its outcome. In Chapter 6, I examine the three
cases in comparative perspective and propose an explanation for the similarity of opposition messages. Drawing on survey and electoral data, I detail the connections between the presence of a neoliberal populist incumbent, an opposition constituency centered on the urban middle class, and the employment of a second generation reformist appeal. In Chapter 7, I discuss the outcomes encountered by the victorious second generation reformist candidates upon assuming office, identify similar problems faced by each newly elected president, and draw connections between these shared problems and the previously mentioned explanation for the origin of second generation reformism. In Chapter 8, I summarize the main conclusions of the preceding study, and explore some broader implications of those conclusions.
Chapter 2: Latin America and the “Second Generation” of Reform

Introduction

During the late 1990s, observers frequently asserted that Latin American countries required a second generation, or second stage, of reforms in order to sustain and improve economic performance and increase standards of living. The (largely completed) first generation of reforms involved reducing the scope of the state through market-oriented structural adjustment programs; the still incomplete second generation reforms would involve increased attention to the ability of the state to promote the efficiency of markets and pursue effective social policy, as well as improvements in the quality and integrity of state institutions. The argument for the necessity of a second generation of reforms contained several assumptions: an assumption that economic reform occurred in stages, that a first stage had been successfully completed, and that ensuing policies would be built on the foundations laid during this first generation of economic reforms. These judgments were drawn from a particular reading of Latin America’s economic experience in the post-debt crisis era, and formed the basis for widely held views of the reasons for the positive and negative outcomes of the economic liberalization process of the previous decade.
In this chapter I examine the concept of “second generation reform,” as a broad set of policy prescriptions applied to Latin American countries in the post-liberalization era. I summarize the regional economic trends that led observers to conclude that another generation of economic reforms was necessary for Latin America, and the impact of those trends in Argentina, Peru, and Mexico. I then describe the specific measures that have been placed under the “second generation” heading, outline some of the fundamental assumptions underlying the concept, and offer several general criticisms of the concept.

Origins of the Concept

In the wake of the debt crisis of the early 1980s and the ensuing “lost decade,” governments throughout Latin America found themselves faced with the common challenge of restarting economic growth. The policies eventually adopted in response to this situation tended to adhere closely to a standard set of economic prescriptions, and included both stabilization policies (measures intended to resolve immediate balance of payments problems) and structural adjustment policies (measures intended to restructure the economy in order to promote long term growth).

Stabilization policies typically involved adjustments to fiscal and monetary policy, and were intended to reduce inflation and curb current account deficits. To address these problems, governments were advised to pursue tight monetary policies, reduce government spending, raise taxes, and in some cases, devalue their currencies. While the fiscal tightening associated with stabilization packages generated recessionary
tendencies, a reduction in consumption was viewed as necessary to restore external
balances.

Looking beyond short term stabilization, policy makers eventually concluded that
a shift in the overall orientation of Latin American economies was necessary to promote
long term growth. While fiscal austerity was necessary to resolve immediate balance of
payments problems, the prevention of future crises was viewed as hinging on the removal
of impediments to growth within the broader macroeconomy. In the view of the
international financial establishment, the primary impediment to future growth in Latin
America was the heavy role played by the state. The failure of state centered
development strategies incorporating import substitution was viewed as the central cause
of Latin America’s economic crisis in the 1980s. In accordance with this diagnosis, the
structural adjustment policies promoted by international lenders typically involved a
reduction in state intervention of various kinds. Latin American governments were
advised to privatize public enterprises, reduce government spending, pursue deregulation,
and lower barriers to foreign trade and international investment. These recommendations
were based on the presumption that excessive state involvement in the economy
continued to be the fundamental factor limiting growth in Latin America, and that freeing
markets was central to promoting the long term economic growth necessary to ensure
repayment of debts, and improve standards of living. This new emphasis on promoting
economic growth by constraining the scope of the state has frequently been characterized
as the “neoliberal” agenda.

To a great extent, the neoliberal reform agenda represented a standard recipe: a
basic set of policies promoted in developing countries in a wide variety of circumstances
throughout the post-debt crisis developing world. This basic agreement within the international economic establishment on what was meant by policy reform came to be known as the “Washington Consensus,” a term coined by economist John Williamson to describe the set of market oriented policies on which the international lending community supposedly agreed (Williamson 1990). In the aftermath of the debt crisis, Latin American governments came under considerable pressure to adopt stabilization and structural adjustment measures as a condition for international loans and aid.

In the terminology of neoliberal reform advocates, these basic stabilization and structural adjustment policies are sometimes described as representing the “first generation” of reforms. According to the prevailing orthodoxy embodied by this term, the most immediate task facing economic policy makers in post-crisis Latin America was a drastic adjustment in the macroeconomic fundamentals underlying the national economy. Neoliberal reforms were seen both as a top priority and a necessary first step. Only once these basic goals of stabilization, deregulation, privatization, and international opening had been accomplished should attention then turn to more varied and narrowly targeted policies.

First Generation Reforms in Latin America

While the extent to which Washington Consensus polices were adopted varied across the countries of Latin America, the overall region-wide pattern during the post-crisis era was characterized by an increased emphasis on economic stability, and a dramatic shift toward the free market economic model.
In terms of economic stabilization, this increased emphasis can be seen in indicators of both fiscal and monetary policy. As governments moved away inflationary policies, the mean annual inflation rate in LAC countries, which had soared to 322% during the 1986-1990 period, dropped to 13% by 1997 (Burki and Perry 1997, 20). In the fiscal realm, public sector nonfinancial deficits dropped from a region wide average of 7% of GDP in 1986-1990, to 2.4% in 1996 (Burki and Perry 1997, 21).

Latin America’s implementation of market-oriented structural adjustment policies was similarly widespread and profound. While the emphasis and extent of market oriented structural reform varied from country to country, an overall shift toward the neoliberal model occurred throughout the region. This trend encompassed both an external opening to trade and investment, as well as a shift toward the free market model within domestic economic policies.

During the market reform era, trade barriers throughout the region dropped substantially: between 1985 and 1995, the average tariff in countries decreased from 46% to 12% (Morley et al. 1999, 14) By the end of the 1990s, the use of tariffs to protect domestic industries had nearly disappeared from Latin America (Morley et al. 1999, 13), and the use of non tariff barriers and multiple exchange rates also declined precipitously (Burki and Perry 1997, 29-30; Lora 1997, 10-11; Lora 2001, 5). The lowering of barriers corresponded with a rise in the volume of trade: overall commercial exchange between Latin America and the rest of the world more than doubled between 1990 and 1997 (Wise 2003a). Accompanying the opening to trade was an opening to international capital. The liberalization of international capital movements was not as widespread and universal as the trade opening: several major countries, including Brazil, Mexico, and Chile,
maintained substantial controls on capital flows (Morley et al. 1999, 15). However, the overall regional trend was toward greater liberalization, with one index of regional international financial liberalization showing a 49% increase between 1984 and 1995 (Morley et al. 1999, 16).

The increase in international openness was paralleled by liberalization of domestic economic policies. During the post-debt crisis era, Latin American governments greatly curtailed the state role in the domestic economy. Privatization of state enterprises was commonplace throughout most of Latin America. The extent to which countries were willing to sell off state enterprises varied: Argentina, Bolivia, Mexico, and Peru were among the most assiduous privatizers, with proceeds from privatization between 1990- and 1995 exceeding 1% or GDP (Burki and Perry 1997, 46; Morley et al. 1999, 16), while Ecuador, Paraguay, and Uruguay pursued less or no privatization. Overall, however, the trend was toward privatization, with the percentage of domestic investment that was private rising from approximately 65 to 73% between 1985 and 1994. The adoption of market oriented structural adjustment policies at the domestic level went beyond privatization. Liberalization of financial systems was also a widespread, with the most significant liberalizations occurring in Brazil, Chile, and Mexico (Lora 1997, 9-10; Corbo 2000, 80), and state controls on interest rates were lifted throughout the region by 1995. In addition, most countries of the region reformed their taxation systems to bring them more in line with Washington Consensus prescriptions for efficiency (Lora 1997, 6-7; Lora 2001, 10-14; Corbo 2000, 78).

Overall, although the extent and nature of market reform varied from country to country, economic policy in Latin America was characterized by a dramatic shift in favor
of the stabilization and structural adjustment measures recommended by the international financial community. A composite index of Latin American market reform progress assembled by the Inter-American Development Bank (IADB) shows an overall increase from 35% to 62% between 1985 and 1995, and other indexes display similar movement (for example, Lora 2001 and Morley et al. 1999). By the mid-to-late 1990s, most Latin American countries had apparently accomplished the essential goals laid out in the first-generation reformist agenda.

The First Generation of Reforms in Argentina, Peru, and Mexico

Within Latin America’s overall shift toward the free market, the leaders of Argentina, Peru, and Mexico stand out as particularly ardent promoter of the neoliberal agenda. Argentina’s shift toward the neoliberal model began with assumption of power by Carlos Saúl Menem of the Partido Justicialista in 1989. Menem entered office in the midst of a raging economic crisis that had forced his predecessor, Raúl Alfonsín, out of office several months before the legal end of his term. Heterodox stabilization plans adopted by Alfonsín’s administration in response to the debt crisis had failed, resulting in negative growth rates and surging rates of inflation that eventually surpassed 4000% by his last year in office.

Menem had promised traditional populist remedies for the economic crisis during the campaign, pledging that his leadership would produce a “productive revolution” and wage increases (Waisman 1999, 100). Immediately after assuming office, however, Menem drastically changed course. His government implemented a package of drastic
stabilization policies and sweeping market reforms that affected nearly every area of the economy. A centerpiece of these efforts was the currency board system, an anti-inflationary measure that pegged the peso to the US dollar.

Menem’s government rapidly privatized major government-owned enterprises, including the telecommunications, airlines, railroads, electricity, military hardware, and petroleum industries (Teichman 2001, 112). Many of these privatizations were implemented by presidential decree, and most of them had been accomplished by 1994. The new administration was equally aggressive in opening the economy to trade; by 1996, average tariff rates had dropped from 26% to less than 10%, and most price controls had been eliminated. Restrictions on capital flows were lifted, and much of the economy was deregulated. At the end of the 1980s, Argentina had been viewed as an exemplar of failed mercantilist and state-centered economic policies, and as a notoriously recalcitrant debtor; half a decade later, the country was considered the region’s foremost model of adherence to free market policies.

Peru’s adoption of neoliberal economics in many ways paralleled that of Argentina. As in Argentina, the initial in response to the debt crisis only led to further economic instability. The expansionary policies adopted by the government of Alan García, while initially generated strong growth, but proved unsustainable. By the end of the decade, Peru was faced with fiscal crisis and hyperinflation, and García was forced to flee the country under suspicion of corruption.

The new president, Alberto Fujimori, had adopted a vague and populist discourse during his campaign. Like Menem, he immediately abandoned his campaign rhetoric
after entering office, and plunged into a drastic set of market reforms. Fujimori adopted a package of harsh austerity measures in response to IMF demands, and then went on to drastically reduce the role of the state in the economy. The ratio of public investment to GDP, which had reached 5.5% in 1986, fell to 2% in 1991. Fujimori privatized numerous state enterprises, including airlines, mines, banks, oil, and utilities. Fujimori’s administration slashed tariffs and no-tariff barriers, and encouraged international investment, particularly in newly privatized sectors. By the end of Fujimori’s first term in office in 1995, Peru, like Argentina, was held up as an exemplar of reform by advocates of neoliberal policies, having gone, in the words of one observer “from pariah to darling of the financial world.” (Stokes 2001a, 163)

In contrast with Argentina and Peru, Mexico’s shift to free market policies was more gradual, spreading out over more than a decade. The initial impetus for the market reform project came from economic crisis of 1982, in which a drop in petroleum prices led to an unraveling of Mexico’s fiscal position and an eventual default on foreign debt. In response to this disaster, and to Mexico’s newly vulnerable financial status, the hegemonic PRI began to maneuver Mexican economic policies toward the free market model. Under President Miguel de la Madrid, Mexico adopted fiscal austerity policies, slashing government spending and state salaries, and began to privatize state run enterprises. As free market reformers gradually gained more influence within the Mexican policy apparatus, the pace of reform quickened; privatization, tariff reductions, and deregulation were pursued throughout the mid to late 1980s.
The Mexican government's commitment to free market reforms was cemented by the rise of Carlos Salinas to the PRI leadership and to the presidency in 1988. A committed neoliberal, Salinas doggedly pursued privatizations and lowered barriers to foreign investment. The North American Free Trade Agreement, adopted by the United States, Mexico, and Canada in 1993, beyond representing a major liberalization initiative in its own right, was also viewed as method of locking in these reforms, committing Mexico irrevocably to the free market path.

Within the overall trend toward market reform in Latin America, then, Argentina, Peru and Mexico stand out as particularly notable cases: once widely viewed as exemplifying ineffective, state-centered approaches to development, during the 1990s they developed a new reputation as models of market oriented reformism.

**Outcomes of First Generation Reform**

Taken as a whole, economic policies in Latin America shifted dramatically in the neoliberal direction during the 1990s. By and large, the recommendations of the international financial establishment had been adopted over the course of the decade. The results of these measures, however, failed to live up to the expectations and predictions of market reform’s proponents.

During the early 1990s, most economic signs were positive: Between 1990 and 1995, economic growth rates averaged a reasonably healthy 4.2 percent (Kuczynski
Stabilization and structural adjustment policies were accompanied by a boom in foreign investment. Capital flows to the region turned positive in 1991, and by 1997, the annual net flow of capital to Latin America and the Caribbean approached an all time high of $70 billion dollars. (Griffith-Jones 2000, 12). Latin American stock markets surged, appreciating by an average of 25% between 1989 and 1994. (Kuczynski 2003, 25). Fiscal deficits declined, and by 1996 the region’s current account deficit had fallen to 2% of GDP (Edwards 1997).

During the mid-to-late 1990s, however, economic crises returned to the region. In Mexico in 1994, mounting current account deficits led to a sharp devaluation the peso, and only a massive international bailout saved the country from default on its international debt. The region wide effects of the peso crisis were intense but limited, with capital flows declining sharply, but recovering shortly after. A series of international crises in 1997 and 1998 had more profound effects. The contagion from financial crises in Asia and Russia spread to Brazil, which was forced to drastically devalue its currency, triggering an economic crisis that threatened the economic viability of its neighbor, Argentina, and raised the specter of a region-wide slowdown (Kuczynski 2003, 25-26).

As crises shook the confidence of investors, the capital inflows of the early 1990s began to decline, with volatile portfolio investments experiencing the most significant reversals.

At the same time, growth rates were slowing throughout the region. During the second half of the 1990s, the overall growth rate in Latin America barely reached 2.5 percent (Kuczynski 2003, 26), substantially below the 3.4 percent that the World Bank believes is necessary to reduce poverty rates. By the end of the 1990s, the average annual growth rate over the entire decade had shrunk to 3.8%, an improvement over the
“lost decade” of the 1980s but considerably lower than the growth experienced during the decades that had preceded the debt crisis (Lora 2003, 11-12).

Furthermore, even the weak improvements in macroeconomic performance recorded in Latin America during the 1990s had a distinctly limited impact on poverty rates and unemployment; the gains from the growth experienced during the 1990s tended to be distributed unequally. Of the LAC countries, only Chile and Uruguay experienced a substantial decline in poverty during the 1990s (Birdsall and Székely 2003). While the region as a whole saw some decline in poverty levels, rates of poverty remained above those experienced prior to the crisis of the 1980s (Huber and Solt 2004). Persistent poverty was linked in part to levels of economic inequality, which overall stayed the same or increased throughout all of the countries of the region during the 1990s (Behrman et al. 2001). Unemployment rates remained roughly the same throughout the region as a whole between 1989 and 1996 (Burki and Perry 1997, 91), and significantly increased in some countries (notably, Argentina) during the 1990s.

By the end of the 1990s, then, the social costs of the debt crisis were still keenly felt throughout Latin America. The limited growth experienced during the decade, having done relatively little to ease these effects, was now fading. Inevitably, this economic decline was accompanied by some public discontent with the economic policies that had failed to live up to expectations. At the end of the 1990s, observers had begun to characterize the overall mood within Latin America as one of “reform fatigue.” Region wide surveys showed a dramatic decline in support for the principle of the free market in general, as well as specific free market policies (Lora 2003, 4).
Faced with this worsening picture, advocates of market reform policies searched for explanations for the inadequate outcomes of economic liberalization, and for potential solutions. Some of the blame for the disappointing results was ascribed to external conditions; in particular, the financial crises in Asia and Russia that had sent international ripples through developing country markets (Williamson 2003b, 307). However, most observers also concluded that Latin America’s free market policies had failed to perform as advertised at the domestic level. Despite the fact that structural reforms had largely removed the interventionist policies that were seen as the primary obstacles to growth, sustained growth and the corresponding enhancements in welfare had failed to reach promised levels.

The rise to prominence of the idea of a “second generation” of economic and institutional reform in the region stemmed in part from this retrospective reexamination of Latin America’s experiences with economic liberalization. According to this perspective, the disappointing economic performance following economic liberalization did not call into question the basic principles of the free market model adopted by Latin America following the debt crisis. Rather, the economic shortcomings demonstrated that the existing reforms were insufficient. The ability to sustain high levels of economic growth, and to translate that growth into improved standards of living, would depend on the implementation of a new set of reforms to supplement and reinforce free market policies. The exact nature of those reforms, and how best to implement them, were subjects of considerable debate.
Outcomes of Market Reform: Argentina, Peru and Mexico

This debate was of obvious relevance to three countries in this study, whose economic experiences during the 1990s generally paralleled the overall pattern observed throughout the region. During the optimistic years of the early 1990s, market reform advocates depicted Argentina, Peru and Mexico as model countries. The initial outcomes of neoliberal reform—strong economic performance, booming inflows of capital, and public approval of the leaders or parties that had implemented market reform—seemed to justify this acclaim. However, by the end of the decade economic performance in each of the three cases had weakened substantially, and public optimism had been replaced by disenchantment.

In Argentina, most early results of Menem and Cavallo’s market reforms were overwhelmingly positive. The adoption of the currency board and peso-dollar convertibility dramatically curtailed inflation, lowering annual inflation rates from 5000 percent in 1989 to less than 5 percent in 1994 (Pastor Jr. and Wise 2001, 62). Argentina quickly returned to strong rates of growth, averaging 10% annual growth between 1989 and 1994. This boom was in large part fueled by foreign investment, which poured into the country rapidly following the liberalization of the economy and the lowering of capital controls. This economic growth, combined with the proceeds of privatizations, initially brightened the Argentine government’s fiscal picture. By the middle of the decade, Argentina was being touted by the international financial establishment as a
model country for the implementation of economic reforms, and the booming Argentine economy was viewed as strong evidence in support of the neoliberal policy agenda.

The first serious signs of trouble began to emerge in the mid-1990s. The Mexican crisis of 1994 jolted the Argentine economy, which suffered a capital outflow of $6 billion in 1995 (Pastor Jr. and Wise 2001). Despite this setback, high levels of growth soon resumed, and the Argentine public registered its approval of Menem’s tenure by overwhelmingly reelecting him in 1995. Soon after Menem’s reelection, however, the situation began to sour. Over the next few years, growth rates slowed substantially, unemployment, which had been an unwelcome side effect of Argentina’s reforms, continued to rise, reaching record levels by the end of the decade. Brazil’s 1998 currency crisis triggered another drop in investment, and damaged Argentina’s international competitiveness (already weakened due to the appreciation the peso that had resulted from convertibility). As the economy weakened, Menem’s approval dropped precipitously, and a newly formed coalition of anti-Menem parties, having won resoundingly in legislative elections of 1997, looked well positioned to take the presidency in 1999.

In Peru, Fujimori’s unanticipated adoption of neoliberal orthodoxy soon appeared to be paying both political and economic dividends. Growth, which had stagnated during the last years of García’s administration, soon returned strongly, surpassing 13% in 1994 (Wise 2003b). Inflation rates dropped from 30% per month in 1990 to 0.5% per month by 1997. The Peruvian stock market surged, and foreign investment flowed into the country. Buoyed both by perceptions of economic progress and by his administration’s successes
in fighting the brutal Sendero Luminoso insurgency, Fujimori won a resounding reelection in 1995.

During Fujimori’s second term, however, the economy slipped back into recession. As growth slowed, unemployment rose, and wages (which had not risen in proportion to Peru’s overall growth during the boom of the early 1990s) stagnated. While Fujimori had used the proceeds of privatization to fund social programs to build electoral support among Peru’s poor, the availability of this fiscal resource declined over time. As the economy worsened, Fujimori’s approval ratings dropped, with disapproval of both Fujimori and of his economic program rising from mid-1996 on. In this context, Fujimori began manipulating the judicial system to allow a run for a constitutionally prohibited third term, further damaging his government’s image. Although the economy, and Fujimori’s approval, improved somewhat in the year preceding the 2000 election, it appeared that that contest would take place in an atmosphere of overall public discontentment.

In Mexico, by the early 1990s economic reforms appeared to be producing positive results. GDP growth rebounded, averaging 5.6% between 1984 and 1994. Exports and imports both surged, with non-oil exports in 1994 being eleven times their level of 1982. Levels of foreign direct investment grew, and foreign portfolio investment surged, moving from negative levels under De la Madrid to an average of $8.2 billion dollars in 1994. (González Gomez 1998, 42). An appreciating peso, combined with liberalization of spending, led to an increase in consumer purchasing power and spending. By 1988, the PRI, which a few years before had been buffeted by economic
discontent and internal fractures, was riding a wave of perceived prosperity to electoral victories.

By 1993, signs of trouble had begun to emerge. Mexico gradually settled into a recession, while the appreciation of the peso, and liberalization of trade led to a rapid increase in trade deficits. The booming foreign investment that Mexico relied on to finance its boom was heavily concentrated in potentially volatile portfolio flows. In the short term, Salinas was able to maintain enough of a semblance of prosperity to maintain the PRI’s hold on the presidency via Ernesto Zedillo’s victory in the 1994 elections, and 1994 also saw the implementation of NAFTA, a measure that Salinas promoted as key to continuing Mexico’s progress toward first world status.

Shortly after Zedillo’s election, however, Mexico underwent a catastrophic economic crisis, as unsustainable external balances forced a massive and disorderly devaluation of the peso. In the aftermath of devaluation, unemployment surged, inflation rates surpassed 50%, and public wages and purchasing power plummeted. While a $50 billion bailout package forestalled the possibility of a default on Mexico’s external obligations and allowed the country a relatively rapid return to economic growth, the effects of the crisis, and accompanying disillusionment, persisted throughout the rest of the 1990s. The political effects of the crisis became clearly apparent in the legislative elections of 1997, as the PRI lost its majority on Mexico’s congress for the first time in the country’s modern history. By 2000, the combination of economic discontent and an unprecedented degree of political competitiveness created the possibly that opposition parties could dislodge the PRI from its similarly longstanding grip on the country’s powerful presidency.
The idea of the necessity of a second generation of reform policies attained widespread support in reaction to the disappointing outcomes of market reform processes in Latin America. The specific policy priorities associated with the second generation reformist agenda were not new. However, the conception of economic reform as occurring in two discrete stages appears to have originated in an influential 1994 article by Moisés Naím (Naím 1994, see also Navia and Velasco 2003) According to Naím, Latin America had undergone a first stage in the reform process, one primarily involving “decree driven, hard-to-decide but simple-to-execute economic shocks” (Naím 1994, 35). The completion of these initial reforms could be credited for the “spectacular turnaround” in Latin American economic performance. However, Naím argued, that stage was now mostly over; furthermore, the future sustainability of Latin America’s economic growth, and the translation of that growth into improved standards of living would depend on the implementation of a new set of policies. These new policies would be intended to increase the competitiveness of Latin American economies and improve social conditions, would involve many different policy areas, and would incorporate renewed attention to the role of the state, a process that Naím characterized as one of “institutional creation and rehabilitation.” (Naím 1994, 35).

While the concept of second generation reform was introduced at the apogee of Latin America’s post-liberalization economic performance, its prominence would increase as the region’s fortunes worsened. As economic growth slowed and “reform
fatigue” began to emerge (seemingly bearing out Naím’s predictions of the uncertain sustainability of the gains associated with the initial market reforms), calls for the implementation of second generation policies became commonplace. By 1999, Manuel Pastor Jr. and Carol Wise observed that the second generation reformist perspective had “received support from across the political and policy spectrum,” and had been embraced by the multilateral financial organizations. In that year, the IMF convened a conference on the implementation of second generation reforms in the developing world; the following year, Ann Krueger (soon to be named First Deputy Managing Director of the IMF) edited a volume of essays addressing the same topic (Krueger 2000). By 2002, Dani Rodrik noted that the disappointing outcomes of neoliberal reform had led to the emergence of what he termed an “Augmented Washington Consensus,” in which the stabilization and structural adjustment prescriptions associated with the original consensus were supplemented by second generation reform policies “entailing heavy duty institutional reform.” (Rodrik 2002) In 2003, John Williamson, acknowledging the expansion of this reform agenda beyond the original measures he had described, coedited a volume on second generation reform in Latin America entitled “After the Washington Consensus.” An increasing adoption of second generation reformist themes as a political message by Latin American politicians (particularly prominent and successful in the three countries examined here) occurred concurrently with the increasing popularity of the concept in academic and international policy circles (Wise 2003).

While the region’s economic travails had generated broad agreement on the need for a new set of policies, no similar consensus existed on the exact nature of those
policies. As a consequence, the precise meaning of “second generation reform” has never been established in clear and universal terms. Despite this lack of consensus, most versions of the concept of second generation reform have several fundamental tendencies in common. The commonly held meanings of the term are best understood by emphasizing the basic assumptions that lie behind the second generation reformist perspective.

At the most basic level, the concept assumes that the basic elements of stabilization and structural adjustment according to the Washington Consensus framework represent a necessary first step in economic reform, and a foundation for future policies. As the name suggests, rolling back structural adjustment and stabilization policies is not part of the second generation agenda. Rather, these first generation reforms are viewed as necessary but insufficient: in addition to macroeconomic adjustments, state policy within individual sectors of the economy must be modified to enhance efficiency, and governments must also actively undertake measures to guarantee that the benefits of economic growth are distributed among all social groups, and translate into broad improvements in living standards.

Additionally, a central aspect of the second generation reformist perspective is increased attention to the quality of institutions. Moving from a first generation to second generation agenda implies incorporating the assumption that the quality, integrity, and effectiveness of the institutions that carry out economic and social policy is as fundamental to eventual outcomes as the content of those policies themselves. Much of the second generation reformist agenda, then, involves governance issues: prevention of corruption and the promotion of institutional effectiveness and accountability. Thus,
second generation reformism can best be viewed as having two related but conceptually distinct components: a socioeconomic policy component, and a governance component.

**Second Generation Reforms: Socioeconomic Aspects**

The socioeconomic policy aspect of second generation reformism incorporates a broad and diverse set of issues, and is characterized by considerable ambiguity as to both the boundaries of the concept itself and the specific content and priority of policies within each area. In this regard, the second generation agenda contrasts with the original Washington Consensus. Although some disagreement exists as to the exact nature of the “Washington Consensus,” the basic policy instruments and overall approaches of stabilization and structural adjustment are fairly widely agreed upon. Unlike the first stage of reform, which involved changes at the macro level, second generation policies tend to involve attention to individual sectors of the economy and specific issues. In the words of Ann Krueger, the economic policy aspect of second generation reform consists of the “implementation of particulars.” (Krueger 2000, 4) Second generation reforms address policy areas that fall outside of the realm of the basic fiscal and structural adjustment policies, but nevertheless have a significant economic and social impact, and require state action.

As the preceding discussion should make clear, the range of “particulars” that could be potentially construed as falling under the second generation heading is extensive. However, along the lines of the general tendencies outlined above, certain
concerns tend feature prominently within the second generation socioeconomic agenda. There is considerable consensus as to the desired goals of second generation reforms: improved efficiency, and the translation of growth into improvements in social welfare. Employing the terminology of Pastor Jr. and Wise (1999), most second generation socioeconomic reforms can be broadly considered “market completing” or “distributional” in intent.

Market completing reforms involve policies designed to create a policy environment that maximizes the competitiveness and efficiency of the private sector, and to correct for market failures (Pastor Jr. and Wise 1999). In the words of John Williamson, they involve “creating and maintaining the institutional infrastructure of a market economy.” (Williamson 2003, 11) Along these lines, the creation and effective enforcement of anti-trust regulation is viewed as an important second generation priority. Regulation of banking is also central to many conceptions of the second generation reformist agenda, as is regulation of the financial sector. Reforms in labor market regulations also fall under this heading.

Alongside efforts to generate higher levels of overall growth through promoting increased efficiency and competition, a central goal of second generation reforms is the promotion of policies that support the equitable distribution of the economic and social benefits of growth. Rather than assuming that growth will naturally translate into improvements in standards of living, the second generation perspective views government action as necessary. Pro-equity policies can take a variety of forms. The “human capital” issues of improvements in the availability and quality of education and health care are generally viewed as major priorities. Anti-poverty social spending
programs of various kinds also could fall under this heading, as could efforts to improve access to credit for the poor. Policies intended improve the competitiveness of small and medium sized firms relative to larger ones also have been frequently cited as a means of addressing distributional issues within a second generation reformist framework. (Pastor Jr. and Wise 1999, 42-43).

While second generation socioeconomic reforms can be broadly classified as market completing or distributional in intent, many policies areas have implications for both the efficiency and equity aspects of the reform agenda. Tax reforms, for example, could conceivably be oriented toward both ends, with redesigns of the tax structure either being intended to promote overall market efficiency, or to generate a more egalitarian distribution of assets (with the specific content of the reform possibly depending on the priority ascribed to one goal or the other). The regulation of recently privatized public utilities, commonly a major second generation concern, also has implications for both the overall performance of the economy, as well as for the distribution of economic benefits and broader social-well being.

To some extent the socioeconomic agenda of second generation reformism seems potentially boundless, with the potential to incorporate anything that could be viewed as unfinished business from the first generation of reforms. Moreover, these policies are often conceptualized in terms of generally desirable outcomes rather than specific policy inputs (Navia and Velasco 2003). An emphasis on improvements in public education and the delivery of health care are goals, not policies, and opinions may vary on the exact policy steps needed to accomplish those goals (Corbo 2000).
Despite this heterogeneity and lack of specificity, however, the socioeconomic reforms that fall into the second generation category share some general principles in common: they are intended to promote a more efficient capitalist economy and to ensure that growth translates into improved social welfare, and they typically involve attention to narrower sectors of the economy, rather than the overall macroeconomic framework. Most importantly, second generation reforms generally involve a renewed emphasis on the role of the state in solving problems that unfettered markets fail to address. In this last regard the division between first generation and second generation reforms is clear: first generation policies typically involve a retreat of the state from the economic stage, while in second generation reforms, the role of the state is central. (Navia and Velasco 2003, 270). However, second generation reformist prescriptions typically do not involve calls for an expansion of the size of the government, but rather for increased attention to the strength and quality of governance. In this regard, the fundamentally state-centered nature of second generation reformism is linked to the other major aspect of the second generation agenda: an increased emphasis on the accountability and integrity of institutions.

**Second Generation Reforms: Governance Aspects**

While the socioeconomic component of the second generation agenda is ambiguous and diverse in content, the other main component of the agenda is far more straightforward: an increased attention to governance issues. Concerns over the quality of governance underlie many second generation reformist ideas, and the introduction of
governance issues to the equation represents a clear and distinct augmentation of the concept of economic policy reform. According to this expanded perspective, social and economic outcomes are viewed as depending not only on the content of policies, but on the quality and integrity of the institutions that undertake those policies. The increasing link between governance issues between economic reform efforts has been a result of both theoretical principles and real world experiences.

In theoretical terms, the argument for incorporating governance issues into economic policy prescriptions derives primarily from a few general concerns: concerns over the security of private property and market inefficiencies due to transaction costs, and concerns over the effectiveness of public policies. Much of the theoretical justification for attention to institutions and the rule of law in economic policy studies arises from the issues of property rights and the impact of transaction costs. Secure property rights are viewed as a necessary precondition for investment: lack of secure property rights raises the associated risks, leading to lower levels of investment.

More broadly, the importance of governance issues to economic performance stems from the potential of transaction costs to reduce the efficiency of market interactions. While the neoclassical economic paradigm presumes a market in which all parties have access to perfect information and agreements are enforceable, most actual markets do not operate under these ideal conditions. In practice, the existence of asymmetrical information between buyers and sellers of a good or service, combined with concerns over the enforceability of contracts and agreements, may raise the cost of conducting a transaction to the point where a potentially mutually beneficial exchange
cannot occur. Effective institutions and rules lower these costs by helping provide the buyers with credible assurances about the good or service they are receiving, and the enforcement of the agreement. Rates of investment, and the existence and efficiency of markets, then, depend on the existence of clear, credible rules: not only the existence of such rules in law, but the extent to which the rules are enforced in a reliable and even-handed manner (Burki and Perry 1998, North 1990, Keefer 2004, Rodrik 1999, Aron 1997).

Finally, and perhaps obviously, the effectiveness of public policies designed to render the economy more competitive and distribute the gains of growth depends not only on the correct design of institutions and laws, but on whether those institutions and laws function as they are intended to. As such, the good governance aspect of the second generation reformist agenda stems directly from the nature of socioeconomic second generation reforms: Once the state is brought back into the picture, attention to the quality and integrity of the state is necessary. The broadening of the economic reform agenda to include market completing and distributional policies undertaken during the post-reform era requires consideration of the quality of public administration itself (Burki and Perry 1998, 15).

Beyond purely theoretical justifications for the increased importance placed on institutions as factors in economic growth, major events outside of Latin America during the 1990s brought institutional issues to the fore. The Asian financial crisis, for example, was viewed as partly a result of inadequate transparency and supervision in the financial sector. Similarly, assessments of economic and social difficulties in Russia following the
free market shock therapy of the early 1990s often concluded that corruption, cronyism
and state incapacity resulted in a process that often replaced inefficient state monopolies
with inefficient and corrupt private monopolies or oligopolies, and created a form of
capitalism in which much of the benefit of growth flowed to a small class of well
connected oligarchs.

Concurrently with these events, economists and leaders of international financial
institutions (in particular, the World Bank), increased the emphasis placed on governance
issues in their research and in policy pronouncements. Numerous studies were undertaken
to assess links between institutional quality and economic performance. Despite the
obvious importance of corruption issues for the effectiveness of aid policies, the World
Bank had traditionally viewed the issue of corruption as largely off-limits, holding that
attention or pressures related to that subject would constitute unacceptable involvement
in the domestic politics of recipient countries. By the 1990s, this stance had shifted
dramatically, to the point that corruption and governance issues became one of the World
Bank’s primary preoccupations; a preoccupation reflected in the Bank’s publication of a
1998 report entitled *Institutions Matter*. (Burki and Perry 1998) As was the case with
second generation reforms in general, the incorporation of governance issues into the
economic reform debate created significant complications, as the question of how to
create what Rodrik (1999) has referred to as “institutions for high quality growth”)
offered few simple and straightforward answers. Furthermore, external promotion of an
institutional reform agenda was an uncertain proposition, due to the questionable
usefulness of conditionality as a means to compel concrete improvements in governance.
Despite these obstacles, by the late 1990s the governance issue was firmly esconced at
the top of the reform agenda, and efforts to reform anticorruption mechanisms, the civil service, and judicial systems were widely viewed as crucial.

In summary, the emerging idea of second generation reformism involved a broad range of policies intended to generate sustainable growth and improvements in social welfare. In contrast to the first generation reforms, which were involved broad macroeconomic reforms and typically represented a decrease in the role of the state, second generation reforms involved a renewed attention to the role of the state in a wide range of policy areas. Accompanying this increased attention the state role, a concern with the quality, integrity, and accountability of state institutions took on a new prominence within the economic policy agenda.

The Politics of Second Generation Reformism

Most of the research and writing on the process of second generation reform in Latin America has focused primarily on the goals and policy content of those reforms. However, equally important from a practical standpoint is the question of what political conditions and strategies are necessary to implement a second generation reformist agenda in the context of democratic politics. The disappointing economic results that eventually appeared in the years following market reform provided a general opportunity for political appeals based on modifications to free market policies (Pastor Jr. and Wise 1999). However, it is not immediately obvious why, or under what circumstances, this
public discontent could be expected to lead to support for a second generation reformist appeal involving primarily continuity with existing policies.

Moreover, regardless of the general character of mass public opinion, many of the specific reforms within the second generation agenda tend to provoke opposition from privileged and well organized social sectors and groups. While some of the costs of first generation market reforms are widely distributed and may be perceived as temporary, second generation reforms generally involve costs that narrowly affect influential groups (Naím 1994, 37) and threaten permanent harm for those sectors. Given the difficulty in establishing an organized and mobilized constituency in favor of these reforms, the defenders of the status quo can carry substantial political weight. Thus, declining economic performance should not be expected to automatically translate into political or policy success for second generation reformists; even under apparently propitious conditions, the implementation of a second generation agenda via democratic politics represents a substantial challenge.

A potential obstacle facing would-be reformists is the lack of consensus on the specific content of second generation reforms. As discussed above, this diversity of policies poses difficulties in establishing a clear definition of “second generation” reforms; in practical terms, it also poses similar difficulties for the possibilities of implementing such an agenda. This confusion goes beyond the question of what policy areas should be addressed, but also can be seen in disputes over the precise content of policy reforms in any given area. In this regard, the contrast between second generation reformist policies and the “Washington Consensus” on stabilization and structural adjustment is instructive. The existence of a relative consensus within the policy
community on essential policy measures facilitated the creation of domestic and international policy networks that consistently pressed for those basic goals. This consensus was drawn in part from the fact that the neoliberal perspective was based on a fairly simple and straightforward principle (the reduction of the state role in the economy) and the fact that the links between the goals of first generation neoliberal reform and the policies needed to achieve those goals are clear. By way of contrast, the diversity of opinions regarding the basic elements of second generation reformism, the relative priority of different elements within the reformist agenda, and the specific policies needed to address each element, tends to diminish the possibility of building political and administrative momentum behind a cohesive policy package.

Another obstacle to the implementation of a second generation reformist agenda lies in the technical difficulty of the reforms themselves (Navia and Velasco 2003, 266). The major policy reforms of the first generation were relatively simple, requiring broad changes in policies at the top levels. As attention moves to more specialized sectors of the economy and the bureaucracy, the complexity of the required policies themselves increases dramatically. The increased complexity of second generation reforms makes their successful implementation a more daunting challenge in purely administrative terms, and also creates political obstacles and complications.

Similarly, many second generation reforms require a great deal of time to put into place. Many of the important first generation reforms, such as privatizations, cuts in tariffs, and fiscal and monetary adjustments can be made in a matter of weeks. In contrast, improving the quality of educational and health care systems, or improving the effectiveness and integrity of public administration, are extended processes where only
incremental progress is realistic. Furthermore, while some first generation policies can be expected to generate immediate and clear positive effects (for example, anti-inflationary policies), any improved economic and policy performance that results from second generation reforms will only emerge in the long term (Navia and Velasco 2003, 302; Naím 1994, 36). These positive effects of second generation reforms, in addition to being delayed, may not be clearly connected to the reforms themselves in the popular consciousness. Even if reforms to education and health care do make some contribution to overall economic growth, the effects likely will be limited, and the public visibility of the impact of reforms on outcomes will be low (Naím 1994, 36). As such, politicians elected on second generation reformist agendas will likely have difficulty pointing to clear and immediate improvements as a means of sustaining their public support.

The obstacles to mobilizing public support behind a second generation reformist agenda are heightened by another frequent difference between the first and second stage – the presence or absence of an immediate crisis (Bambaci 1999). The initial policies of stabilization and structural adjustment were often undertaken in response to an immediate crisis. Under these circumstances, leaders were able to present drastic changes as a necessary response to a desperate situation, and to gain public approval when conditions improved (even if their market reforms directly violated campaign promises, as was the case in Argentina and Peru) (Weyland 2003). Second generation reforms, on the other hand, are not driven by an urgent crisis, but rather are more often viewed seen as a response to inadequate public services (Navia and Velasco 2003, 236) and as an antidote to creeping economic stagnation; the implementation of reforms will not necessarily trigger an immediate reversal of these trends.
Taken together, these factors suggest that political methods and strategies that served well for the implementation of stabilization and structural adjustment policies may not be appropriate for the implementation of second generation reformist agendas. In many cases, first generation reforms could be implemented by a relatively small number of political leaders or technocrats in the executive branch, acting with considerable autonomy from the public. The presence of a crisis, combined with strong international pressures, created momentum for a drastic shift in policies, and this shift could often be accomplished relatively quickly. Second generation reforms seem less amenable to this sort of approach. As Korzeniewicz and Smith note:

Whereas the first generation of reforms (macroeconomic stabilization) was relatively simple and could be enacted by presidents and insulated agencies in the executive branch, the reforms of the “second generation” involve an array of microeconomic issues and complex interrelated institutional changes...as well as voluntary coordination among diverse social and economic forces. Therefore, the coalitional underpinnings of these more ambitious reforms are essential, making the new reform agenda political par excellence (Korzeniewicz and Smith 2001, 29)

In order to achieve success within a democratic system, would-be second generation reformers would need to build considerable political momentum behind their project, and enjoy reliable support from a broad and durable enough coalition to outlast the resistance of anti-reform interest groups.
A Critique of the Concept

The idea of the necessity for a “second generation” of reforms in Latin America obtained widespread currency during the 1990s, becoming part of a general orthodoxy among proponents of neoliberal economics, and increasingly forming the basis for some politicians’ campaign messages and campaign promises. However, as the above discussion has suggested, the concept itself suffers from several basic flaws that potentially call into question its usefulness as a basis for effectively describing and constructing economic policy. A central flaw is the lack of clarity regarding the exact content and category limits of what could be considered “second generation reformist” policies. There is considerable disagreement among different observers on which policy areas fall into the second generation category. Additionally, in areas where there is agreement on which policy outcomes are important second generation priorities, the exact content of the policies to achieve those outcomes is often disputed.

Furthermore, the division of market reform policies into first and second stages involves making several assumptions about the sequencing, priority, and desirability of various reform policies. Some of the assumptions about the desirability, priority, and ideal sequence of reforms may be unjustified from a policy standpoint; in many cases the implementation of first generation reforms may be flawed, and their outcomes unsatisfactory, in the absence of conditions that the second generation of reforms are intended to achieve.
Finally, a conception of reforms as occurring in first and second stages overlooks the possibility that the implementation of first generation reforms may involve political strategies and tendencies that actively undermine subsequent efforts to pursue second generation reforms. In particular, the implementation of market reform may involve leadership strategies that exacerbate institutional weakness, thus raising the hurdles to efforts to promote post-liberalization accountability and good governance. In addition, the tendency of top-down market reform programs to be associated with weakening of political representation may lead to a political environment that undermines the capacity for democratic governability necessary to implement second generation reforms.

**Conceptual Problems**

Considerable variation exists in the usage of the term “second generation” to classify economic reforms; some observers view the concept as encompassing a broad range of economic policy areas, while others have a far narrower perspective. In some cases, there seems to be little clear theoretical basis for classifying a reform as first generation, second generation, or something else entirely.

At the most basic level, all versions of the “second generation” concept seem to involve an emphasis on attention to the quality of institutions. Beyond this basic agreement, however, usages differ. For example, Williamson (2003a, 11-13) describes second generation reform as synonymous with reforms to institutions, encompassing reforms to the judiciary and civil service, as well as economic regulations. Issues of economic distribution and education are viewed as separate from the second generation
agenda, while labor reform is described as an incomplete element of the first generation agenda (in contrast with Pastor Jr. and Wise (1999), who treat labor reform and distributional issues as part of the second generation agenda). Similarly, Lora (2001), Burki and Perry (1997) and Corbo (2000) view labor reform as part of the first stage of structural adjustment, albeit one in which relatively less progress has been made. However, Corbo describes health care and education policy as falling under the second generation heading. Perhaps the most expansive conception of second generation reform comes from Naím’s original (1994) statement of the policies that accompanied Latin America’s purported “second stage.” According to Naím, second stage reform includes the typically cited priorities of attention to the quality of institutions and the regulatory capacity of the state, as well as issues such as labor reform, health care, and education. Naím additionally describes second stage reform as involving the building of export promotion capacities, restructuring of relationships between states and the national government, and privatizations that are have yet to be carried out, and are more complex than those undertaken during the first stage (in contrast with Williamson, who views the unfinished privatizations as incomplete first generation reforms).

To some extent, these differences in terminology may be viewed as solely semantic: Williamson, for example, describes labor reform and education reform as important pending priorities, notwithstanding their exclusion from the “second generation” classification. However, the lack of a clear and shared definition of second generation reform suggests that the concept itself may be of little use in analyzing existing economic policies or in formulating new policy agendas. The seemingly endless list of policy areas that could fall under the “second generation” heading creates the
possibility that the category may evolve into little more a shorthand for every piece of unfinished business remaining after the implementation of stabilization and structural adjustment policies. The widespread use of this catch-all term may obscure a basic lack of agreement on exactly what that unfinished business consists of.

Even in areas where there is relative consensus on what sorts of policies fall under the second generation heading, a basic limitation of the concept of second generation reform lies in the previously mentioned fact that much of the agenda associated with second generation reform does not consist of policy prescriptions as such, but rather (as Navia and Velasco put it) “statements of desired results...without a clear sense of policy design.” (Navia and Velasco 2003, 266) The belief that improvement in education and health care, more efficient public administration, and reduced corruption are important goals is not particularly novel or controversial; nonetheless, agreement on such a view does not translate into a clear sense of the relative priority of those goals, or a universally shared policy agenda for accomplishing those goals.

The example of labor reform is useful in illustrating the conceptual shortcomings of the first/second generation distinction. While the belief that adjustments in policies toward labor markets are an important component of the second generation agenda is widely shared among many observers. However, there appears to be no clear theoretical reason why many labor market policies should be viewed as distinct from first generation reforms; deregulation in labor market policy does not seem substantively different from deregulation in other areas. In addition, opinions differ on what the nature and goals of labor reform should be. Many different policies fall under the heading of “labor reform;” Saavedra (2003) mentions laws and regulations dealing with firing costs, job protection
and income smoothing, social security contributions, collective bargaining, and enforcement as components of the labor reform agenda. There is no clear and universally shared guideline for prioritizing these areas, and in fact some visions of the goals of labor reform may be in conflict; Pastor Jr. and Wise note that some actors believe that labor reform should emphasize reductions in union power and increased employer flexibility, while others view the primary goal as “securing human capital commitments so that workers are better prepared to reap the benefits of the market economy.” (Pastor Jr. and Wise 1999, 35) Given this diversity of possible approaches to the topic, one could question the substantive meaningfulness of the basic statement that labor reform is an important second generation priority.

Although the diverse usage of “second generation reform” raises concerns about conceptual clarity, the concept does have a basic identity that unifies most perspectives; despite the lack of agreement on the policy details of a second generation agenda, most versions of the concept share several important features. In particular, the most clear delineation of the meaning of second generation reformism can be seen in the several fundamental assumptions that underlie the concept: the assumption that the basic macroeconomic policies of stabilization and structural adjustment represent a first stage of reforms that is necessary but insufficient to provide for sustained economic growth, the assumption that these policies must then be supplemented by a set of more narrowly targeted government interventions aimed at improving the environment in which capitalism operates and ensuring that the gains of growth of distributed to all social sectors), and the assumption that attention to the integrity and effectiveness of institutions
represents a critical element of this second stage. While these basic assumptions provide coherence to the concept of second generation reform, they also present some concerns as the appropriateness of that concept to real life economic liberalization processes.

**Questionable Assumptions of Priority and Sequence**

The grouping of economic policy reforms first and second stages or generations implies both an order of priority and a temporal sequence: first come stabilization and structural adjustment, followed by everything else. However, neither this priority ordering nor the sequence implied by the first/second generation division has a clear basis in theory or in empirical reality. At the most basic level, stabilization policies are often urgently needed in order to ward off imminent or ongoing economic collapse. Beyond this, however, there is no obvious reason to assume that the “first generation” macroeconomic policies of the Washington Consensus should represent the most immediate priorities of would-be reformers.

This shortcoming is particularly notable in regard to issue of the quality of institutions. The ascription of institutional reform to the “second generation” suggests that it should be addressed following the implementation of stabilization and structural adjustment policies. Both theory and historical experience, however, have suggested that this is not the case, and in fact the adoption of stabilization and structural adjustment policies in the absence of high-quality institutions may lead to their failure. Manzetti (2003) hypothesizes that corruption, collusion, and patronage associated with market reform processes that occur under poor institutional conditions will lead to detrimental
policy outcomes; corruption undermines property rights, and causes the proceeds from privatization to be used for private instead of public gain, collusion between the government and private sector allies undermines competition and promotes rent-seeking behavior, and patronage leads to inefficient allocation of resources and hinders fiscal austerity efforts. Manzetti observes that the presence of major financial crises following economic liberalization appears to be tied to governance shortcomings. Similarly, Pastor Jr. and Wise (1999, 39) note that many regulations typically viewed as part of the second generation agenda “should have been part of the first phase” of reform, citing effective anti-trust laws as an example. The potential for inadequate regulation and low-quality institutions to undermine market reforms suggests that Naim’s two stage view, in which “institutional creation and rehabilitation” is enacted following liberalization in order to sustain growth, may be inadequate, and that Krueger’s (1999, 4) contention that “[first generation reforms’] very success...generates the need for second stage reforms,” is questionable. In fact, a flawed governance environment at the time of liberalization can potentially distort and undermine the liberalization process itself.

To some extent, the first/second generation division may be based less on clear theoretical or policy grounds than on observation of what actually happened in Latin America, with the “second generation” classification being applied to those areas in which policy change lagged behind the rapid changes associated with stabilization and structural adjustment (a fact which also helps account for the lack of clear and universal theoretical divisions between first and second generations, alluded to in the previous section). Nonetheless, this suggests that the distinction is of questionable relevance from a prescriptive standpoint. Some observers, acknowledging this problem, have continued
to use the first/second generation terminology while arguing that the term should not imply any optimal sequence (see Camdessus 1999 and Wolfensohn 1999). However, to the extent that a preferable priority or sequence of reforms does exist, the common usage of a first/second generation division that is unrelated to that sequence serves only to confuse the issue, impeding attempts to discern which reform priorities should be implemented immediately in any given case, and which should be delayed or set aside if supporting conditions and institutions are not in place.

“Intergenerational” Contradictions

Beyond implying a sequential order of policy reforms that is of questionable prescriptive validity, the first/second generation division overlooks the ways in which efforts to implement first generation policies may actively undermine later efforts to implement reforms along second generation lines. The first/second generation division is derived from a view that considers the reform process as essentially technical in nature, while largely ignoring the politics associated with policy implementation. However, in practice, certain political tendencies and strategies frequently associated with processes of structural adjustment may create impediments or threats to the pursuit of second generation priorities. In this regard, two main tendencies are crucial: the possible association of market reform with the weakening of institutional accountability, and the impact of market reform on democratic representation.

While the trends and outcomes associated with market reform have varied throughout the region, Latin America’s liberalization experience has overall
demonstrated that a rollback of the state’s role does not necessarily translate into an increase in the accountability and effectiveness of the state. In many cases, the shrinking of the state was accompanied by continued, or possibly even increased, corruption and clientelism. Rapid and sweeping privatization processes, for example, often offered the potential for new levels and forms of state capture and collusion. Market reforming leaders also often relied on clientelistic practices to overcome resistance to reform and sustain their political support in reform’s aftermath; the discretionary targeting of social spending for political purposes, for example, featured in the strategies of several of the most politically successful market reformers. Naím (1994, 33) has credited the first generation of reforms with “rejecting economic policies based on the discretionary decisions of poorly trained bureaucrats accountable only to the political bosses who controlled their badly paid (but highly profitable) jobs.” Nonetheless, while the rollback of the state may have removed some bureaucracy, the ability of largely unaccountable political leaders to make discretionary policy decisions to reward supporters and punish opponents persisted, and in some cases may have increased. This weakening of institutional accountability and quality runs counter to the main goals of the second generation reformist agenda.

More broadly speaking, the impact of market reform on the quality and nature of democratic representation has implications for the potential implementation of a second generation reform agenda. As Weyland (2004) has noted, while neoliberalism has been associated with the survival of political democracy in Latin America, the region’s turn to the free market has raised questions for the quality of democracy. The impact of market reform on democratic representation has taken several forms. As Hagopian (1998, 106-
109) notes, the shift toward free market economics undermined existing representative ties that had been based on corporatist practices. Beyond this initial impact, however, neoliberalism has also to some extent hindered the formation of new representative ties to replace the old ones. The move toward the free market international and economic integration generated constraints on the ability of political leaders to propose, or to credibly commit to, alternative economic policies in the face of public dissatisfaction (Weyland 2004, 145). The effective limits on the policy latitude of leaders led to the frequent appearance of “policy switches” (Stokes 2001b), in which politicians who have won elections campaigning against neoliberalism adopted neoliberal policies upon entering office. These tendencies have served to undermine the public trust in leaders, and promote perceptions that democratic participation was of limited importance for policy outcomes (Weyland 2004, 146), leading to increased political frustration in the face of unmet social demands. Beyond limiting the choices available to leaders and the public, some scholars (for example, Roberts 2002) have argued that market reform undermines the capacity of social groups to organize in pursuit of economic interests.

The sum of these trends has contributed to situations in which public trust in leaders is low, parties are widely discredited and lack strong organizational structures and social roots, and high levels of electoral volatility are commonplace. Under these circumstances, democratic accountability serves a primarily punitive function, allowing voters to punish incumbent leaders, but often failing to satisfy public demands for meaningful representation.
The weakening of political parties and of representative ties between the public and government, immensely important issues in their own right, are also relevant trends for the potential implementation of second generation reforms, due to the character of the political challenges associated with those reforms. As discussed earlier, in contrast with the first generation, the capacity of reform-minded leaders to promote a second generation agenda will depend on their ability to sustain reliable public support, and to overcome the resistance of influential interest groups who are disadvantaged by the reforms. The political conditions that follow structural adjustment, however, may lessen the capacity of elected leaders to mobilize support for their program. In an environment in which political accountability primarily serves to punish incumbents, the mandates of elected leaders are likely to be tenuous, and the patience of their voters will likely be short.

Moreover, in such an environment, the ability of political parties and leaders to maintain stable public support and hold together potentially fractious legislative coalitions may depend on the ability to buy support via patronage, corruption, and on a willingness to circumvent institutional norms (Weyland 1996b). As a result, a situation may arise in which those political parties and leaders that have the greatest capacity to successfully govern and implement policy are also those with the least incentive to implement policies to strengthen institutional integrity and accountability, due to their own political reliance on a lack of effective oversight. The emergence of an inverse relationship between the reformist inclinations and the governance effectiveness of political parties would greatly magnify the already significant obstacles to meaningful institutional reform.
In short, while the idea that first generation reforms and second generation reforms are mutually supportive may make sense from a strictly policy oriented perspective, the inclusion of the politics of reform implementation into the picture calls into question this complementarity in some circumstances. To the extent that market reforms are accompanied by a weakening of institutional accountability, and to the extent that their implementation promotes weaker political representation and electoral volatility, the side effects of first generation policy successes may promote second generation reformist failures.

This overview of shortcomings and difficulties associated with the first-generation/second generation division should not be construed as calling into question the importance or validity of the specific, individual policy measures that often fall under the “second generation” heading. Attention to distributional concerns, human capital issues, effective regulation, institutional quality, and overall good governance can be legitimately viewed as key priorities, even if consensus is often lacking on the specific policies required to address those matters. Nonetheless, it is important to that an analytical scheme which assumes that policy reforms occur in sequential stages may obscure important policy distinctions and political complexities, and may also overlook inherent contradictions between reform efforts in the two “stages.”

Conclusion

Throughout Latin America at the end of the 1990s, a central political question was that of the nature of political responses to disenchantment with the outcomes of market
reform. The search for answers for public dissatisfaction in Latin American capitals corresponded with a search for an improved set of reform policy prescriptions among the international advocates of economic liberalization. In Argentina, Peru, and Mexico, which experienced the boom and decline cycle as strongly as anywhere in the region, this question took on particular intensity.

Despite its associated conceptual and practical problems, the idea of a second generation reforms served a useful function for certain parties in Latin America. For opposition parties that intended to capitalize on economic disenchantment, but were not able or willing to offer a sharp critique of the free market model, second generation reformism offered an apparently coherent means of promising improved outcomes without proposing drastic changes in economic policy. In each of the three countries studied here, the approach adopted by opposition politicians closely paralleled the evolving orthodoxy within the world financial establishment on the appropriate responses to the shortcomings of free market policies. The following chapters examine the specific circumstances and trends that led to the adoption of a second generation reformist opposition posture in Argentina, Peru, and Mexico.
Chapter 3 - Argentina

Introduction

The 1990s were a decade of profound transformation for Argentina at multiple levels. At the level of the political system, the decade was characterized by the consolidation of democracy, with the rules of the democratic game becoming firmly accepted by all significant political actors. Economically, the transition was equally profound, as Argentina’s state centered development strategy was rapidly dismantled in favor of a free market economic model. The results of this shift were initially positive; however by the late 1990s, Argentina had fallen into a recession, unemployment had reached all time highs, and the public mood was one of discontent, both with economic conditions and with the leadership of President Carlos Menem.

The 1990s also witnessed significant changes in the nature of Argentina’s party system. The governing Peronist party underwent an ideological transformation with the adoption of free market policies, and shifted from being a labor-based party centered in the urban working class to a clientelistic machine party built around the support of the rural poor. Argentina’s other major party (and oldest party), the Unión Cívica Radical (UCR) saw its support plummet as a result of past economic mismanagement and its leaders’ submissiveness to Menem. As a result of these changes, the opposition that arose to capitalize on the emerging social discontent was a fusion of old and new: a coalition consisting of the UCR, which for most of its century of existence had provided
representation to the country’s middle class, and FREPASO, a newly formed party with social democratic inclinations that had emerged during the 1990s to fill the political space generated by the UCR’s rapid decline in support. The message on which this coalition, the Alianza, based its challenge was one of second generation reformism, with an emphasis on issues of corruption and governance and only the mildest criticisms of existing economic policies. This approach brought immediate political success; the Alianza soundly defeated the incumbent Peronist party in legislative elections of 1997, and capped its rapid ascendance with an equally resounding victory in the presidential elections of 1999.

In this chapter I examine the origin and nature of the Alianza’s formation, campaign message, and political victories. I begin with a brief overview of the most important events of the prior administration, and the political and economic context in which the Alianza mounted its second-generation reformist challenge. I describe the main strategies adopted during the 1990s by Carlos Menem to maintain electoral support while pursuing market reform, and the resulting evolution of the governing Peronist party. I then detail the formation and political strategy of the opposition Alianza, and the public perceptions and attitudes associated with the Alianza’s message. Finally, I describe the election campaign and its outcome.

**Argentina in the 1990s**

Argentine politics during the 1990s were dominated by the figure of President Carlos Saúl Menem. Menem’s leadership was central to the restructuring of Argentina’s
economy. His influence was equally central to changes in the country’s party system. Under his command, his own Peronist party drastically altered its economic ideology, and reshaped the nature of the party’s support coalition. At the same time, the UCR’s acquiescence to Menem’s policy agenda and proposed constitutional revisions resulted in the transformation of the opposition, with the UCR suffering a rapid decline in stature and a new third party emerging on the scene. Thanks to a constitutional change that permitted previously proscribed presidential reelection, Menem remained at the helm throughout the entire decade. Although Menem’s attempts to engineer a third term fell short, his image and public views of his tenure in office were central to the electoral debate during the 1999 campaign, and the second generation reformist opposition relied on various forms of anti-Menem sentiment for cohesion.

The Menem era, and the deep changes associated with it, succeeded a period of hyperinflation and economic crisis. Raúl Alfonsín, of the UCR, had led the country since the 1983 elections that had marked Argentina’s transition to democracy- the first elections in the country’s history in which a Peronist candidate had been defeated fairly at the ballot box. Alfonsín’s administration was notably successful in promoting the consolidation of a democratic regime, one of his primary objectives. However, his government’s performance in the economic realm was far less auspicious, and it was these shortcomings that eventually came to dominate voter priorities (McGuire 1995, 224). Under Alfonsín, economic growth rates were negative every year, with the country’s GDP eventually having dropped 10% by the end of his tenure (Waisman 1999). Fiscal deficits surged, and inflation was followed by hyperinflation. A series of
Alfonsín’s successor, Carlos Menem, seemed like an unlikely candidate to lead the most sweeping economic liberalization process in Argentina’s history. The flamboyant governor of the remote and impoverished province of La Rioja, he had won the election based on a campaign that combined a populist style with promises to address Argentina’s economic problems by instituting a *salariazo* (large increase in wages) and a “productive revolution,” and to impose a moratorium on payments of the national debt. After taking office from Alfonsín, who was forced from the presidency five months early in the face of worsening economic crisis and the threat of a breakdown in governance, Menem rapidly reversed course, implementing an package of free market reforms whose depth and rapidity were without precedent (Teichman 2001, 111)

During the first few years of his administration, Menem’s policies transformed the Argentine economy and the role of the state. Menem quickly moved to privatize most of the country’s state-owned enterprises. By 1994, Argentina’s telecommunications, railroad, airline, petroleum, electricity, gas, steel, and defense sectors had almost entirely been privatized (Teichman 2001, 111-112), and the estimated total value of privatized enterprises had reached $24 billion. In the course of these privatizations 85,000 workers were removed from government payrolls. In addition to selling off state-owned enterprises, Menem also drastically reduced subsidies to the private sector, and slashed overall government employment by 217,000. Accompanying the reductions in the size of
the state were policies to deregulate investments and liberalize prices and exchange rates (McGuire 1997, 218-219).

Alongside this drastic liberalization of the Argentine economy, Menem’s government launched a similarly dramatic move toward international economic integration. By 1992, Menem’s government had reduced the average tariff rate to 10 percent, less than a third of the average rate during the mid-1980s. Non-tariff barriers were nearly eliminated as were barriers to foreign investment (McGuire 1997, 219; Teichman 2001, 112).

Despite Menem’s dogged pursuit of economic liberalization, Argentina’s economic performance during the first year of his term continued to be marked by recession and high rates of inflation, and initial attempts at stabilization were unsuccessful (Echegaray and Elordi 2001, 198). The country’s economic turnaround only materialized following the implementation of the measure that would come to be viewed as the linchpin of Argentina’s new economic model: the currency board scheme of newly appointed economy minister Domingo Cavallo. Beginning in March 1991, the exchange rate would be pegged at one peso to one dollar, and pesos would be freely convertible into dollars.

The establishment of convertibility brought immediate results. Inflation plummeted, with the annual increase in consumer prices dropping from 84% in 1991 to 1.6% by 1995 economic growth burgeoned, averaging 8.8% between 1990 and 1994 (Gerchunoff and Llach 2005, 434-435). Foreign investment surged, and the country’s fiscal picture improved substantially, with the public sector deficit that had averaged 8% of GDP during the 1980s dropping to .5% during the 1991-1994 period (Gerchunoff and
The combination of the elimination of inflation with improved growth had important positive repercussions for Argentina’s poor, as evidenced by a 50% drop in poverty in the Buenos Aires metropolitan area between 1989 and 1993 (Gerchunoff and Llach 2005, 435).

However, Argentina’s post-convertibility boom was marred by increasing levels of unemployment. Even during the economic expansion that followed Menem’s reforms created relatively few new jobs were created: between 1992 and 1994, rates of urban unemployment rose from 7% to 12.2% (Gerchunoff and Llach 2005). As Argentina’s economic growth began to falter during the second half of the 1990s, the problem of unemployment would continue to worsen, and the government’s inability to reverse this trend would become a primary source of public dissatisfaction.

**Peronism and Neoliberalism in the Menem Era**

Menem’s sudden conversion to neoliberal orthodoxy posed potentially significant problems for his party. The free market doctrine adopted by his administration represented both a dramatic departure from both his own campaign promises and the Peronist party’s traditional ideology; which emphasized state-led industrialization strategies and Keynesian management of demand (Levitsky 2003, 28). Neoliberalism also was a direct affront to the material interests of the organized urban working classes that had provided one of the backbones of Peronist support. Furthermore, Menem’s adoption of economic liberalization involved turning for support to groups that had long
been viewed as bitter foes of Peronism (most notably by offering top economic policy positions to executives of the powerful agricultural conglomerate Bunge y Born).

Despite these apparent pitfalls, the PJ maintained strong electoral support during the initial years of the economic program. Following Menem’s assumption of office, the Peronist party won a string of victories, not suffering its first election defeat until the legislative elections of 1997. The PJ’s victory in the legislative elections of 1993 strengthened Menem’s political position to the extent that he was able to push through a constitutional change that permitted his eventual landslide reelection in 1995. The ability of the Peronist party to maintain internal unity and electoral majorities in the face of this policy reversal can be tied in part to the initial positive outcomes of Argentina’s shift to the market. However, Menem’s electoral success also depended on deliberate efforts to target and distribute the benefits and costs of economic liberalization to politically strategic groups; this sort of electoral strategy became increasingly central to his party’s prospects as Argentina’s economic growth and surging investment eventually gave way to stagnation and surging unemployment.

Menem’s ability to maintain electoral support in the face of his drastic departure from traditional Peronist principles to some extent can be credited to the early successes of his economic reforms. In particular, the success of Cavallo’s convertibility plan in controlling inflation provided Menem with a significant and clear accomplishment to emphasize in making his case to the public. While opinion surveys taken in 1990 showed that inflation dominated voters’ perceptions of the country’s principal problems, by 1995 similar surveys showed that the inflation issue had practically disappeared from the agenda (Etchegaray and Elordi 2001, 201). Menem’s success in defeating a problem that
had bedeviled the Argentine economy provided him with a considerable measure of
government support, especially when combined with the healthy growth rates
that Argentina experienced between 1991 and 1994. The high value placed on the
newfound economic stability ensured that by the end of the 1990s, none of the major
political parties was willing to propose departure from convertibility as a means to lift
Argentina from recession. The defeat of inflation helped build approval among the poor,
who were most severely affected by hyperinflationary crises; however, economic stability
also won Menem some support from middle and upper class voters who had previously
shown little inclination to support Peronist candidates (Gervasoni 1997, 19; Gervasoni

The removal of societal preoccupations over inflation from the political agenda
provided Menem with a degree of public gratitude and earned him votes from outside the
PJ’s traditional base of support. However, this achievement eventually resulted in the
emergence of a “paradox of success,” (Weyland 2003, 174-175) in which the declining
salience of the issue undermined the PJ’s political strength. As memories of the
hyperinflation of 1989 faded, concerns over unemployment (which had surged to
unprecedented levels during economic liberalization) came to the fore; and while Menem
promised to “pulverize unemployment as [he had] pulverized inflation” (Weyland 2003),
the new problem proved far less amenable to drastic and immediate resolution. Even by
the time of Menem’s reelection in 1995, public approval of the president and his
economic program had begun to wane, and pessimism about the future had begun to
replace optimism (Etchegaray and Elordi 2001, Weyland 2003), a trend that accelerated as Argentina fell into recession during the second half of the decade.

Beyond broad public approval and support based on demonstrated achievements, Menem’s administration relied on a set of strategic choices and favorable conditions that reduced the potential impact for internal divisions within the party and its support base, and helped reshaped the Peronist electoral coalition to suit the new political and economic realities. During the first year of Menem’s term, when economic improvements was elusive, and again during Argentina’s 1996-1999 economic decline, the government was unable to rely on majoritarian public satisfaction and optimism as a basis for leadership. Under those less favorable circumstances in particular, efforts to maintain internal party loyalty and build support via patronage became crucial.

Along with strategies to co-opt or neutralize potentially troublesome factions within the party and its supporting organizations, the PJ’s ability to shift toward neoliberalism was based in part on changes within the nature of its support coalition, and the main representative mechanisms linking the party to its electoral base. During the 1990s, according to Steven Levitsky (2003), the PJ underwent a shift from “union politics” to “machine politics;” the previous centrality of the shrinking urban working class and of unions was supplanted by the creation of territorial political machines based on patronage, and on government employment in particular. While Menem’s reforms slashed the number of federal government jobs, state employment held relatively steady at the level of provincial governments during his tenure (Gibson and Calvo 2000, 40). Levels of social spending also dramatically increased during Menem’s tenure, and spending was targeted to politically strategic areas (Weyland 1998, Corrales 2002, 210).
The PJ’s shift toward a reliance on patronage and public employment as a basis for electoral support was accompanied by a shift in the territorial and demographic nature of the Peronist electoral coalition. During Menem’s tenure, the political center of gravity within the PJ shifted away from the urban working class, and toward the rural poor. This shift was driven by a number of factors beyond the overall decline of the organized labor as a political force. The socioeconomic disparity between the urban and industrialized centers and the impoverished interior, combined with the greater importance of the state as a source of employment in the provinces, meant that the use of patronage was far more cost-effective as a means of obtaining political support in the provinces than in the cities. In addition to the disproportionate devotion of state resources to rural sectors, Gibson and Calvo (2000) have found that the social effects of economic reform were distributed in such a way that initial costs of market reform were concentrated in metropolitan areas, while the rural and informal sectors tended to benefit from those same reforms. Bambaci et al. have noted that Menem’s economic liberalization, while sweeping, nonetheless allowed for the maintenance of “illiberal enclaves” that shielded politically important constituencies from economic pain (with the lack of fiscal reform at the provincial level being a key example); they argue that the perpetuation of these enclaves, rather than representing setbacks to market reform were essential to liberalization’s success (Bambaci et al. 2002). Peronist electoral strength in the interior was further bolstered by Menem’s ability to form alliances with provincial conservative parties (Gibson and Calvo 2000, 38). Beyond providing votes for Menem’s eventual reelection, the increased centrality of the PJ’s rural support strengthened the party’s
position in the legislature (and in particular, in the Senate), due the disproportionate representative weight given to the interior in Argentina’s federal system.

Finally, a significant element in the PJ’s ability to maintain public support amid a turn to neoliberalism was the persistence of Peronist political identity. The strength of partisan attachments to the Peronist label has been sufficient to provide PJ governments with a “floor” of support (usually estimated at around 30%) that is largely unmoved by changes in economic performance and unchanged by shifts in party ideology and policy positions (Levitsky 2003, 65; Gervasoni 1998, 6; Ostiguy 1997, 21-22). As the volatility of the opposition vote in Argentina during the 1990s attests, no other political party in Argentina enjoyed a remotely comparable base of loyal support.

These strategies and conditions allowed Menem and the Peronists to maintain much of their electoral strength in the context of a sharp turn toward neoliberalism. By 1997, however, significant complications emerged in the political panorama facing the PJ. The overall decline in economic performance and public optimism had translated into a sharp drop in Menem’s approval ratings. No longer benefiting from a reserve of public gratitude for economic stability, the PJ was forced to rely more strongly on clientelism and partisan identity. As a result, their electoral coalition came to depend more on the voters attracted by those factors; in particular, poorer voters in the country’s rural interior.

Menem’s approach to governing also had costs for his image, in the form of constant corruption scandals that accompanied his tenure. From the beginning of his
Menem had made extensive and largely successful efforts to undermine the effectiveness and independence of oversight institutions (Manzetti 2003, 337-340). Argentina’s privatization process was riddled with corruption that was so blatant that it was widely obvious even in the absence of official oversight. The profile of the corruption issue was raised by the country’s aggressive investigative journalists, notably Horacio Verbitsky, whose account of the administration’s corruption (Robo para la Corona), became a best-seller (Manzetti 2003, 340). The range of corruption scandals associated with Menem’s administration included money laundering, bribery, kickbacks, and illicit arms trafficking (Waisbord 2004). During the early years of Menem’s term, public concerns over corruption were muted by more urgent priorities, inflation in particular. As inflation faded from the list of top concerns and the economy weakened, public tolerance for corruption dwindled, and by the end of the decade the issue was one of the three most commonly cited in polls assessing Argentina’s top concerns (along with crime and, above all, unemployment). The impact of reports of official wrongdoing was intensified by Menem’s penchant for a luxurious, often apparently frivolous lifestyle. Several specific events also elevated the profile of the corruption issue; in particular, the resignation of Domingo Cavallo in 1995 over complaints about corruption in the privatization process (Manzetti 2003), and the murder of journalist and photographer José Luis Cabezas while investigating a businessman with close ties to the government.

This unfavorable environment was accompanied by internal division within the Peronist party. Despite his growing unpopularity, Menem maintained his intention to run for a third term in 1999, and began attempting to lay the groundwork for a reelection
effort following his party’s defeat in the elections of 1997. Over the following months, factions sympathetic to Menem clashed with adherents of the heir apparent to the party’s leadership, Buenos Aires governor Eduardo Duhalde; internal rivalries within the party also led to spending races at the national and provincial level that worsened the country’s fiscal standing (Corrales 2002a, 2002b). The weakly routinized party structures and immense personal authority of the president, which had been crucial to maintaining partisan unity and policy momentum during the initial implementation of market reform, became a severe hindrance to the party’s internal cohesion and electoral prospects as Menem attempted to cling to power.

In the face of massive resistance to his reelection bid, both within the PJ and among the public as a whole, Menem’s efforts to manipulate his party and the Argentine judiciary into allowing him to retain the presidential nomination eventually failed. Not until May 1999, six months before the election, did the party nominally unite around Duhalde. The internal tension between Duhalde and Menem continued to fester throughout the campaign, with the president’s support for his party’s nominee often appearing questionable at best. As a result, Duhalde faced a difficult electoral picture – alongside deep public discontent with economic conditions, his campaign was hampered by internal conflicts generated by Menem’s desire to maintain unquestioned leadership of the PJ. And, despite his conflicts with Menem, Duhalde still faced the problem of being negatively associated with the deeply unpopular leader in the public mind.

Argentina’s troubled Peronist leadership also faced a resurgent opposition. One source of opposition came from a previous ally, Domingo Cavallo, who had broken with the administration following Menem’s administration, launching accusations of
corruption, and was now campaigning for president at the head of a personalistic political party. While not a realistic contender for the presidency, Cavallo’s campaign offered the potential to contest the PJ’s claims of credit for economic stability, and threatened to draw away some right-leaning voters from upper economic sectors that Menem had attracted to the party in 1995.

The primary opposition, however, was the Alianza, a coalition of the two parties that had split the anti-Menem vote in the 1995 elections, and had recently united to hand Menem his first electoral defeat in the legislative elections of 1997.

**Argentina’s Opposition: The Alliance for Work, Education, and Justice**

The alliance between the venerable UCR and the newly formed FREPASO resulted from a mix of common principles and political convenience. Both partners in the coalition shared a prior emphasis on issues of governance and democratization, a fact that promoted the adoption of those issues as a central electoral theme. However, both parties also displayed strong internal divisions, and the relationship between the two was always uneasy; in part because of ideological diversity, and in part because of differences in the nature of the two parties that created inherent inequities and tensions within the coalition. As such, the primary force that held the Alianza together was opposition to Menem’s personal leadership, and a shared belief that cooperation was the means to achieving effective opposition in the prevailing political context. In order to illustrate the nature of the coalition and the origins of the political message that it successfully rode to
power, it is necessary to briefly examine the profile and historical background of each of the coalition’s partners.

The Unión Cívica Radical (UCR) had its origins in the late nineteenth century. The UCR initially emerged to contest the exclusionary nature of Argentina’s turn of the century political system, which was entirely dominated by the agricultural oligarchy. Its support base consisted primarily of urban professionals, small business owners, and some dissident members of the rural elite (Ollier 2001, 30; McGuire 1995, 205). The UCR’s initial strategy was one of armed insurrection. Amid growing pressure for reform and openness, Argentina’s conservatives enacted a series of electoral reforms in 1912 that led to increased voter participation and promoted fair and transparent vote-counting. As Argentina’s political system opened, the Radicals shifted their approach from violence to party building, and triumphed in the 1916 elections under Hipolito Yrigoyen, one of the party’s founders. From this point on, every elected President in Argentina has been either a member of the UCR or the Peronist party (McGuire 1995, 224).

In 1930, amid growing political conflict and the onset of the Great Depression, Yrigoyen was overthrown by the military. During the decades that followed, Argentina oscillated between free elections, restricted or unfair elections, and outright military rule. The Radical party remained at the forefront of politics throughout this period, while suffering substantial internal divisions; among them, the victory in unfair elections of 1931 and 1938 of dissident UCR candidates with the backing of conservative parties, and a split in the late 1950s between factions led by the left-leaning Arturo Frondizi and the more conservative and anti-Peronist Ricardo Balbín (McGuire 1995, 213; Ollier 2001,
Throughout this tumultuous period, the UCR in its various forms maintained its identity as the primary representative of the country’s middle class.

With the transition to democracy of 1983, the UCR entered a new era. In the first elections following the military’s abdication of power, and in the midst of economic crisis, Raúl Alfonsín soundly defeated the Peronist candidate, Italo Luder. Alfonsín represented a left-leaning and more mobilizational wing of the party, and had obtained the nomination by defeating the centrist Fernando De la Rúa (who was closely linked to Balbín), in a primary. The contest between De la Rúa and Alfonsín foreshadowed a similar battle over the leadership and direction of the party that emerge during the late 1990s.

With Argentina emerging from the shadow of military rule, Alfonsín’s strong showing owed much to perceptions that he, and his party, would be a stronger advocates for democratic consolidation than the Peronists (McGuire 1995, 221). Alfonsín largely met public expectations in this regard; despite his eventual decision, under military pressure, to offer amnesty for most of the human rights violations committed by Argentina’s military, by 1988 the public still gave Alfonsín high marks for promoting democratic stability and human rights (McGuire 1995, 228). However, the economic failures of Alfonsín’s government overshadowed his democratic successes, leading both to defeat in the legislative elections of 1987, and the presidential elections of 1989. In 1989, the UCR candidate, Eduardo Angeloz, promised a shift of course toward economic liberalization and away from Alfonsín’s heterodox approaches (McGuire 1997, 215); voters instead opted en masse for the populist appeals of Carlos Menem.
With Menem’s policies producing positive initial results, relative perceptions of the UCR’s capacity for economic management reached low point during the early 1990s. The UCR then went on to discredit itself further in the public eye by apparently abdicating their role as opposition party. The decision by the UCR to not contest Menem’s economic policy (understandable, in light of public support for the president and the government’s recent victory) was followed by Alfonsín’s agreement with Menem on a set of principles for constitutional reform that would allow the President to pursue reelection. While Alfonsín had managed to elicit significant concessions on presidential power in exchange for legalizing reelection, the deal was nonetheless viewed by many as an abdication of the role of political opposition and as a surrender to Menem’s hegemonic inclinations.

The impact of this agreement – dubbed the “Pacto de Olivos,” after the presidential residence in the Buenos Aires suburb of the same name – was immediate and dramatic. In the ensuing presidential election of 1995, the UCR fell to an all time low in support, with its candidate, Horacio Massacessi, winning just 17% of the vote, For the first time in its history, the UCR had failed to finish among the top two contenders in a presidential election. Supplanting the UCR as the second force in the presidential election - and making significant inroads into the UCR’s traditional middle class base - was a newly formed party: the Frente Grande, soon to become known as FREPASO (Frente por un Pais Solidario) (Fidanza 1997, Gervasoni 1997).

FREPASO’s origins stemmed from divisions within the Peronist party following the accession of Menem. In 1990, a group of eight leftist leaders within the PJ, alienated
by Menem’s sudden shift toward free market orthodoxy, formed a dissident bloc within the party. Among this “Group of Eight” was Carlos “Chacho” Álvarez, then a young legislator from Buenos Aires, who would eventually become one of FREPASO’s two most prominent leaders, and the vice-president in the Alianza government that took office in 1999. Later that year, Menem’s decision to provide amnesty to military leaders accused of human rights violations impelled the dissident faction to break with the Peronist party entirely (Ollier 2001, 24). From this early stage, the party demonstrated a dual preoccupation with critiques of orthodox neoliberalism, and emphasis on issues of governance and democracy. While criticism of the free market economic model initially was the central focus, over the next few years, the governance theme would increasingly supplant the economic message in the party’s rhetoric (Novaro and Palermo 1998, Ostiguy 1997, 28).

Initial results for the new party in the elections of 1991 were unimpressive (Novaro and Palermo 1998, 90) Between 1991 and 1995, the emerging center-left bloc incorporated other representatives from Argentina’s two main parties, as well as various smaller parties and independent movements. In 1993, the new force adopted the name “Frente Grande,” and ran in legislative elections; their modest showing of 14.8 in the capital was sufficient to earn the young party three seats in the national legislature.

The party’s electoral fortunes and national profile soon received an enormous boost in the form of the Pacto de Olivos. The agreement between Radical leaders and the Menem government provided the Frente Grande with both a clear mission - opposition to Menem’s hegemonic tendencies - and also provided the party with a set of disaffected voters. The party’s performance in ensuing elections clearly demonstrated the extent to
which the anti-Peronist opposition vote had been splintered. In 1994, the Frente took 13% of the vote in elections for a constituent assembly to reform the constitution, and reached 36% of the vote in the city of Buenos Aires (Novaro and Palermo 1998, 94). That same year, Álvarez formed a political alliance with another disaffected Peronist, José Octavio Bordón, and the party adopted the FREPASO label. Bordón won an open internal primary election to become FREPASO’s presidential candidate in 1995. FREPASO’s 29% in that election vaulted it well ahead of the Radicals, who fell to their worst ever showing. Following the election, conflicts with the party’s leadership led Bordón to abandon the party and to return to the PJ ranks; despite this, FREPASO retained much of its newfound stature and positive public image.

Despite their rapid ascent to the head of the Argentine opposition, FREPASO faced several obvious weaknesses during the late 1990s. Their party’s support was concentrated heavily in middle class sectors within the city and suburbs of Buenos Aires, and they had little national presence (Novaro and Palermo 1998, 125); even in their breakthrough election of 1995, at the subnational level FREPASO was only able to win control of a single municipio, while the UCR captured five governorships and 461 municipios (Ollier 2001, 65). In the wake of the UCR’s decline, some opposition support in the country’s interior had migrated to provincial parties rather than to FREPASO. The party also suffered from a serious structural disadvantage relative to the country’s two major parties – in the place of organization and institutions, FREPASO relied largely on the media to build and maintain its public profile, and its appeal was based largely around the personalities of its major leaders; in particular, Chacho Álvarez
and Graciela Fernández Meijide, a human rights activist whose son had been “disappeared” during the military regime (Novaro 2002, 40-43; Ollier 2001; Malamud 2005). In the eyes of many, FREPASO had successfully completed an early period of “easy” development; but the strategies and assets to reach that point would likely be insufficient to increase the party’s vote much further (Novaro 2002).

Concern over these weaknesses was heightened by the results of the 1996 elections for chief of government of Buenos Aires, in which the FREPASO candidate (Socialist Norberto LaPorta) was soundly defeated by the UCR’s Fernando De la Rúa. De la Rúa was one of the prominent Radicals that had retained credibility and stature by opposing the Pacto de Olivos, and had a well established public image as a leader. These factors tended to neutralize two of FREPASO’s most important advantages: the stature of their leaders and their association with contestation of Menem’s hegemonic tendency. The ability of the UCR to defeat FREPASO on what should have been the newcomers’ most favorable turf (the capital) cast doubt on the ability of the new party to consolidate itself as the primary opposition force in advance of the upcoming national elections for the legislature and the presidency.

The UCR, meanwhile, faced problems of its own. In addition to their victory in Buenos Aires, the party had made something of a comeback elsewhere in the country, performing well in some provincial elections. However, despite having partially revived, the UCR still was saddled with negative public perceptions. The economic failures of Alfonsín’s tenure still generated persistent distrust of the Radical’s ability to govern successfully. At the same time, the party’s acceptance of the Pacto de Olivos continued to reflect poorly on the party’s credibility and commitment to opposition. The UCR also
faced major internal divisions – in particular, over the degree to which the party should adhere to Menem’s free market policies – that threatened their ability to unify around a successful opposition campaign. In the views of many Radicals, the slight recovery following the 1995 debacle represented only a temporary deactivation of persistent problems. (Novaro 2002, 47).

Given the circumstances facing Argentina’s two opposition parties, discussion of an alliance was inevitable. Those discussions began shortly after the elections of 1995. The prospect of a UCR-FREPASO alliance held clear potential benefits for both parties, as it addressed their major needs. For FREPASO, an alliance with the Radicals would immediately provide institutional structure, mobilizational capacity, and national presence, the absence of which whose absence had impose a ceiling on the party’s rise. For the Radicals, unification with FREPASO would renovate their party’s faded image as a source of credible opposition, and allow them to piggyback onto the messages that had fueled FREPASO’s rapid rise to prominence.

At the same time, serious obstacles existed to the creation of such an alliance, and the nature of the two parties raised major questions about the cohesion and sustainability of such a coalition once formed. Significant ideological differences existed, both between the two parties, but also within the parties themselves. Moreover, the differing organizational capacities and strategies of the two parties ensured that any marriage of the two forces would be unequal, with the UCR’s institutional strength and national presence giving it an advantage in internal political contests. As a result of this concern, some members of FREPASO believed that the party should continue to develop on its
own, rather than incorporate into a coalition where it would be a disadvantaged partner. However, most of the party’s leadership – and Chacho Álvarez in particular – concluded that the immediate concern with providing an effective opposition to Menemism was of utmost importance, and that the only way to accomplish this goal was with an alliance of the center-left.

In August of 1997, two months before legislative elections, the two parties agreed to join forces in most of the country (in some provinces where the UCR had maintained considerable strength, the two parties remained independent). Dubbed the Alliance for Work, Education, and Justice (or “Alianza”), the new coalition immediately became the top contender for the upcoming poll. The election results confirmed this perception, as the Alianza won a substantial victory, defeating the PJ by 46 to 36 percent, and ending the PJ’s string of six consecutive election victories. The Alianza extended their victory into territory that had been considered Peronist strongholds, most notably with the victory of Graciela Fernández Meijide in elections for senator from the province of Buenos Aires. The rapid and clear success of the Alianza coalition represented the first true electoral defeat that Menem had suffered since taking office, and temporarily quieted many of the internal doubts over the wisdom of the coalition agreement. However, serious tensions remained beneath the surface, and would come to the fore on several occasions during the period leading up to the presidential elections of 1999.

One potential source of conflict was the selection of the coalition’s presidential candidate. In the aftermath of her Senate victory, Fernández Meijide was the clear frontrunner for FREPASO, and led in national opinion surveys (Novaro 2002, 56); however, the Radicals also presented a formidable potential candidate in De la Rúa. With
the formation of the Alianza, both sides agreed that the presidential formula would be decided by means of a primary election to be held in November 1998. After a campaign characterized by emergence of intra-coalition tensions (with Álvarez at one point accusing De la Rúa’s administration in Buenos Aires of “structural corruption” (Novaro 2002, 69) the Radical candidate triumphed in the elections by a wide margin, obtaining 63% of the vote. The election result was widely viewed as consequence of the superiority of the UCR’s political machine over the weakly institutionalized FREPASO, and highlighted internal inequities within the coalition. The formula would consist of De la Rúa and Álvarez as presidential and vice presidential candidates, with Fernández Meijide relegated to the position of candidate for the governorship of the province of Buenos Aires.

**Origins of the Alianza’s Message**

A prominent concern faced by the UCR and FREPASO – both separately and in their alliance - was the nature of their proposed opposition alternative to Menemism. In particular, throughout the 1990s the parties of the Alianza were constantly preoccupied by the question of whether and to what extent the opposition should promise changes from Menem’s free market economic policies. This question was a source of disagreement within each party: in both FREPASO and the UCR, some factions believed that the central focus of opposition should be an attack on the negative consequences of the economic model such as unemployment and exclusion, with a shift of economic policy as a proposed remedy; others preferred to de-emphasize economic critiques, or to
explicitly promise economic policy continuity, believing that the opposition’s central focus should instead be governance-related issues of honesty, integrity, and accountability. Over time, the governance-centered critique attained clear ascendance in both the Radical and FREPASO discourse; as such, it also formed the heart of the message adopted by the newly created Alianza.

For FREPASO, the movement from an economic policy critique to a governance-centered critique began relatively soon after the party’s initial foundation, and was driven to a great extent by the responses of the party’s top leaders and their advisers to immediate political conditions and election results, rather than by the ideological principles of the party’s activists and component organizations. The initial impetus for FREPASO’s formation was rejection of Menem’s economic policies; the emergence of the dissident “Group of Eight” was a direct response to the perception that Menem’s sudden shift to neoliberal orthodoxy was a betrayal of genuine Peronist principles. Governance issues had also played a role in the party’s early identity, particularly with regard to the issue of human rights; Menem’s offer of amnesty for human rights abuses helped trigger the dissidents’ formal break from the party. However, the central focus of their message was a criticism of Menem’s shift to neoliberalism, and their strategy revolved around the idea that such a criticism would draw support from Peronist voters who had become disaffected as a result of this shift.

The early electoral results generated with this message, however, were decidedly meager. Within a year after their break with the PJ, it was clear to the leaders of the new opposition movement that attempts to draw away Peronist voters discontented with market reforms were not bearing fruit (Ostiguy 1997, 27; Novaro and Palermo 1998, 97-
With Argentina’s economy displaying impressive levels of stability and generating increased public optimism, it appeared unlikely that attacks on the economic model would suffice to elevate the new party to the head of the opposition. At this juncture, the Pacto de Olivos offered the Frente a new opportunity, as it opened up space for a new opposition force to fill the representative space left by the Radicals’ abdication of a forceful opposition role. However, the typical UCR refugee, rather than being motivated by opposition to the economic model, was instead a middle class voter opposed to Menem’s autocratic and apparently corrupt style of governance. (Gervasoni 1998; Novaro and Palermo 1998, 107)

As a result of the failure of their initial approach, and the opportunities presented by the Pacto de Olivos, between 1993 and 1995 the Frente Grande experienced a significant change in their political rhetoric and a dramatic improvement in their electoral performance. By 1993, the Frente’s main leaders had acknowledged the public’s favorable inclinations toward the country’s newfound economic stability, and adopted a measured tone when criticizing the economic policies of Menem’s government. Reacting to the public mood, in 1993 Chacho Álvarez went as far to assert that “Even this stability with social injustice is preferable to instability.” (Novaro and Palermo 1998, 95). This shift toward accommodation with Menem’s market reforms exacerbated some internal tensions within the party, leading to the departure in 1994 of one of the Frente Grande’s founders, Fernando “Pino” Solanas, who was an advocate for more traditional leftist economic ideology.

In place of economic policy critiques, Álvarez’s discourse increasingly emphasized “liberal democratic and republican values like transparency, subjection to
the law, and balance of powers.” (Novaro and Palermo 1998) The main target of this message were not the disaffected Peronists that the Frente had initially set out to represent, but discontented Radical and independent voters, particularly from the middle classes. (Novaro and Palermo 1998, 96; Ostiguy 1997, 28). Polls showed that the attitudinal characteristics of Frente Grande voters reflected this change; voters for the FG were associated more strongly with institutional and ethical issues than with rejection of market reform (Novaro and Palermo 1998, 107). The combination of FREPASO’s change in tone and the discontent generated by the Pacto de Olivos had immediate electoral repercussions, and the clarity of the links between the Frente Grande’s new message and its strong performance in the 1994 constituent assembly and 1995 presidential elections tended to defuse the internal conflicts created by the ideological shift (a tendency evidenced, for example, by the relatively scant number of supporters that accompanied Solanas in his departure from the party) (Ollier 2001; Novaro and Palermo 1998, 95).

By the time of the formation of the Alianza, FREPASO’s dominant political identity revolved firmly around issues of governance. The social democratic discourse that had accompanied the party’s formation persisted, but with less emphasis. For activists and lower level leaders in the party’s component organizations, socioeconomic issues retained primary importance, and the party’s shift away from these issues generated concerns (concerns that were only partially and temporarily assuaged by electoral success) (Novaro 2002, 45). However, FREPASO’s structure allowed its top leaders considerable autonomy from these activists and groups, and offered them a great deal of flexibility in crafting a message to appeal directly to voters via the media (Novaro
2002, 43). As a result, internal divisions regarding FREPASO’s newly pro-market stance did not significantly impede the party’s shift toward a governance-entered reformism.

Within the UCR, the question of the preferred nature of the anti-Menem alternative was similarly significant. During the Menem era, the UCR was divided into two camps in terms of economic policy ideology. A faction favoring a return to more statist economic policies was headed by Raúl Alfonsín. On the other side, Alfonsín’s previous and future eventual rival for party leadership, De la Rúa, was associated with the most conservative wing of the Radical party, favoring adherence to free market policies and objecting more to the method of implementation of Menem’s reforms than the content (Novaro 2002, 47). The UCR displayed a similar division at the level of the mass electorate. The UCR vote included a substantial sector committed to traditional state-centered prescriptions, while another segment of the party’s voters supported the basic precepts of liberalism (Novaro and Palermo 1998, 105). As was the case for FREPASO, the tendency that supported economic policy continuity and emphasized governance gained ascendancy during the 1990s.

Both of these tendencies within the UCR had substantial historical roots. The Radical concern with governance issues can be traced back to its origins: Andrés Malamud (2005) notes that the founders of the UCR, Leandro N. Alem and Hipolito Yrigoyen “conceived of their political mission as a crusade on moral values and administrative transparency, rather than as the pursuit of substantive policies.” This discourse, with its emphasis on so-called “civic republican” values, would remain part of
the UCR’s identity throughout its history, later serving in part as a vehicle for appeals based on socioeconomic and cultural divisions between Peronists and Anti-Peronists. (Ostiguy 1997). From the late 1920s on, the UCR also adopted economic positions that were generally statist and populist in nature. The extent to which the Radicals should take up leftist positions was a source of division for the party for much of the 20th century; however, by the 1980s, the mainstream view of the party accorded closely with a state-centred and inward focused economic strategy that Carlos Waisman (1999) characterizes as “neomercantilism.”

Raúl Alfonsín’s successful campaign for the presidency in 1983 embodied both the civic republican and neomercantilist tendencies of his party. Alfonsín’s surprising victory over the Peronists can be traced in part to perceptions of the UCR’s greater commitment to democratic norms. Despite his eventual decision, under military pressure, to offer broad military amnesty in human rights cases, in general Alfonsín’s efforts to promote democratic stability were viewed as successful. By contrast, the disastrous consequences of his heterodox approach to Argentina’s economic crisis cast the UCR in a negative light both in terms of their economic policy ideology and in terms of basic managerial competence. Following the UCR’s defeat in the 1989 presidential elections, the party faced an internal division over to what sort of posture to adopt in response to Menem’s economic and political measures. In the 1995 elections, the UCR maintained its official opposition to the peso-dollar convertibility, but in the aftermath of the election most Radical leaders accepted the plan (Levitsky 2001, 63).

This struggle for preeminence within the UCR was affected profoundly by Alfonsín’s decision to affirm the Pacto de Olivos. The association of Alfonsín with the
pact lowered his stature relative to those Radical leaders who had opposed the agreement. Among those who opposed the Pacto, the most clearly “presidenciable” was De la Rúa, a representative of the party’s conservative wing. The rivalry between De la Rúa and Alfonsín throughout the 1980s and 1990s paralleled the divisions within the UCR over economic ideology, with De la Rúa representing a posture of adherence to free market norms and an emphasis on the UCR’s civic republican ideals, in contrast with Alfonsín’s economic leftism. De la Rúa’s decision to oppose the Pacto, followed by his success in the 1996 elections for mayor of Buenos Aires placed him at the head of the possible UCR presidential candidates for 1999, and helped shift the party’s economic posture in a centrist direction.

The Alianza’s Second Generation Reformism

Given this parallel evolution of FREPASO and the UCR toward a second-generation reformist discourse, the eventual message adopted by the Alianza was predictably similar in nature. Despite the presence of leaders and factions within both parties that were disposed to a more radical critique, the Alianza’s economic message stressed that the party would not challenge the main elements of Menem’s free market revolution: peso-dollar convertibility, privatization, and international economic integration.

The new coalition’s commitment to the existing economic model was made clear shortly after the Alianza’s formation, and prior to their first electoral victory. Several
days after the initial announcement of the Alianza agreement, José Luis Machinea, the coalition’s future economy minister, declared to the press:

We agree to maintain the privatizations, the economic opening, obviously with fiscal equilibrium, and with convertibility. Not because we believe that it is the best model in the world, but because any attempt to change course would create more costs than benefits for the country (Seman 2000, 67)... no one is disposed to return to disequilibrium in public accounts, to close the economy, or to expand the state. (Clarín, Aug. 7 1997)

The following month, at a conference of the Argentine Industrial Union in Bariloche, during a debate with economic policy figures from other parties, Machinea explicitly agreed that the main reforms of Menem’s administration would not be challenged. Machinea went on to assert, however, that “90 percent of the second generation reforms” (Clarín, Sept. 19 1997) still awaited completion.

The degree to which the Alianza’s position represented a consensus with the main outlines of Menem’s structural adjustments and offered a second generation reformist agenda comes across clearly in the two major official policy documents of the Alianza: the “Carta a los Argentinos,” a statement of the Alianza’s policy positions put forth by the Coalition’s five most important leaders in October 1998, and El Gran Cambio, a summary of the electoral platform for the 1999 presidential ticket of De la Rúa and Álvarez, produced by the Instituto Programática de la Alianza.

In regard to the convertibility plan, the Carta a los Argentinos declares that “as part of the effort to maintain stability, the Alianza is resolved to maintain convertibility,” and asserts that price stability is an essential condition of any economic policy intended to improve the quality of life of Argentines. Similarly, El Gran Cambio praises the positive effects of the convertibility plan in terms of fiscal discipline and macroeconomic
stability, and declares that “the Alianza is committed to defending the value, internal and external, of our currency.” In reference to privatization, the Carta a los Argentinos asserts that “the Alianza considers juridical security essential, and thus will respect the privatizations.” *El Gran Cambio* makes no reference to revising existing privatizations or resisting future ones, promises that the Alianza will respect all of the state’s contracts, and simply states that an absence of state enterprises is an insufficient condition for growth. On the issue of international trade, the Carta a los Argentinos promises that “the Alianza will consolidate integration into international trade,” while *El Gran Cambio* argues that there is no question of “whether Argentina needs more or less opening to international trade; more or less foreign investment. Argentina needs more of both things.” Both documents strongly and repeatedly stress the party’s commitment to promoting exports as central to the country’s development; *El Gran Cambio* cites a doubling of exports as a goal.

Absent from the documents is any significant proposal to increase the size or role of the state. To the extent that the official policy statements offer any criticisms of the fundamental elements of Argentina’s neoliberal shift, they tend to consist of claims that reform was implemented imperfectly; in other words, that the benefits of free market reform depend in part on how that reform is accomplished. In its discussion of economic integration, the Carta a los Argentinos states that “globalization is not the problem, but rather how we respond to the challenges that it presents.” This general tone exemplifies the Alianza’s reaction to economic liberalization: in place of questioning whether or not liberalization should occur, the party’s rhetoric calls attention to the method by which it has between has been pursued. Alongside this essentially accommodating response to
structural reforms of the previous decade, the Alianza’s manifestos present the party’s own socioeconomic agenda in two general ways: as a series of extravagant promises of improved social and economic performance, and as a set of limited (and often very vague) policy proposals along second generation reformist lines. The promised outcomes are ambitious: the Carta a los Argentinos announces that the Alianza government intends to achieve a 6% unemployment rate, and an annual growth rate of 6%, and an investment rate of 30% of GDP, while El Gran Cambio promises that an Alianza government will move Argentina into the top 20 countries worldwide in rankings of human development.

The Alianza’s proposals for how to achieve these goals consist of a recitation of the priorities associated with the second-generation reformist agenda. El Gran Cambio describes the role of a state in the market economy as essentially involving market completing (in Pastor Jr. and Wise’s terminology) functions: “The state will play a role of utmost importance, perfecting the functioning of markets, assuring their transparency, making them more competitive, and in doing so, making them more efficient.” The Carta a los Argentinos formulates the state’s role similarly:

“The private sector should maintain its primordial role in investment. Confidence and credibility are needed to fortify private initiative. For this it is necessary to...guarantee juridical security, preserve macroeconomic equilibria, and create a long term horizon of predictability.” (Carta a los Argentinos)

According to this view, the primary role of the state is not as an active participant in the economy, but rather as a neutral and efficient enforcer of laws and regulations, a guardian of competition, and a guarantor of macroeconomic stability.
Beyond this minimalist conception of the state’s role, the Alianza’s official policy statements do promise a government role in encouraging certain economic changes; in particular, promoting increases in exports, and bolstering the competitiveness of small and medium enterprises relative to larger firms. As is the case with many of the Alianza’s proposed policy goals, the exact means by which these ends are to be achieved are left vague.

In accordance with second generation reformist prescriptions, both the Carta a los Argentinos and El Gran Cambio emphasize the importance of the “human capital” issues of education and health care. The Carta a los Argentinos devotes over 1,800 words to a section on education, making it second in length only to the section on economic development among the major issues mentioned in the document, and describes education as a “central element of the transition.” Despite this emphasis on the topic, the party’s manifestos do not present a clear picture of how their approach to education would differ from that likely to be taken by the incumbent government. As in other socioeconomic policy areas, the Alianza’s proposals with regard to education generally take the form of generic promises of improvement (with few specifics on how those improvements will be achieved), as well as proposal of additional programs (with little indication of where the resources to fund the new programs will come from). Promises on the topic of health care are similarly ambitious and unspecific. In substantive terms, the manifestos do mention a general problem of health care and educational funding being spent disproportionately to social priorities and need; however, they offer little detail as to where and how funds would be reassigned.
Some policy areas provide exceptions to this pattern of sweeping promises and vague proposals. For example, both El Gran Cambio and the Carta call for a greater degree of reliance on progressive tax structures to meet the country’s fiscal needs, a clear and somewhat politically risky statement of policy intentions.

Nonetheless, a more typical - and particularly indicative- example is El Gran Cambio’s description of the Alianza’s policies with regard to labor market issues. Employment was a central preoccupation of the Argentine public during the 1999 campaign, and was one of the three goals included in the Alianza’s name. “Full employment” is the first of the main goals outlined in El Gran Cambio however, the policy proposals intended to achieve this goal are predictably sparse. El Gran Cambio begins by attacking the contention that unemployment is an unavoidable consequence of globalization and the need to maintain investor confidence. In supporting the claim that Argentina can move beyond this tradeoff, the document cites four main factors: An overall strategy for ensuring economic growth, strengthening of regional economies, expansion of infrastructure, and support for small and medium enterprises. The first three of these pillars are fairly neutral goals, rather than policy positions (few political parties would be opposed to economic growth, stronger regional economies, or improved infrastructure), while a method by which an Alianza government would bolster small and medium enterprises to such an extent that they could have a significant impact on overall employment rates is never plausibly outlined.

When the document moves on to discussing labor relations as a factor in employment, its vagueness appears calculated. The document notes that economic development needs to be “accompanied by labor relations that harmonize with the
proposed objectives.” In terms of actual policy reforms, the only description provided is that “modernization of labor legislation should consist of the elimination of norms that impede or make difficult the adaptation of production to new technologies and the conditions of the global market.” Despite the centrality of this policy area to the Argentine political context, *El Gran Cambio* does not mention which norms would be eliminated, or what changes would be made in labor law. This notable omission may reflect a belief that the specific policies generally associated with labor in the second generation reformist agenda (in particular, flexibilization measures) would prove unpalatable to much of the Alianza electorate– a belief validated by public opinion surveys.\(^3\)

To some extent, the reliance of the Alianza’s programmatic materials on repetition of promises rather than substantive policy statements reflects a problem inherent to the idea of second generation reformism itself: the fact (discussed in the previous chapter) that many second generation reformist prescriptions consist of little more than statements of desired policy outcomes, rather than clear mechanisms for achieving those goals. (Navia and Velasco 2003). However, notable absences, such the lack of explicit statements as to how health and education funding might be reallocated, or which labor regulations would be altered, suggest that the party’s aversion to clear policy proposals also may have represented a desire to avoid indicating in advance who the likely winners and losers would be under an Alianza government. Rather than spell out how the Alianza would resolve the difficult tradeoffs involved in making economic policies amid tight fiscal constraints, their rhetoric often relied on assertions that the

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\(^3\) In an April 1999 survey by Romer, prospective Alianza voters disagreed by 40%-27% with the assertion that labor market flexibilization would reduce unemployment.
perceived tradeoffs were (as El Gran Cambio puts it) “false options,” that could be in large part resolved by a change in the style of governance.

In this regard, one of the commonly employed rhetorical gestures by which the Alianza’s manifestos attempt to bridge the gap between the extravagance of promised results and the relatively limited nature of the policy proposals meant to achieve them is the assertion that more attention to the quality of institutions, and the integrity of governance, would produce improved results (even within a relatively similar policy framework). In keeping with the second generation reformist tone of the Alianza’s message, references to the importance of institutional quality and governance abound throughout their manifestos. The Carta a los Argentinos describes the fundamental task of the Alianza as “organizing the nation as a modern democratic republic.” The opening section of the document includes a promise that every executive appointee will declare their wealth and income to be registered in a public database, as well as a broader promise to “restore the independence of powers.” The introduction identifies the main failings of the Menem administration’s tenure as fundamentally economic and social in nature, citing difficulties in obtaining stable and well paid employment, and inequality of opportunities in access to social services. However, the letter ascribes these inequalities not to a flawed economic strategy, but rather primarily to weaknesses of governance: in addition to unequal educational opportunities, the culprits mentioned are the unequal influence of interest groups on public decisions, a weak and inefficient state, and corruption. An improvement in the quality of governance and institutions, then, is expected to lead to improvement in social welfare and standards of living. This broad
claim that quality of governance is linked to socioeconomic outcomes recurs throughout the discussions of specific policy areas in both of the Alianza’s manifestos.

In sum, the Alianza’s policy statements contain few clear and explicit statements of socioeconomic policy proposals. To the extent that clear policy promises exist, they generally involve declarations of support for the fundamental outlines of Menem’s structural reforms. Statements describing the Alianza’s purported changes of policy primarily consist of promises of improved performance and emphases of the priority placed on policy areas fitting the second generation reformist agenda, with only vague indications of how those goals and priorities will be attained. Institutional and corruption issues are stressed throughout; those issues are depicted as a priority in their own right, as well as representing an ostensible means to improved socioeconomic outcomes.

The 1999 Presidential Campaign

The Alianza’s acceptance of the neoliberal model and emphasis on governance issues were reflected in the party’s overall discourse throughout the 1999 campaign. At a meeting of economists in May 1999, Machinea reiterated the promise to maintain convertibility (Clarín, May 12 1999). Later that month, following a sudden drop in the Argentine stock market and comments by George Soros that the peso was overvalued, De la Rúa joined Menem and Duhalde in declaring that altering peso-dollar parity was off the table (Clarín, Sept. 22 1999). Concerned about possible associations with the instability of the previous Radical government, De la Rúa continued to press this point in his campaign; declaring in a June speech in La Rioja “I maintain, one peso, one dollar. I
maintain, I am stability,” and later appearing in a commercial to pronounce the same unequivocal message: “With me, one peso, one dollar.” The Alianza was similarly forthright in its approach to the issue of privatization. In a joint declaration in April, De la Rúa and Álvarez reaffirmed their commitment to the privatization of public services, but criticized the method by which Menem’s privatizations had been undertaken, promising stronger regulations and greater defense of consumer interests (Clarín, Apr. 3 1999).

While the Alianza’s leaders drew attention to the issues of poverty and social exclusion during the campaign, they mostly refrained from specifics about how those problems would be addressed, instead relying on promises of a higher standard of government. In their campaign messages, the Alianza maintained their tendency to argue that improvements in the quality and efficiency of governance offered the solution to Argentina’s problems. In May, responding to an interviewer’s question of how the Alianza could deal with the country’s fiscal shortfalls without provoking negative social reactions, Machinea criticized a recent cut in the education budget, and instead argued that the problem could be addressed by reducing inefficient and unnecessary bureaucracy and fighting tax evasion. (Clarín, Apr. 9 1999). In a June 12 statement, De la Rúa linked increases in poverty to Menem’s corruption, arguing that corruption had led Menem to make decisions in favor of powerful interest groups (Clarín, June 13 1999). At an April rally in San Juan, after calling attention to the social shortcomings of Menem’s tenure, Álvarez described De la Rúa’s promise as founded on “a new type of leadership” based on honesty and transparency, and touted the challenger’s “strength and energy so that the weak have a moral referent and the playing field is not tilted toward the powerful.” De la
Rúa, according to Álvarez, would “lead by daily example, and not sell paradises like the ‘salariazo’ and the ‘productive revolution.’” (*Clarín*, Apr. 18 1999).

Observers of the Argentine campaign of 1999 invariably characterized the Alianza’s message as one that stressed primarily continuity with existing economic policy, emphasized issues of corruption and accountability to draw distinctions between the opposition and the incumbent party, and promised improved socioeconomic outcomes not on the basis of a shift in economic strategy, but rather as a result of better government. Isidoro Cheresky notes that in 1999 “the economy was not a theme of significant differentiation” (Cheresky 2003, 33) and characterizes the Alianza’s message as “limited to formulating a minimal promise of moralization of public life and of generic improvement in standards of living.” (Cheresky 2003, 22) Similarly, according to Marcos Novaro, the differentiation between the incumbent and challenger was “focused on corruption;” and while socioeconomic issues (like unemployment and unequal access to education) were discussed during the campaign, these issues never became significant points of distinction between opposition and government (Novaro 2002, 63). Hernan Charosky describes the Alianza’s message as one of “rupture plus continuity,” with the former involving “an attitude toward administrative transparency and institutional legality,” and the latter involving the continuation of an economic policy based on peso-dollar convertibility (Charosky 2002, 204). A prominent newspaper commentator summed up De la Rúa’s promise as simply “the same as Menem, minus corruption.”

Aside from the observations of outside political analysts, a series of interviews with political analysts, pollsters, and insiders connected to the Alianza and the 1999 election

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4 Mariano Grondona in *La Nación*, 11/21/99
revealed unanimous agreement with this depiction of the Alianza’s message as continuity in the economic realm combined with promised changes in governance.

The Alianza’s emphasis on governance issues over economics as a means of differentiation, and its substitution of promises of clean government for clear policy proposals, were reflected in the attitudes and perceptions of the Argentine public. Public opinion polls taken during the 1999 campaign demonstrated that the improved image the Alianza enjoyed over Duhalde and the current government was in large part a result of perceptions of corruption. For example, in a survey taken in July 1999 by Catterberg & Asociados in the traditionally Peronist stronghold of the province of Buenos Aires, voters identified Duhalde over De la Rúa by clear margins as the candidate with greater understanding of the problems of the public (46%-21%) and as offering a program of government with concrete solutions (37%-29%). De la Rúa, however, enjoyed a substantial advantage on the question of honesty (43%-25%). This was enough to translate into a one point lead in vote choice in the same poll. A similar pattern appears in a nationwide survey taken by Estudio Graciela Römer in April of 1999: De la Rúa was cited by 38% of respondents as possessing the most “honesty and strength against corruption” of any candidate, compared to 23% for Duhalde. When asked which candidate would best be able to create jobs, respondents chose Duhalde by 35% to 31%. Other nationwide surveys revealed a similar pattern. (Clarín, July 11 1999, Clarín, Aug. 31 1999).

These attitudinal patterns carried over into vote choice, with the Alianza performing strongly among voters who were preoccupied with issues of corruption. In the April 1999 Römer poll, voters who believed that honesty and strength against corruption

5 Data provided by Alejandro Catterberg
was the most important characteristic for the new president supported De la Rúa by 55% to 38%, while those who were most concerned that new president possess an ability to create jobs favored Duhalde by 48% to 40%. The 10.1% of respondents that viewed corruption as the single most important problem facing the country were nearly three times as likely to vote for the Alianza as the PJ, supporting De la Rúa by 56.6% to 18.9% over Duhalde (who fell to third place behind Cavallo among those voters). Among the 50.5% of the public who considered unemployment the single most important problem the race was far closer, with De la Rúa leading Duhalde by 48.9% to 41.5%. The Alianza’s deemphasis of economic policy differences, and its reliance on governance issues to distinguish itself from both Menem and Duhalde, clearly resonated with Argentine voters, who viewed the corruption issue as De la Rúa’s biggest strength, and for whom concern over corruption was linked to support for the opposition.

While not representing as dramatic a transformation as the Peronist party’s adoption of neoliberal orthodoxy under Menem, the Alianza’s conciliatory posture toward the free market nonetheless was a considerable departure for a coalition that consisted of a long-existing party traditionally associated with “neomercantilist” economic strategies (Waisman 1999, 103), and a new party that owed its original formation largely to internal Peronist divisions over Menem’s shift to neoliberalism and whose component organizations and activists predominantly hailed from the left side of the political spectrum. The Alianza’s adoption of this second generation reformist posture was not entirely smooth. In defining the Alianza’s message, conflicts emerged between the old rivals Alfonsín and De la Rúa; Alfonsín, initially named head of the
Instituto Programática de la Alianza, favored policy positions and ideologues allied with the traditionally leftist and populist sectors of his party, while De la Rúa (along with Álvarez) leaned toward policy makers and principles with more of a pro-market bent. The dispute was eventually resolved with Alfonsín’s decision to resign both from the IPA and from the process of formulating the party’s program (Novaro 2002, 64; Semán 2000).

The Alianza’s centrist positioning also moved the party well away from the preferences of most of FREPASO’s activists and lower-level leaders (Novaro and Palermo 1998). While FREPASO’s top leaders displayed a tendency to support De la Rúa’s relatively conservative postures (Novaro 2002, 69), there were limits: for example, when the idea of naming hardcore neoliberal Ricardo López Murphy to the economy ministry was floated by De la Rúa, Graciela Fernández Meijide rejected him as “worse than Roque Fernández” (Menem’s economy minister at the time). (Pousadela 2003, 143) Despite these frictions, in the course of the campaign, the relative autonomy of the Alianza’s leadership, combined with the short term electoral pragmatism of both leaders and supporters, ensured that any internal divisions were insufficient to impede the Alianza’s firm adoption of a second generation reformist message.

To the extent that any major candidate offered campaign promises to address economic discontent by altering the economic model, it was Eduardo Duhalde, despite his role as the candidate of the governing party and heir of Menem’s reforms. In contrast with the Alianza’s message, Duhalde centered his appeal on questions of poverty and exclusion, and offered criticisms of Menem’s economic policy far more audacious than anything the Alianza dared to propose (Novaro 2002, 63). Although Duhalde promised to
maintain convertibility and respect prior privatizations, he nonetheless presented himself as an advocate of a new economic model, a strategy that served as a means of distancing himself from the unpopular president. While primarily involving rhetorical gestures and symbolic appeals, Duhalde’s promises of economic change also included some specific proposals. In June of 1999, Duhalde triggered a minor furor by suggesting a moratorium on the payment of Argentina’s foreign debt (Pousadela 2003, 145). In late August, Duhalde put forth an economic plan that proposed a pact between labor and business, a yearlong guarantee against firings, and cuts in the value added tax, among other measures (Clarín, Aug. 30 1999). In his efforts to broadcast an economic message in line with traditional Peronist rhetoric, Duhalde in a May 21 speech criticized Menem for failing to make good on his 1989 promise of a “salariazos,” and on another occasion expressed pride at having originally helped formulate Menem’s 1989 campaign statements on the coming “productive revolution” (Clarín, May 22 1999). While not proposing to overturn the main reforms of the Menem administration, by invoking the populist promises that Menem had made in his 1989 campaign and later abandoned, Duhalde nonetheless attempted to return his party’s message to themes that had predominated prior to Menem’s conversion to neoliberalism. In a September 25 speech, Duhalde argued forcefully that Peronism had departed from its roots, attacking: “those that believe that Peronism should be the party that speaks for multinational corporations” and “those that believe in an empty Peronism, without commitments or doctrine.” (Clarín, Sept. 26 1999)

In effect, both Duhalde and De la Rúa attempted to adopt the mantle of change” (Clarín, May 30 1999) and to link their opponent to the unpopularity of the
Menem administration. During the early days of the campaign, both the De la Rúa and Duhalde campaigns centered their appeals around opposition to Menem’s intention to run for a third term; only after Menem’s reelection efforts had clearly fizzled did the two contending parties turn their the bulk of attacks toward each other. Even then, it was clear that Menem represented a foil for both sides (although Duhalde’s position was more complicated, given his need to maintain support from Menem’s loyalists as well as differentiate himself from the unpopular aspects of Menem’s tenure). In addressing a massive rally at the conclusion of his campaign on October 21, Duhalde directly attacked the Alianza’s preference for continuity:

"On Sunday, there will be many Argentines trying to express their dissatisfaction. They will want to change the government. But the Alianza doesn’t want to change anything. We are the change.” (Pousadela 2003, 134)

While both the candidate of government and the candidate of opposition raised the banner of change, the nature of the proposed change differed greatly. The Alianza promised that a change in the quality of government would produce improved results even with only minor policy changes, while the candidate of the ruling party proposed a more fundamental change of course in economic policy. This pattern came to the fore throughout the campaign. In May, Graciela Fernández Meijide argued that Duhalde would represent little more than continuation of Menem’s corruption, referring to him as “the same dog in a different collar.” (Clarín, May 29 1999). In October, Duhalde adopted the exact same expression to characterize the Alianza, in this case arguing that the Alianza’s economic policy was simply an extension of Menem’s model. (Clarín, Oct.11 1999). In August, Duhalde proposed that the two parties adopt an “ethical pact,” and
treat corruption as a “question of government” rather than a partisan issue; but the Alianza’s leaders refused to adopt any sort of consensus approach (Pousadela 2003, 146), and later floated the threat that an Alianza government would investigate corruption in Duhalde’s administration of the province of Buenos Aires (Clarín, Sept. 11 1999). In each case, the candidates were intent on maintaining their ability to draw distinctions in the issue area in which they believed they could most effectively separate themselves from the unpopular incumbent; for the Alianza the distinction revolved around corruption and governance, while for Duhalde it revolved around economic policy.

In the end, the Alianza’s version of “change” triumphed by a wide margin at the polls (Table 3.1). In the election, held October 24, De la Rúa obtained 48% of the vote, well above the threshold necessary to avoid a runoff election; Duhalde drew 38%, with Cavallo managing 10%. While not unexpected, the size of the Alianza’s victory was notable given the fact that a Peronist government had never before been defeated at the polls. The Alianza’s presidential victory was broad and sweeping, with De la Rúa and Álvarez winning in 19 out of 23 provinces, as well as the capital. Only in two provinces did Duhalde win by more than two points, including a 60%-32% triumph in Menem’s home province of La Rioja (a possible indication of the extent to which Duhalde, despite his best efforts, remained identified with the administration of his predecessor).

Although the Alianza dominated in the presidential election by capitalizing on the Argentine public’s widespread distaste for Menem, this success did not translate into similar dominance at the subnational level. Although the Alianza attained a slim majority in the lower house, the Peronists maintained a majority in the Senate, and retained the
governorships of crucial provinces – most notably the province of Buenos Aires, where Graciela Fernández Meijide was defeated by the Menem’s former vice-president Carlos Ruckauf, after a particularly ill-tempered campaign. While the Alianza’s performance in the presidential election provided a clear indication of the public’s appetite for change, their relatively weaker showing elsewhere on the ballot suggested that much of their support did not represent durable partisan loyalty, and the persistence of opposition strength in the legislature and provincial governments would pose significant future problems for the Alianza’s eventual administration.

**Table 3.1-Argentine Presidential Election, Oct. 1999**

<table>
<thead>
<tr>
<th>Candidate</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fernando De la Rúa (Alianza)</td>
<td>48.5</td>
</tr>
<tr>
<td>Eduardo Duhalde (PJ)</td>
<td>38.1</td>
</tr>
<tr>
<td>Domingo Cavallo (AR)</td>
<td>10.1</td>
</tr>
<tr>
<td>Other</td>
<td>3.3</td>
</tr>
</tbody>
</table>
Chapter 4: Peru

Introduction

Political competition in Peru during the 1990s took place in an environment in which political parties had receded as important actors, and politics was dominated by individuals. In the other two countries examined in this study, the campaign messages and partisan identities of incumbent parties and their second generation reformist challengers emerged through a combination of historical legacies and contemporary influences; in Peru, by contrast, political organization and political loyalties in the era of market reform were largely improvised and impermanent. Within this context of weak and fragmented representative institutions, the figure of President Alberto Fujimori dominated political life.

Within five years after taking office, Fujimori and his administration imposed a sweeping and rapid package of market reforms, controlled inflation, put down a brutal insurgent movement that had paralyzed the country, and installed a new constitution. The style of governance that accompanied these achievements was openly autocratic, a tendency most forcefully demonstrated by the 1992 "autogolpe" in which Fujimori disbanded the Congress and adopted dictatorial powers. Fujimori’s dominant position was confirmed and reinforced by his overwhelming reelection to the presidency in 1995. By the midpoint of his tenure, the continuing marginalization of opposition parties, the
executive’s extensive capacity to employ state resources for political purposes, and the
president’s personal popularity presented a daunting challenge to potential opponents.

Shortly after Fujimori reached the zenith of his power, two trends emerged that
would debilitate the regime’s image and set the stage for the political battle of the 2000
elections. First, the economic picture began to sour, as growth and optimism were
replaced by economic stagnation, growing unemployment, and public disenchantment. At
the same time, Fujimori initiated efforts to pursue a constitutionally prohibited second
reelection; the openly abusive and undemocratic elements of this campaign provoked
widespread public disapproval. The opposition that eventually emerged to challenge
Fujimori in 2000 attained viability largely due to discontentment with economic
conditions and the employment situation; yet, the opposition refrained from challenging
the specific economic policies that had produced those outcomes, instead focusing its
criticisms on the institutional shortcomings and undemocratic aspects of the Fujimori
administration. The following chapter examines the basis and evolution of pro-Fujimori
and anti-Fujimori sentiment in Peru during the 1990s, and outlines the process by which
the opposition alternative in the 2000 elections took shape.

Failed Leadership, Party System Weakness, and the Rise of Fujimori

Alberto Fujimori came to power in a context of economic crisis, party system
collapse, and rampant political violence. In the ten years since the restoration of
democracy, Peru’s two presidents had resoundingly failed to produce sustainable
economic growth or economic stability. During the first two years of the term of
Fernando Belaúnde Terry (1980-1985) of the centrist Acción Popular party, the implementation of orthodox stabilization programs produced a restrained recovery, with the country’s GDP registering respectable growth rates of 4.4 and 4.5 percent (Pastor Jr. and Wise 1992, 90). The recovery faltered in 1982, and in 1983 the economy contracted by 12% (due to multiple factors, including the effects of El Niño and a surge in political violence). By the end of Belaúnde’s term in 1985, the country’s GDP per capita was significantly below its 1980 level, and real wages had declined by approximately 35% (Kenney 2004, 22; Pastor Jr. and Wise 1992, 91).

In the aftermath of the failure of orthodox approaches, Belaúnde’s successor – Alan García, of the populist Alianza Popular Revoluciónaria Americana (APRA) opted for a heterodox approach involving price, exchange rate, and interest rate controls, wage increases, and reduced debt service. Again, initial results were positive: growth rates in 1986 and 1987 were 9.5 and 7.8 respectively, inflation declined, and average wages increased significantly (Pastor Jr. and Wise 1992, 90-94). Once again, the recovery was short-lived; the economy contracted by 13.9% in 1988 and 19.2% in 1989, and inflation exploded, reaching 2775% in 1989. An ill-advised effort to nationalize the banking sector only worsened matters. By 1990, real wages had fallen to less than half of their 1980 levels (Pastor Jr. and Wise 1992, 94).

Along with their economic failures, Peru’s two post-transition governments failed to curb an extremely violent and rapidly growing internal insurgency. The Maoist Sendero Luminoso (Shining Path) movement, which had maintained a low profile since its founding in 1970, exploded on the scene with a series of attacks that led to the deaths of dozens of soldiers and civilians. In 1983, the group’s violent activities (primarily
directed at civilians) produced a total death toll of 2,807 among insurgents, security forces, and noncombatants; the death toll peaked in 1984 at 4,319. Insurgent violence subsided somewhat in the following years, but returned to its previous high levels at the end of the 1990s. (Kenney 2004, 26)

The economic and security failures of the Belaúnde and García administrations exacted severe costs on their support, and contributed to an overall breakdown in democratic representation. Both Belaúnde and García saw their approval ratings plummet from over 70% to under 30%. Their parties suffered a similar decline; in 1985, Acción Popular’s percentage of the vote for the lower house of Congress fell to 8.4% (from 38.9% in 1980), and the incumbent party failed to field a presidential candidate. In 1990, APRA’s congressional vote, which had reached 50% in 1985, fell to half of that level, and its presidential candidate failed to qualify for a second round runoff. The precipitous declines of the two governing parties were paralleled by an overall decline in the party system. The country’s two important center and right parties, faced with declining support, combined forces with a personalistic movement dedicated to economic liberalism and headed by author Mario Vargas Llosa; the alliance, named FREDEMO nominated Vargas Llosa as its presidential candidate in 1990. At the same time, a leftist alliance which had gained close to a third of voter support in 1985 and 1986 splintered due to internal divisions, leading to a sharp decline in support for both of its main factions. The dramatic failures of the two major parties catalyzed a tendency toward increasing disconnection between parties and citizens that had emerged as a result of demographic changes and the breakdown of corporatist modes of representation.6

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6 For additional discussion of the collapse of the Peruvian party system, see Cotler (1995), Tanaka (1998), and Kenney (2004, 39-77)
Overall, the percentage of Peruvian voters identifying as “independent” rather than expressing party loyalty reached 80% by October 1990 (Kenney 2004, 47)

Under these circumstances, the 1990 presidential election was contested between two outsiders. Vargas Llosa, at the head of FREDEMO, argued that economic liberalization provided the only solution for Peru’s woes, and led in surveys of voter preferences for much of the campaign. His eventual opponent, Alberto Fujimori, was a political unknown; the son of Japanese immigrants, and engineer, and a university rector, he ran at the head of an improvised electoral movement known as Cambio (Change) 90. Despite his low public profile, Fujimori benefited from perception that he was an apolitical, or anti-political outsider. His slogan called for “honesty, technology and work,” and he avoided making clear policy proscriptions or ideological statements; the only significant exception to the overall programmatic emptiness of his campaign was his pledge to avoid the free market shock therapy being proposed by Vargas Llosa.

Fujimori further benefited from his ethnic background. His Japanese heritage, while not common, distinguished him from the essentially European political elite, and Asian immigrants generally had a positive reputation as hardworking and productive. Accordingly, the candidate was able to present himself to the public as a chance to elect “un presidente como tú” (a president like you). Fujimori also benefited from clandestine assistance from Alan García, who employed APRA’s clientelistic networks on Fujimori’s behalf in the hopes of weakening internal rivals within his own party (Cameron 1997; Levitsky and Cameron 2003, 7). Bolstered by this support, Fujimori edged into the runoff by taking second place; once established as a national figure, he trounced Vargas Llosa by 56.5 to 33.9% in the second round.
Fujimori in Power

Fujimori took office having offered little more to the public than vague populist and anti-political rhetoric, along with a promise to avoid neoliberal structural adjustment. The personalistic nature of his campaign ensured that his party fared far worse in the legislature than in the presidential race; only 22 percent of the elected senators and 17 percent of deputies were members of Cambio 90 (Cameron 1997, 49). Lacking a strong policy mandate and in a weak legislative position, the new president quickly adopted two tendencies that would define his presidency: a shift in favor of rapid, radical economic liberalization, and an authoritarian approach to governance.

Almost immediately following Fujimori’s election, it became clear that the president had opted to abandon his campaign promises and opt for an IMF sponsored austerity and structural adjustment program. Fujimori’s limited legislative support posed some potential problems for this policy shift; in addition to APRA and the parties of the left, market reforms were opposed by a significant faction within his own party (Kenney 2004, 127). With legislative support for his policy agenda being uncertain and conditional at best, Fujimori decided to largely ignore his party, and to continue his attacks on political parties and the political system as a whole.

Instead of seeking legislative allies, Fujimori opted to forge links with the military. Three of his initial cabinet ministers were drawn from the Armed Forces, and one was from the state intelligence service (the SIN) (Kenney 2004, 127). On the day of his inauguration, Fujimori replaced the generals of the navy and air force with loyal
supporters, and one year later introduced legislation giving the president tighter control over the appointment of top military officers (Cameron 1997, 52). Throughout the first years of his term, Fujimori bolstered his support within the Armed Forces and attempted to remove officers who were viewed as disloyal. The primary link between the president and the military was the head of the SIN, Vladimiro Montesinos. Montesinos, a lawyer and former officer, had become an indispensable advisor and associate of Fujimori during the 1990 campaign, when he assisted the then candidate with a defense against tax fraud allegations (Cameron 2006, 272-274). After assuming office, Fujimori relied on Montesinos and the SIN to “co-opt and control the armed forces.” (Cameron 1997, 21; Obando 1998, 199-200). Fujimori’s efforts to fortify ties to the military were in part defensive; via Montesinos, he had been warned of military plans for a possible coup prior to his inauguration. However, the cultivation of the military also represented an effort to develop a base of support outside of the political system in the absence of reliable legislative backing.

While consolidating his control of the Armed Forces, Fujimori forged ahead with efforts to pursue drastic market reforms. In August 1990, shortly after assuming office, Fujimori announced a package of harsh austerity policies; colloquially refereed to as the “Fujishock,” the adjustment measures included a devaluation and tax increases, and resulted in up to a 3000% increase in the prices of basic necessities (Weyland 2003, 116; Olarte 1993). When these measures failed to curb inflation, Fujimori turned to the orthodox neoliberal economist Carlos Boloña as economy minister in February 1991 (Wise 2003b, 185), and launched a massive program of structural reforms that included liberalization of trade, deregulation, large scale privatization of state owned enterprises,
and reform of the tax system. The immediate effects of this program were an increase in unemployment, a drop in wages, and a persistent recession (Olarte 1993); however, inflation was brought under control, an achievement that would prove key to Fujimori’s popularity (Carrión 2006). Aside from its economic outcomes, the switch to neoliberal orthodoxy helped enable Fujimori to add important elements of the business and financial elite to his base of supporters; alongside the military, these economic elites would be a pillar of his support until late in the decade.

Fujimori’s initial reforms did not encounter substantial legislative hurdles, in part because the largest party in the legislature was the pro-liberalization FREDEMO. However, beginning in the second half of 1991, relations between the legislature and the executive began to worsen, as APRA adopted an increasingly confrontational posture, and the legislature displayed resistance to Fujimori’s demands for enhanced powers. Fujimori responded by continuing his attacks on the political class and politicians in general. In April 1992, matters came to a head when Fujimori, with the backing of the armed forces, announced the dissolution of Congress and the Supreme Court and claimed the ability to rule by decree. Fujimori justified the coup in general terms by arguing that the current political class was incapable of preventing “chaos and corruption,” and did not identify with the interests of the nation (Kenney 2004, 204). The most specific justification for the autogolpe (self-coup) was the need to pursue firmer measures against the still rampant Sendero Luminoso insurgency. Regardless of its justification, the coup was overwhelmingly popular- 80% of the public supported the action (Kenney 2004, 206), and the president’s approval rating increased from 53% to 81% (Carrión 2006, 129).
Having won widespread public support with his assumption of dictatorial powers, Fujimori quickly produced several concrete accomplishments to back up his promises. In September 1992, antiterrorist police arrested Sendero Luminoso leader Abimael Guzmán in a Lima safe house. Over the next few months, nineteen out of twenty two members of the Central Committee of Sendero Luminoso were also captured. The loss of its leadership greatly debilitated the organization; by 1994, the number of Sendero attacks had dropped to its lowest level since 1981 (Degregori 1997, 189-190). Fujimori’s triumphs in the realm of security were accompanied by economic improvement; beginning in 1993, the economy returned to strong rates of growth (6.4% in 1993 and 13.1 in 1994) and foreign direct investment boomed, while inflation remained low (Wise 2003a, 185).

Despite Fujimori’s dramatic victories following the coup, his government faced a pressing need to return to something resembling democratic politics. At the time of the coup a strong majority of Peruvians indicated that they would withdraw their support for Fujimori’s action if he failed to make good on his promise to restore democratic institutions within eighteen months (Kenney 2004). Perhaps more significant was external pressure from the United States and the international financial institutions, who warned that a failure to return to democratic procedures could lead to a cutoff of aid, loans, and investment (Cameron 1997, 67-68). As a result of these imperatives, the government initiated efforts to sustain Fujimori’s powers within the context of electoral competition. The centerpiece of these efforts was the promotion of a new constitution.

In 1992, elections were held for a constituent assembly. The 1992 elections further weakened the already tottering traditional party system. With Fujimori’s prestige
at an all time high and his attacks on the political class resonating with the majority of the public, the major traditional parties boycotted the 1992 Constituent Assembly elections. Fujimori’s movement captured 44 out of 80 seats in the assembly (Cameron 1997, 67), and a total of 85% percent of the vote went to either Fujimori’s own supporters or independent candidates (Levitsky and Cameron 2003, 9). The constitution that the assembly eventually produced allowed for presidential reelection and expanded the powers of the presidency; it also eliminated the Senate, creating a unicameral assembly. In general, the new constitution represented a strengthening of executive and majoritarian powers (Weyland 2006, 24). The constitution was narrowly adopted by 52%-48% in a nationwide referendum in October 1993 (Schmidt 2000, 103).

Having secured the right to run for reelection, Fujimori turned his attention to the elections of 1995. Although the president’s popularity had remained consistently high, the constitutional referendum of 1993, along with municipal elections that same year, had suggested a weakening of support for Fujimori among the poorer and more rural districts of the country’s interior. Fujimori’s government, flush with the revenues of privatization and economic growth, launched extensive programs of social spending in politically important areas. Authority for dispersing the bulk of the spending was concentrated in the newly created Ministry of the Presidency, allowing Fujimori and his inner circle considerable discretion in the allocation and targeting of funds. Armed with these clientelistic resources, Fujimori’s government effectively rebuilt the president’s support among the poor prior to the election (Roberts and Arce 1998, Kay 1996).

Given the weakness and overall discrediting of the political parties, opposition hopes for the 1995 election predictably coalesced around a high profile individual: former
United Nations Secretary General Javier Pérez de Cuellar. Pérez de Cuellar was a highly respected figure, and was considered by many to be the only candidate capable of defeating Fujimori (and enjoyed a lead over Fujimori in some preliminary polls, although he quickly fell behind once the incumbent began campaigning in earnest). Pérez de Cuellar accepted the nomination of a new party, the Union por el Perú, which had been created the previous year; he distanced himself from the traditional political parties. His party’s legislative slate included representatives from a variety of viewpoints across the political spectrum, and his message was essentially second generation reformist in nature. Pérez de Cuellar’s campaign explicitly accepted the neoliberal reforms of Fujimori. His criticisms of the incumbent focused primarily on the issue of democratic institutions, Fujimori’s authoritarian tendencies, and “the fairness of the electoral system itself.” (Schmidt 2000)

Fujimori campaigned on the basis of sustaining the accomplishments of his first term, arguing that changing course could reverse the economic and national security progress of the past five years. He toured the country extensively, inaugurating public works (a tactic that was used frequently throughout his term), and called for a political system in which political parties would no longer have a significant role (Schmidt 2000, 108). The president quickly built a strong advantage on the basis of his personal popularity, economic optimism, government largesse, and the weakness of the opposition. As in his campaign against Vargas Llosa, Fujimori benefited from the perception that his opponent was a member of the elite, and out of touch with the common people; Peruvian voters overwhelmingly selected Fujimori over his challenger when asked which candidate was “closest to people like you.” (Schmidt 2000, 107) As a
consequence, Pérez de Cuellar had difficulty expanding his appeal beyond the urban middle classes.

As expected, Fujimori won the 1995 election in the first round by a crushing margin, obtaining 64.4% of the vote to Pérez de Cuellar’s 21.8 percent. The best showing for a candidate of the traditional parties was APRA’s 4.1%. Confounding many expectations, Fujimori’s victory was similarly impressive in the Congressional contest. Despite the fact that his movement remained essentially an improvised, personal electoral vehicle, the party obtained 67 out of 120 seats in the newly unicameral legislature. The three most important parties of the 1980s managed only 6% of the combined Congressional vote (Schmidt 2000, 114-115). Five years after Fujimori had initially challenged Peru’s political parties, the 1995 elections seemed to be the final nail in their coffin.

In the aftermath of the election, Fujimori’s position atop the Peruvian political system appeared unassailable. His less democratic sources of power - links with the security forces and powerful economic actors, as well as the use of state resources - had been bolstered by a new constitution, a powerful electoral mandate, and the apparently successful completion of the major tasks at which previous presidents had utterly failed. His assault on Peru’s opposition parties had essentially routed them from the field of battle.

Under these circumstances, the president and his circle turned their attention to efforts to secure Fujimori a constitutionally prohibited third term. Over the course of the next five years, the president’s increasingly brazen attempts to monopolize power would

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7 While the presidential vote was largely viewed as accurate, irregularities in the legislative vote raised suspicions of fraud; see Schmidt (2000) and McClintock (1999, 336).
generate increasing resistance, while a weakening economy (and the declining salience of past successes) would create new political openings for the opposition. Given the utter disarray of the Peruvian opposition, the precise nature of an alternative political movement that could take advantage of these openings, and pose a viable challenge to the regime’s perpetuation, was not immediately clear.

**Fujimori’s Decline, Democratic Decay, and the Rise of the Opposition**

Newly armed with a reliable legislative majority, Fujimori almost immediately began laying the groundwork for his reelection effort. Over time, the reelection project would require (in the words of Catherine Conaghan) “a comprehensive assault on the autonomy of all institutions that had legal jurisdiction over elections.” These efforts involved both ensuring that relevant positions would be occupied by Fujimori loyalists, as well altering institutional rules to to remove potential roadblocks to presidential reelection (Conaghan 2001, 4). As the legal barriers to amending the 1993 constitution were high, a first step was the passage by Fujimori’s legislative majority of a “Law of Authentic Interpretation” declaring that the 2000 election would represent a first reelection, rather than a second. When three judges on Peru’s Constitutional Tribunal rejected this law as unconstitutional, the Fujimori majority voted to remove them from office on transparently dubious grounds (McClintock 2006, 251; Conaghan 2001, 6) in 1997. When opponents of reelection mustered a petition of over a million signatures for a referendum to overrule the president’s plans, the National Election Board (JNE) initially ruled that the referendum could take place without Congressional approval. In response,
Fujimori’s administration altered the rules governing appointments to the JNE. When the issue came to a vote again in 1998, several recently named members (and at least one recently bribed member) voted to require Congressional approval; as expected, the referendum initiative was denied by the pro-government legislature (McClintock 2006, 251-252). The Fujimori administration further undercut any possible effort to impede reelection through extensive efforts to undermine the autonomy of the judiciary, enacting measures to ensure that “pliant political appointees controlled all crucial points in the administration of justice.” (Conaghan 2001, 7; see also Levitsky 1999, 79; Crabtree 2001, 294).

Fujimori’s efforts to undermine judicial independence and electoral integrity were accompanied by efforts to control the mass media. Through a combination of bribery and intimidation, Montesinos and his cronies exerted substantial influence over the content of much of Peru’s print and broadcast media. The most prominent example of intimidation was the stripping of the Peruvian citizenship of businessman Baruch Ivcher after his Frecuencia Latina television channel began airing reports critical of Montesinos and the SIN (Conaghan 2001, 8). Other attempts to influence press coverage included wiretapping of journalists, harassment of journalists via politically motivated tax fraud investigations, and extortion. Along with threats, Montesinos offered carrots in the form of bribes. Writers for Peru’s prensa chicha – cheap tabloids with a lower class target audience- were rewarded for inventing or publicizing scandalous allegations against regime opponents and praising the government. The bribery effort also extended to highly prominent media outlets and figures such as the daily newspaper Expreso, and talk show host Laura Bozzo (Mauceri 2006, 58; Fowks 2000, Conaghan 2001, Conaghan
While the independent and anti-government media was never truly silenced, the ability to compel favorable coverage and dispense attacks on opponents through corruption of the press became a linchpin of Fujimori’s efforts to retain power.

A similarly important element of Fujimori’s reelection strategy was control of state resources. In part, this control involved the ability to employ the state security forces for political ends (including electoral publicity and harassment of opponents). Discretionary use of spending remained an important weapon in the regime’s political arsenal, allowing Fujimori to build public support through social spending and coopt potential opposition challengers. Following the 1995 election, the government further increased spending, and tightened its hold over spending authority, taking control of assistance programs that had previously been administered at the local level. (Crabtree 2001, 296; Mauceri 2006, 52). Beyond the direct impact of government spending, Fujimori took advantage of the compliant media to amplify perceptions of his government’s generosity. Peruvian voters were treated to continual images of the president touring the country to inaugurate schools, roads, and other public works projects in poor areas, and receiving the adulation of the projects’ beneficiaries.

Due to unfavorable changes in the political context, Fujimori would need to call on all these resources to maintain his grip on power. The most pressing challenge to the government was economic: beginning in 1996, Peru’s economy entered a period of decline. GDP growth, which had averaged around 9 percent between 1993 and 1995, averaged only around 4% between 1996 and 1998, and only 1% in 1988; unemployment and poverty rates, which had only been slightly improved by the growth of the early
1990s, ceased their decline (McClintock 1999, 336). The economic slowdown was worsened by the 1998 effects of the Asian financial crisis and El Niño. As a result, public approval of Fujimori’s economic policy dropped steadily, from a peak of just over 60% in 1995 to roughly 20% in 1998. Approval of the government’s performance on employment, which had never exceeded 27%, fell to 6% by 1999; approval of the government’s performance on inflation, which had reached 64% in 1994, fell to 20% by 1998 (despite the fact that inflation had remained low). (Carrión 2006) Overall, the economic downturn and increasing public discontentment took a toll on Fujimori’s political support.

Alongside the worsening economic picture, the government’s authoritarian tendencies generated increasing public consternation. While the autogolpe of 1992 had been effectively justified by Fujimori as a necessary measure to combat terrorism and sideline corrupt and ineffective politicians, the government’s tireless efforts to pursue a third term at the expense of any institutional constraints proved to be a much harder sell. In surveys, a majority of voters rejected Fujimori’s postulation for a third term and between 1996 and 1998, from 60 to 77 percent of the public expressed support for a referendum on the possibility of a second reelection. The government’s brazen attempts to subvert electoral and judicial authorities in order to approve reelection and forestall any such referendum were met with widespread public anger (Carrión 2006, 142-143; Levitsky and Cameron 2003, 15). A further source of public concern regarding democratic governance was the increasingly public role of Vladimiro Montesinos. As the nature of the Fujimori regime’s links to the military and intelligence services received more scrutiny, the unofficial presidential advisor featured prominently in a series of
scandals, and his outsized influence on the government became a subject of considerable discussion. In 1992, following the autogolpe, Lima residents had classified Fujimori’s government as “democratic” rather than “dictatorial” by 52 to 34 percent; in a similar poll in June 1998, 63 percent opted for “dictatorial” and only 27% for “democratic.” (Schmidt 2000, 122).

Thus, Fujimori approached his third bid for the presidency facing vulnerabilities on two fronts: a weakening economy and increasing perceptions of authoritarianism and abuse of power. The political opposition that eventually emerged to confront Fujimori capitalized on the economic discontent, but focused its criticisms on governance issues.

**The Anti-Fujimori Opposition**

In the aftermath of the 1995 elections, the Peruvian opposition was in disarray. The country’s traditional parties had been reduced to political insignificance, while the personalistic movement behind Pérez de Cuellar (the country’s most well known and prestigious political figure aside from the president) that supplanted the partisan opposition had been soundly defeated, granting Fujimori an unequivocal popular mandate. Organized civil society continued to decline, as Fujimori’s efforts to undermine autonomous organizations exacerbated the ongoing effects of the post-debt crisis social and economic transformation. Much of the mass media was susceptible to government influence or outright control. The presidency maintained tight links with important sectors of the business elite, and retained a firm grip on the instruments of state power and the state’s financial resources.
Even as the government’s public image deteriorated sharply, the nature and prospects of the opposition that emerged to confront Fujimori were shaped by the realities of the executive’s personalization, centralization, and deinstitutionalization of power, and by the associated weakness of autonomous political and social organizations. The reemergent opposition to Fujimori took several forms. At the level of civil society, the government’s assault on the rule of law led to the rise of pro-democracy organization and mobilization; these efforts were viewed positively by the much of the public, but were largely ineffectual, in part due to the restricted nature of the social base from which they were drawn and the lack of supporting partisan organizations. Over time, the government’s tendencies toward centralization generated strong opposition in the country’s interior, both from increasingly aggressive regional “frentes” and from some provincial political leaders. Finally, Fujimori’s economic and political strategy, in the context of the economic decline of the late 1990s, led to increased disaffection on the part of significant sectors of the Peruvian population: wage-earning workers, the middle class, and eventually the upper class and some of the business elite.

While the increasing levels of social opposition to the regime offered potential opportunities for political opposition, Peru’s political parties did not experience a resurgence; the last half of the 1990s was characterized by continued party decline. As a result, any political alternative that could emerge to challenge Fujimori would have to be (as in the case of Pérez de Cuellar’s challenge) a personalistic movement behind an individual leader with a substantial national profile. Fujimori’s government fought to prevent the emergence of such a leader, through attempts to co-opt potential challengers, and through massive campaigns of harassment and defamation against the two most
threatening challengers who initially arose to contest the 2000 election. Despite the regime’s best efforts, the diffuse and diverse strands of opposition eventually did consolidate around a single leader: Alejandro Toledo, an economist and past presidential candidate who rose from relative obscurity to the position of opposition standard bearer within the few weeks preceding the April 2000 contest. The message employed by Toledo, and by the previous claimants to opposition leadership, was second generation reformist in nature.

The Opposition: Social Organizations

In the aftermath of Fujimori’s election triumph, many initial efforts at organized public opposition revolved around issues of human rights and democracy. In this regard, several events were crucial in provoking organized protest and activism. In 1995, following the convictions of ten Peruvian military personnel for the kidnapping and murder of nine students and a professor from Lima’s “La Cantuta” university, the Fujimori government put forth a sweeping amnesty law for crimes by the military committed in the course of fighting subversion. The law, which was passed by the compliant legislature in July 1995, became a focus of protest by human rights groups. However, this mobilization was limited in its scope and effectiveness; although the amnesty itself was rejected by the vast majority of Peruvians (Pajuelo 2004, 67), the immediate impact of protest was restrained by the relative marginalization of the opposition movement and the overwhelming popularity at the time of both Fujimori and his war against Sendero.
A more serious upsurge of protest was provoked by Fujimori’s campaign for reelection; in particular, by the government’s removal of dissenting members of the Constitutional Tribunal. Further discontent was generated by the other indications of the government’s authoritarian character, including the emergence of suspicions surrounding the role and influence of Montesinos, revelations that the government had engaged in wiretapping of political opponents (including Javier Pérez de Cuellar), and the government’s campaign against Baruch Ivcher. In response to the government’s attack on the institutions of democracy, protest mobilizations among youth and students (and law students in particular) attracted substantial following in Lima (Planas 1999, 20-21). This movement was greeted with widespread public approval; unlike the discredited political class, the students were viewed as a fresh, honest, and sincerely well-intentioned movement by much of the public, and were a less apt target for vilification by the government. The emerging student movement was accompanied by high-profile dissidence among intellectual and cultural figures; the symbolic ritual of washing the Peruvian flag, which became a widespread symbol of discontent during the last days of Fujimori’s government, had its origins in this movement.

Alongside the growth of organized and public opposition among students and intellectuals, pro-democracy members of the political elite began to increasingly organize and coordinate in opposition to the regime. The main umbrella organization that emerged was dubbed the Foro Democrático (Democratic Forum). It included representatives from across the political spectrum, and incorporated many leaders from the pre-1990 political elite (Levitsky 1999, 82-83). In 1997 and 1998, the Foro, with student organizations providing much of the legwork, mounted a campaign to submit Fujimori’s reelection
plans to a popular referendum. Despite the enormous constraints posed by Fujimori’s domination of state institutions and the relative enfeeblement of social organizations, the referendum campaign managed to gather over 1.4 million signatures, well ahead of the legal requirement of 1.25 million.

Notwithstanding its achievements, the nascent pro-democracy movement suffered from several fundamental weaknesses that prevented it from posing a credible threat to the regime. The movement was largely concentrated in Lima; pro-democracy organizations had little presence in the interior of the country. The movement was also generally unrepresentative in social terms – fundamentally drawn from the middle class and upper middle class, the citizens’ and student organizations never penetrated into the poor majority. As a result, while the students’ public image may have been positive overall, their capacity to mobilize mass support was limited. A prodemocracy march in 1998, with Fujimori’s popularity at low ebb, only attracted 6,000 to the Plaza de Armas. The Foro Democrático was similarly hampered by its unrepresentativeness in class terms, its lack of connection to any broader political organization, and by its association with the unpopular political leaders from the pre-Fujimori elite. The limitations of the democracy movement were made clear by the inability to produce a larger scale public mobilization after the government killed the referendum initiative through legal and legislative machinations; following the failure of the referendum drive, the movement essentially fizzled (Levitsky 1999, 83). The prodemocracy social movement that emerged in response to Fujimori’s authoritarian actions established a strong public profile and helped set the tone for the content of the more formidable political challenges to Fujimori that emerged in 2000; nonetheless, like the Pérez de Cuellar campaign of 1995, its inability to
mobilize support outside of its narrow social and geographic base rendered it essentially ineffective.

Outside of the relatively elite-centered movement for democratization, organized opposition to Fujimori emerged from several other sources. Much of the economic burden of Fujimori’s economic policies had been borne by the wage-earning working class who were “hard hit by more flexible labor rule and the expansion of of temporary and other precarious forms of employment,” (Tanaka 2003, 229) and industrial wages had stagnated (Solfrini 2001); as a result, organized labor adopted an increasingly combative posture toward the government during Fujimori’s second term. However, the impact of labor opposition was vitiated by the precipitous decline of unionization and union influence, a trend that resulted from the combination of economic transformation, anti-union labor legislation, and political violence (with the government and Sendero Luminoso being jointly responsible for the last factor). Between the early 1980s and 1995, unionization levels fell from 18% to 8% (Levitsky 1999, 82). In 1998 (the low point of Fujimori’s popularity) the number of strikes was the lowest in the country’s recent history, and less than one tenth of the number recorded in 1990 (Solfrini 2001, 67). While contributing to the overall mobilization of opposition against Fujimori, organized labor was largely marginalized as an actor in its own right during the 1990s.

A more potentially threatening opposition force emerged outside of Lima, in the form of regional frentes. These regional civil society movements engaged in a variety of actions, including protests marches and strikes. In general, they were formed in response to the government’s zealous attempts to centralize political and administrative authority; although the specific grievances around which they mobilized varied from region to
region. One of the more important regional fronts, the Patriotic Front of Loreto, mobilized primarily in response to the government’s resolution of a border dispute with Ecuador in which a square kilometer of territory was conceded; aside from the nationalist reaction to the (relatively trivial) the territorial concession, the perceived lack of consultation and concern for local sensibilities associated with the transfer provoked a more generalized opposition within the Amazon province. Other regional fronts mobilized around different issues: the important southern provinces of Cusco and Arequipa centered around development policy: the Frente Regional de Cusco mobilized to oppose privatization efforts, while the regional movement in Arequipa was spearheaded by business interests that were bearing the brunt of the country’s recession (Planas 1999, Pajuelo 2004). The varied regional movements eventually formed a unified Coordinadora Nacional de Frentes Regionales, intended to promote a common agenda; however, the organization’s effectiveness was hampered by differing regional priorities and demands, as well as the limited and impermanent nature of their associated social mobilizations (Pajuelo 2004, 57).

The growth of regional movements underscored a weakness in Fujimori’s political strategy from 1995 on, which focused its clientelistic and mobilizational attentions primarily in Lima. Recognizing the limited geographic reach of his own Cambio 90/ Nueva Mayoria movement and the potential for threats from emerging leaders in the country’s provinces, Fujimori established a new national movement, dubbed Vamos Vecino (Let’s Go, Neighbor), and headed by a former APRA leader, to contest municipal elections in 1998. Relying (as in 1990) in part on APRA’s old patronage networks, and making extensive use of state resources, the government

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8 Interview with Carlos Vargas of ONPE, Feb. 2004.
coopted the support of many independent mayors, and Vamos Vecino rapidly extended its reach across the country, winning 596 out of 1622 district mayor’s races and 76 out of 194 provincial mayor’s races. (Roberts 2006, 95; Degregori 2001, 96-97). Despite this effort, the government’s extension into the countryside remained relatively shallow, based more on direct clientelism than on durable organizations; during the 2000 election, Fujimori downplayed the young regional organization in favor of a newly created national movement (Roberts 2006, 96). As a result, the country’s interior represented a potential opportunity and an essential resource for any successful opposition effort.

By 1998, the emerging opposition from pro-democracy, labor, and regional movements was reflected in broader public discontentment, with the Peruvian middle class having soured on the government to a greater extent than other sectors (Balbi and Gamero 2003, Carrión 2006). At the same time, while Fujimori maintained the backing of important sectors of the business community until the very end, splits emerged within this sector during the late 1990s. While Fujimori maintained the support of the financial sector and large primary exporters, smaller and medium enterprises, businesses that produced for the domestic market, and business interests located outside Lima (in particular, in Arequipa) tended to break with the regime. With the country’s neoliberal reforms and economic stability apparently entrenched, the elements of the business community that were relatively less favored by the government and did not directly benefit from clientelistic ties became less inclined to tolerate the increasing arbitrariness and corruption of the government, and began to agitate for the implementation of second generation reforms. Some important business leaders went as far as to run as candidates in opposition political movements for the elections of 2000.
Thus, by the late 1990s, social opposition to the Fujimori government had emerged from a variety of sources. Initial anti-government and prodemocracy mobilizations among students and the political elite were accompanied by (relatively marginal) support from organized labor, and were paralleled by an upsurge of regional movements pressing for attention to local demands. The decline of the economy and the government’s increasing authoritarian tendencies prompted growing opposition from the middle class, as well as from some sectors of business. Given the continued absence of meaningful political party organizations, as the elections of 2000 approached it remained an open question whether and how a political alternative could emerge to tie together these diffuse threads of anti-government sentiment and pose a meaningful challenge to the Fujimori regime in the electoral arena.

The Opposition: Politicians and “Parties”

As a result of the marginalization and public rejection of the country’s main political parties under Fujimori, the options for a challenge to his push for reelection were somewhat limited. Any credible challenger would have to attain a national profile independently of party backing. The two most prominent such figures in Peru (Vargas Llosa and Pérez de Cuellar) had already been trounced in previous elections. Nonetheless, political openings remained; in the absence of a substantial partisan organization, Fujimori’s dominance at the national level had not translated to similar dominance at the subnational level (Roberts 2006, 95). Even in the context of his
crushing victory of 1995, Fujimori’s candidate for mayor of Lima had gone down to defeat in that year. The candidate who won the 1995 mayor’s race in Lima, Alberto Andrade, was the most prominent opposition contender to the presidency for most of Fujimori’s second term.

Andrade was a former member of the conservative Popular Christian party (PPC) and mayor of the wealthy Lima district of Miraflores. For the 1995 election, he broke from his party, forming a personalistic, largely non-ideological movement called Somos Lima (We are Lima); the movement would later be renamed Somos Perú. On the basis of strong performance within the more affluent sectors of the capital, he defeated Fujimori’s choice, Jaime Yoshiyama, with 52.5 percent of the vote (Barr and Dietz 2006, 76).

Despite the fact that Fujimori’s overwhelming popularity had extended to the middle and upper classes in 1995, his lack of a national organization had left possibilities open for a well known politician with a record of material achievements and a base of local support.

Recognizing the potential challenge from subnational leaders, Fujimori acted to strip regional and municipal governments of autonomy and resources. A 1993 decree law reduced the taxation power of municipal governments, and shifted the authority to allocate central government funds to individual districts away from provincial governments and to the central government. Control of the popular Vaso de Leche social program in Lima was also shifted to the central government (Barr and Dietz 2006, 71-73). The combined impact of these changes was a sharp limitation of the ability of the leaders of provincial governments and large cities to establish clientelistic networks of their own, or to engage in high profile public works projects that would compete for attention with Fujimori’s own intensely publicized public works.
Despite these obstacles, Andrade proved to be an effective mayor, aggressively pursuing projects that would have a visible impact on the quality of life in Peru’s sprawling and chaotic capital city. Andrade won reelection in 1998 with 58.8 percent of the vote, once again obtaining his strongest support in wealthier areas but also performing well in more lower class districts (Barr and Dietz 2006, 74; Degregori 2001, 178). The victory, against another chosen candidate of the Fujimori government, established Andrade as the most formidable potential challenger to Fujimori in 2000. As the declining economy sapped Fujimori’s approval in 1998 and 1999, Andrade pulled ahead of the incumbent in nationwide surveys of vote choice for the upcoming elections.

In response to the challenge, the Fujimori administration turned the power of the central government, and its allies in the mass media, against Andrade. In addition to continued efforts to transfer spending and decision-making authority from the mayor to the central government, the government-controlled tabloid press launched fierce assaults against Andrade, accusing him (among other things) of corruption and of connections with Alan García. A central theme of the attacks was Andrade’s supposed lack of connection with, or sensitivity to, the needs of the poor. Tabloid headlines derided the mayor as a *pituco* (snob), and savaged him for his past affiliation with the conservative PPC. Andrade’s efforts to clean up the historic center of the capital and cut down on the proliferation of irregular street vendors were a particularly frequent target; according to the tabloid account, Andrade was guilty of brutal repression and of depriving poor limeños of their means of subsistence in order to make the colonial district more palatable for wealthy tourists. Surveys in Lima showed that these depictions of Andrade as an out-of-touch elitist resonated with a large percentage of the public (Degregori 2001, 178-...
While the government’s attacks on Andrade were given extensive attention, Andrade’s own campaign events were largely ignored by the submissive broadcast media. In addition to Andrade’s difficulties with the media, his campaign events also faced direct harassment at the hands of the state. As his movement was entirely dependent on his personal image, the impact of the government’s campaign of defamation, combined with an economy that began to improve during 1999, soon did away with Andrade’s early lead in the polls.

As Andrade’s campaign began to falter, the anti-Fujimori opposition turned its attention to another independent candidate: Luis Castañeda Lossio, former head of the Peruvian Social Security administration (IPSS). Having built a reputation as an effective and honest administrator within Fujimori’s government, Castañeda left to form his own political movement, Solidaridad Nacional. As in the case of Somos Perú, Castañeda’s movement was a personalistic, uninstitutionalized electoral vehicle. Like Andrade, Castañeda initially led Fujimori in electoral polls, but faded in late 1999 as the incumbent’s popularity improved and the challenger was targeted with a smear campaign comparable to that directed against Andrade. Among other things, Castañeda was accused of being cowardly, mentally unstable, corrupt, and pro-terrorist. (Degregori 2001, 156-163). Like Andrade, Castañeda’s position in surveys deteriorated to the point that by early 2000, a first round victory by the incumbent over either of the two main opposition contenders appeared feasible (Tanaka 2003, 232).

With the full brunt of the government’s force being borne by the two opposition front-runners, a new candidate emerged in the last weeks of the 2000 campaign; once again, at the head of an unstructured, ideologically vague, and personalistic movement:
Alejandro Toledo, an economist who had first appeared on the public stage as a candidate in the 1995 elections. While Andrade had built his public profile on achievements at the municipal level, and Castañeda had done so as an administrator within Fujimori’s government, Toledo’s public notoriety was largely a function of his personal image and biography. In contrast with the almost universally European ethnicity of the Peruvian political elite, Toledo’s features reflected strong indigenous roots, and his background was similarly unconventional. He had grown up poor, and worked shining shoes in the city of Chimbote as a child. After having won an essay contest and attracted the attention of a Peace Corps volunteer, he eventually received a scholarship to study in the US. After doing graduate work at Stanford, he became an economist for the World Bank. In 1995, he entered the presidential campaign at the head of an improvised movement dubbed “País Posible” (Possible Country). In 2000, he tried again, with the movement renamed “Perú Posible.” For virtually all of the 2000 campaign, Toledo languished in a distant fourth place behind Fujimori and the two main opposition figures. As Castañeda and Andrade both drifted out of contention in the campaign’s final days, Toledo’s campaign rapidly drew support from throughout the anti-Fujimori opposition, experiencing a vertiginous rise that inspired comparisons to Fujimori’s own unexpected surge ten years before.

Toledo’s rapid rise was in part a matter of fortuitous timing: as the previous opposition leaders were driven out of contention under the government’s continual attacks, anti-Fujimori voters needed a new place to turn. Toledo, a relatively well known figure who had maintained a low profile throughout most of the campaign, was the most logical choice. As Toledo’s numbers surged during the final weeks of the campaign, the
government-linked tabloids and media initiated a sudden barrage of attacks and smears; at that point, however, there was not enough time to gradually debilitate the new candidate, as had been done to Castañeda and Andrade. Furthermore, the repeated use of media to attack the latest and most recent threat had become so obvious that the attacks themselves increasingly lacked credibility; a strong majority of the public anticipated the initiation of a campaign of defamation against Toledo, and recognized the headlines for what they were (Taylor 2001, 10).9

Beyond his fortunate timing, Toledo had several personal characteristics that made him a potentially formidable challenger. His unique biography positioned him to win support from a variety of groups that had become disenchanted with the Fujimori government. Toledo’s academic and professional credentials as an economist reassured the urban middle classes and the sectors of the economic elite that had turned against Fujimori in response to the government’s authoritarian tendencies, and who would be central to any viable challenge. On the other hand, his indigenous heritage and provincial origins helped him appeal to the movements and social groups in the interior of the country who rejected the centralizing tendencies of the Fujimori government and resented the traditional dominance of interests in Lima; when Toledo spoke of the need for decentralization, his personal profile lent the statements more credence. Having risen from poverty, Toledo was not saddled with the perception of elitism and insensitivity that had been critical weaknesses for Fujimori’s previous opponents (Vargas Llosa and Pérez de Cuellar) and that the government had fostered through its attacks on Andrade. Even more than Fujimori, Toledo could present himself to the Peruvian voter as “un presidente

9 Ironically, at least one of these mostly ineffective tabloid attacks – the claim that Toledo had fathered an unacknowledged daughter out of wedlock – was later proven accurate.
como tú.” During his campaign, Toledo, switched rapidly from one identity to another depending on the audience he was addressing. At a rally in Chorrillos, Lima on January 28, Toledo defied Fujimori to mount a campaign against him, declaring “I am a stubborn, rebellious Indian and they won’t intimidate me!” The following day, he raised funds and promoted his candidacy at a $100 per plate dinner and conference of business leaders and supporters, held in a hotel in the affluent Lima financial district of San Isidro. (La República, Jan. 29 2000 and Jan. 30 2000).

Throughout the months preceding the presidential election, the main opposition candidates faced calls to form a unified candidacy to challenge Fujimori. Given the government’s massive resources, a united opposition seemed to many to offer the best chance of preventing a first round victory by Fujimori, or even enabling an opposition victory in the first round. Negotiations among the top three candidates persisted until the final months of the campaign however, no agreement could be reached). Aside from the personalities of the three candidates, the failure to consolidate behind a single opposition option can be traced in part to the and to an electoral system that favored a fragmented opposition, and that (in combination with the shifting fortunes of the three main candidates) offered each of the top three challengers a plausible possibility of reaching the second round. (Tanaka 2001, 92-93; Tanaka 2003, 235-236).

Ideological differences, on the other hand, were definitively not a source of opposition disunity – among the major opposition candidates, significant differences in campaign messages were almost nonexistent. The extent of the consensus among the opposition was such that in November 1999, almost all of the registered opposition

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10 For example, a November letter from prominent political figures and scholars called for a unified candidacy with a second generation reformist and pro-democracy identity (La República, 11/19/2000)
movements, including the three major challengers, came together to sign an *Acuerdo de Gobernabilidad* (Pact of Governability) that outlined a set of commonly shared priorities and commitments. The main themes of the agreement were “commitments to restore democratic institutions, to reactivate the economy and increase employment, to increase spending on human capital, to advance decentralization, and to reform the armed forces.” (Schmidt 2002, 348). While promising to generate improved economic performance, none of the opposition parties expressed opposition to the free market policies that had been established under Fujimori. All of the significant opposition to Fujimori during the 2000 election campaign can be viewed as second generation reformist in nature.

In the following section, I examine the campaign messages and policy positions of Peru’s second generation reformist opposition in more depth. Observations are drawn from two official documents: the Acuerdo de Gobernabilidad, representing the shared positions of the various opposition contenders, and the ten-point “Ideario” (program) of Alejandro Toledo’s Perú Posible, the party that eventually became the standard bearer for the anti-Fujimori opposition as a whole.

**Second Generation Reformism and the Peruvian Opposition in 2000**

The opposition campaigns for the Peruvian election of 2000 were not characterized by a strong emphasis on explicit policy proposals. The self-promotion
efforts of opposition candidates focused on their personal images or past accomplishments. Their criticisms of the incumbent government centered on the antidemocratic and centralizing character of the Fujimori administration, and on the failure to generate strong employment performance; to address the former, they promised a more accountable style of government; in regard to the latter, detailed and specific proposals for improving the economic situation were generally avoided. The text of the Acuerdo de Gobernabilidad, signed in November by fourteen opposition movements in all (including the three most important), reflects these tendencies. The Acuerdo’s promises additionally testify to the ideological diversity of its signers, who ranged from the center right PPC to the populist APRA and the socialist Partido Unificado Mariateguista headed by leftist deputy Javier Diez Canseco.

The Acuerdo de Gobernabilidad contains seven points, of which five involve the definition of policy positions. Two of the main points (points two and three) address economic and social policy, while the other three are related to governance issues: democratization and the rule of law, reform of the armed forces, and decentralization.

In the introduction to the section on economic policy, the Acuerdo generally promises “economic policies that place priority on the generation of employment and the reactivation of production, consumption and imports” based on a “social market economy at the service of human beings, through the establishment of sectoral policies that equally support the rights of property and the rights of the consumer.” In terms of specific proposals, the economic policy statement offers mainly vague generalities. Its first point stresses the employment of monetary and tax policies that maintain fiscal equilibrium and “rationalize” public spending, as well as increasing production and
consumption, and promoting saving, investment and decentralization. Little indication is provided as to how these varied goals will be achieved; the Acuerdo broadly calls for increased efforts among government, workers, and business to “define medium and long term sectoral policies” to increase productivity and competitiveness and increase exports.

In slightly more specific language, the economic policy statement calls for the promotion of private investment, and stresses continued adherence to the privatization agreements of the 1990s (along with a promise to promote the interests of domestic investors in privatization processes, and to guarantee adequate service delivery at reasonable rates). In a nod to the left, the Acuerdo leaves open the possibility of a renegotiation of foreign debt, but specifies that this would only be undertaken in cooperation with creditors.

Point Three, dedicated to social policy, is similarly second generation reformist in nature. Rather than emphasizing redistribution, the Acuerdo calls for “a social policy that places a priority on investment in human capital and intends to assure equality of opportunities.” Along these lines, the first two sections of Point Three stress the importance of free and universal education and access to health care, and promise to increase the “professionalization, quality, and remuneration” of workers in both sectors. The Acuerdo calls for a “mixed and pluralistic” pension system that would combine a guaranteed minimum pension with opportunities for workers to invest pension funds. In regard to labor policy, the Acuerdo promises to guarantee the rights of workers and enforce International Labor Organization standards. Social assistance programs receive one sentence; a pledge that the state will continue to support programs that provide food
aid, and a general promise of greater participation of beneficiaries in the administration of the programs.

In general, the socioeconomic agenda outlined in the Acuerdo de Gobernabilidad accord with typical patterns of second generation reformist economic policy rhetoric: in terms of economic policy, rather than a statement of policy proposals, it presents an outline of basic principles (economic stability, a free market economy with a human face, international economic integration, and acceptance of privatization with more attention to the process) and a statement of general goals. In terms of social policy, human capital investment is emphasized more than redistribution. On the whole, the two points provide little indication that an opposition government’s economic and social policies would contrast significantly with those of the incumbent government.

Far more direct and forceful statements of intent are provided in the sections of the Acuerdo that focus on governance issues: democracy, the rule of law, civil-military relations, and decentralization of power. In the document’s first point, the signers commit to “support the construction and establishment of a democratic government of national unity” that will “reconstruct the bases of the rule of law.” They specifically promise to restore respect for human rights, including adherence to decisions of the Inter-American Commission on Human Rights (an institution whose judgments had been condemned and rejected by Fujimori as undermining Peruvian national security and national sovereignty). The signers pledge to respect the autonomy of the judiciary and cease state intervention into judicial matters, and specifically to restore the members of the Constitutional Tribunal that had been removed to make way for Fujimori’s reelection. The Acuerdo
commits the new president not to seek reelection (even though permitted to by the Constitution), and calls for increases in transparency and the restoration of an oversight role for the legislature. The Acuerdo also calls for the armed forces to remain outside of politics and their internal personnel matters to be conducted in accordance with neutral and meritocratic regulations; and calls for the activities of the National Intelligence Service to be restricted to national security matters, and to operate under legislative oversight. In contrast with the vague and general nature of the economic and social policy promises of the Acuerdo (most which could have conceivably have been made by the incumbent as well), statements regarding democracy, the state security apparatus, and the rule of law are direct and clear, and calculated to draw as sharp a contrast as possible with actions undertaken by Fujimori’s government.

Another governance-related element of the Acuerdo involves decentralization and state reform issues. In this regard also, the document is intended to draw clear contrasts between opposition and incumbent. Although some of the rhetoric in this section consists of general calls for improved government effectiveness, there are several specific promises: the convocation of regional elections to create autonomous provincial governments, respect for the autonomy of municipal governments, and an increase in the functions and resources assigned to municipalities. Again, these statements represent a direct repudiation of actions taken by Fujimori to concentrate power within the central government.

The text of the Acuerdo de Gobernabilidad provides a snapshot of the political opposition to Fujimori prior to the 2000 election. Its social and economic positions are both heterogeneous and vague, incorporating messages from across the political spectrum
while offering neither a coherent policy agenda nor a notable contrast with existing policy; they primarily consist of promises of continued support for the existing free market and globalized economic model, with minor adjustments to make the model more humane. In contrast, the document’s positions on governance issues are explicitly stated and intended to draw sharp contrasts between the government and the opposition. On issues of democracy, the rule of law, and decentralization, the opposition shares a clear common agenda and offers a clear alternative to the status quo.

Alejandro Toledo’s own policy positions, embodied in his ten-point “Ideario” for Perú Posible, are if anything even more neutral and diffuse than those presented in the Acuerdo de Gobernabilidad. Perú Posible’s official policy statement deliberately underscores this non-ideological aspect. Perú Posible, according to its Ideario, “does not adhere to any political or economic ideological dogma.” Rather, for the party’s militants, “doing political work means obtaining concrete results for individuals and society.” This emphasis on results over ideology is in some ways reminiscent of the rhetoric of Fujimori, who frequently depicted himself as a worker or a manager rather than a politician; this similarity is underscored by Toledo’s claim that the party “is composed of people from diverse social and economic extractions who are not professional politicians.”

Although the non-ideological, personalistic, and apolitical aspects of Toledo’s message bear some resemblance to those employed by Fujimori, the Ideario nevertheless stakes out differences between government and challenger; as with the Peruvian opposition more broadly, this differentiation is established in second generation reformist
terms. The Ideario stresses the importance of democracy and the rule of law (the first policy area that it addresses), calling for respect for the Constitution and the separation of powers, and emphasizing the importance of freedoms of expression and the press.

Accountability and integrity of governance, beyond their importance as goals in their own right, are depicted as a means to achieving improved economic outcomes and standards of living; five paragraphs of the Ideario are devoted to the connection between institutions and socioeconomic well-being. :

Perú Posible maintains the conviction that democracy, good government, and honest, transparent, and responsible administration, constitute the indispensable foundation for achieving sustainable development....the indispensable requirements for sustained economic growth and enduring social development are the strength of institutions, independently of the duration of governments and of their political identity. (Toledo, “Ideario”)

As is typical in second generation reformist messages, the claim that improved governance will translate into improved standards of living seems intended to compensate for a dearth of specific proposals. In terms of economic ideology, the Ideario affirms the principles of the free market economy and fiscal austerity, stating that “The private sector...constitutes the principal protagonist of economic growth and accumulation of wealth” and calling for a “small and strong” state that is oriented toward promoting both domestic and international investment. Significant differences from the free market policies of the incumbent are difficult to identify. The Ideario notes that small and medium sized enterprises should be a higher priority in economic development, and calls for a social policy that places a high priority on “social investment- not spending – in programs of health, education, and nutrition.” The Ideario stresses the need
for decentralization, arguing that the benefits from the natural resources and “human ingenuity” of the provinces should remain in their location of origin, and that the provision of social services should be shifted from the national to the subnational level. Beyond these statements, the purported policy plans of Perú Posible are expressed in terms of largely empty and vacuous generalizations, e.g.:

... state policy decisions that affect the future of the population in general should focus on a vision that is prospective, shared, and has a defined direction that serves in the construction of a modern and prosperous country that provides well-being to present and future generations... our party offers the country experience in the application of techniques of strategic planning that promote the sustainable development of our natural and social environment, as well as in the formulation and management of projects that lead to this kind of development. (Toledo, “Ideario”).

On the whole, the messages of the political parties that emerged to challenge Alberto Fujimori, and of the opposition’s eventual leader Alejandro Toledo, eschewed criticisms of the economic policies of incumbent government. Instead, the opposition promised an end to abuses of power, a renewed respect for institutional and constitutional norms, and a reversal of the government’s centralizing tendencies.

The opposition’s emphasis on governance issues to draw contrasts between incumbent and challenger was reflected in the attitudes and evaluations of voters in surveys. A survey taken in Lima following the first round of elections showed that voters rated Fujimori ahead of Toledo in terms of his plan of government and ability to solve concrete problems by fourteen and fifteen points respectively, and preferred Fujimori by narrower margins for ability to create jobs and defend the poor. By contrast, Toledo’s biggest edge in issue evaluations was a five point advantage over Fujimori with regard to which candidate would better respect democratic institutions (APOYO, April 2000).
Another poll, taken nationwide, pointed to a similar trend: those who voted against Fujimori were roughly twice as likely to cite governance issues (too much time in power for the incumbent, authoritarianism, and corruption) as economic concerns as the primary reasons for their choice (Datum International, March 2000). In the same poll, voters were asked what their primary concern was regarding the possibility of Fujimori remaining in the presidency. Among voters who favored the opposition, the most commonly cited concern was the government’s authoritarian or dictatorial tendencies. Among those that favored Fujimori, the most commonly mentioned concern was continued unemployment (Datum International, March 2000).

**The Elections of 2000 and Their Aftermath**

Due in large part to the Fujimori government’s tactics, the 2000 election eventually came to revolve almost entirely around the question of democracy versus authoritarianism. During the last months of the campaign, Fujimori pulled out all the stops in order to secure reelection, and the opposition’s rhetoric increasingly focused on the government’s anti-democratic character, and on accusations of a tilted electoral playing field. Although Fujimori’s candidacy had long been a foregone conclusion, it was not officially announced until January of 2000, just four months before the election. The president’s “party” was dubbed Peru 2000. As with Fujimori’s initial political movement, the inclusion of the election year in the party name clearly indicated its provisional and temporary character.
The lack of nationwide organization or permanent structure of Fujimori’s movement played a significant role in the campaign, as it obliged the government to resort to fraud to secure sufficient signatures to place the party on the ballot (Roberts 2006, 96). In February 2000, *El Comercio*, the daily newspaper most associated with the Peruvian middle and upper classes, published an expose detailing the falsification of 1.2 million signatures for the party’s inscription. The scandal resulted in a wave of international criticism (McClintock 2006, 258), further undermined Fujimori’s support among more affluent and educated voters, and focused the domestic debate firmly on the issue of the propriety of the upcoming elections. In response, Montesinos mounted a campaign of defamation against *El Comercio* in the headlines of the tabloid press (Degregori 2001, 174).\(^{11}\)

State power was employed against the opposition in other ways, both openly and covertly. In late 1999, the government organized a massive advertising and publicity campaign based around the slogan “*Peru, país con futuro,*” (Peru, a country with a future). The campaign was viewed by the opposition as a thinly veiled pro-reelection initiative, and the numerous paintings of the slogan that appeared in large letters on public buildings used the same lettering and color scheme as that adopted by Fujimori’s Peru 2000 party (Conaghan 2001, 11). Food assistance programs were manipulated to pressure recipients to support Fujimori and participate in his rallies, gifts were provided to poor voters in exchange for political loyalty, and campaign workers were paid with state funds (Taylor 2001, 6-7). Along with the manipulation of the media to attack

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\(^{11}\) The signatures scandal and ensuing publicity were important in turning much of the economic elite of Lima against Fujimori; another factor in this regard were a series of land invasions in Lima in the months prior to the election that appeared to be tolerated by the government.
opposition candidates, the major broadcast TV outlets tended to ignore the opposition, while providing extensive and positive coverage to Fujimori.

The government’s brazen abuse of state resources for electoral purposes became the central focus of opposition campaigning, and provoked intense debate over the possibility that the eventual balloting itself would be fraudulent. In the absence of substantive debates over policy, the opposition message focused largely on the integrity of the process, and the connection between doubts about the fairness of the election and the overall authoritarian tendencies of Fujimori’s government. Fujimori, for his part, ran a campaign that was equally devoid of policy content: his movement never bothered to present any sort of plan of government for his next administration, and he avoided participating in debates or forums with the other candidates (Tanaka 2003, 237). In the absence of any clear policy agenda, Fujimori’s message focused intently on the major achievements of his term (defeating inflation and terrorism) and on the construction of public works, along with personal denigration of his opponents and warnings that any change would undermine progress and could return Peru to the chaos of the late 1980s.

Going into the April 9 election, polls suggested that Fujimori would be unable to win a majority in the first round, resulting in a runoff against Toledo. Initial exit polls conducted on election night seemed to bear this out; the major polling firms found Toledo to be leading by three to five points, creating a widespread public impression that Fujimori had lost. However, a quick count of actual ballots by the highly respected nongovernmental organization Transparencia showed Fujimori leading by approximately 49 to 41 percent over Toledo. As the official tallies came in with the incumbent’s totals
hovering around 50%, international observers and domestic critics called into question the integrity of the contest. On the night of the election and the following days Toledo’s supporters mounted massive demonstrations (the biggest in Peru’s recent history) that in some cases verged into violent confrontations with the authorities.

Table 4.1 – Peruvian Presidential Election, April 2000

<table>
<thead>
<tr>
<th>Candidate</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberto Fujimori (Perú 2000)</td>
<td>49.8</td>
</tr>
<tr>
<td>Alejandro Toledo (Perú Posible)</td>
<td>40.3</td>
</tr>
<tr>
<td>Alberto Andrade (Somos Perú)</td>
<td>2.7</td>
</tr>
<tr>
<td>Other</td>
<td>3.9</td>
</tr>
</tbody>
</table>

With the government under increasing pressure, the heavily politicized (and deeply mistrusted) electoral oversight board (ONPE) finally announced that Fujimori had fallen just short of 50%, taking 49.8% to Toledo’s 40.3%, and that a second round would be necessary (Table 5.1). While the official results were not far from Transparencia’s quick count, the suspiciously close nature of Fujimori’s failure to meet the 50% threshold was widely assumed to have been arrived at in part through fraud; having intended to manipulate Fujimori’s vote to just above 50%, the government had instead been forced to arrive at a result just below 50% due to the growing international doubts and domestic protests (Taylor 2001, 12-23; Conaghan 2001).

Fujimori’s inability to triumph in the first round did not end the debate over the fairness of the process; the opposition, now completely united behind Toledo, continued to argue that the playing field for the second round (scheduled for May 28) was far from
level. Over the next few weeks, Toledo’s campaign demanded that the government take measures to ensure an equitable election, including the end of discriminatory and manipulated media coverage, cessation of political use of state resources, and outside oversight of ONPE and its computerized tabulation process. With the election rapidly approaching and the government refusing to cede, the opposition called for a delay; the government firmly rejected this demand. In the face of official intransigence, Toledo finally decided to boycott the runoff. In the May 28 balloting, Fujimori received 52% of the vote to Toledo’s 18%; 31% of the ballots were spoiled or left blank. (Conaghan 2001, Taylor 2001). The announcement of Fujimori’s victory was met with protests, and over the coming months, the opposition continued to mobilize. In late July, as Fujimori was being inaugurated, Toledo and other opposition figured organized a “March of the Four Suyos” (named after the four regions of the Inca empire), in which tens of thousands of protesters converged on Lima. While the march was intended to be peaceful, violent clashes broke out, along with a fire that killed six security guards (evidence that emerged later pointed to government complicity in initiating the violence) (Conaghan 2001).

Despite the fact that the elections were viewed as fraudulent by as much as half of the population, the anti-Fujimori opposition’s prospects were questionable. The protests organized by Toledo during the electoral dispute and the resulting conflict had cost him support from some of his supporters, (APOYO Informe de Opinión, June 2000), as had his decision not to contest the election. The United States government, which had eventually adopted a critical position toward the elections, similarly grew more suspicious toward Toledo as a result of his post-election actions. As such, continued mobilization seemed to be a dead end; however, with the regime’s bases of institutional
power still intact, other options seemed limited. At the same time, Fujimori’s government had been clearly weakened by the election dispute, and took office under a cloud of disrepute.

In September 2000, a single event triggered the complete collapse of the political edifice that had been constructed in Peru over the past decade. As had been the case in 1990, Fujimori’s presidential victory had not been accompanied by a legislative majority; Peru 2000 only received 42% of the vote for Congress. In this case, rather than an autogolpe, the solution was bribery: Montesinos took advantage of the amorphous and weak nature of Toledo’s movement by bribing Perú Posible legislators to switch parties. Montesinos had conducted innumerable similar transactions during decade as the power behind the throne. However, in September 2000, a video of Montesinos bribing a Perú Posible legislator to change sides was provided to leaders from the Frente Independiente Moralizador, a small opposition party. Within three days of the tape’s public presentation, Fujimori fired Montesinos, announced the elimination of the SIN, and called for new elections in which he would not be a candidate (Cameron 2006, 276-277).12 In the following months, additional evidence (including many more such videos) surfaced, revealing the extent of Montesinos’ corruption. In the absence of the bribes and blackmail that had held it together, the regime quickly unraveled. Fujimori resigned from office and fled to Japan in November, and a transitional government was established, with new elections slated for 2001.

12 In the preceding months, evidence had surfaced linking Montesinos to an illegal transfer of arms to the FARC rebel movement in Colombia. It was widely believed that this revelation had cost Montesinos support from backers within the US, and provoked opponents to move against him (interview with Gustavo Gorriti, Lima, Feb. 2004).
While the second generation reformist opposition campaign against Fujimori had been insufficient to overcome the government’s subversion of the electoral process, the elections of 2000 were nonetheless critical in weakening the regime to the point of near-collapse. By denying the government a first round majority and a legislative majority, by forcing Fujimori into increasingly more blatant and disreputable machinations to maintain power, and by establishing a unified opposition around issues of good government that won the support of close to half of the Peruvian public, the opposition movements of 2000 helped ensure that Fujimori would be unable to continue governing according to the method established during the previous decade. Alejandro Toledo had become the unquestioned standard-bearer for this second generation reformist opposition challenge - a challenge that was poised for successful completion in the upcoming election of 2000.
Chapter 5: Mexico

Introduction

In Mexico, as in Argentina and Peru, a second generation reformist opposition movement emerged to successfully challenge an incumbent party that had pursued sweeping market reforms. As in Argentina and Peru, initial optimism and positive performance had led to the incumbent party’s reelection in the mid 1990s, and economic decline since then had opened up new spaces for the opposition. However, the Mexican case differs from the other two cases in several important ways.

Unlike in Argentina and Peru, the incumbent party – the PRI - had not been elected in the aftermath of the economic crisis of the 1980s, but had ruled continuously since 1929 (and in recent decades, had presided over repeated economic crises). As a result, the election of 2000 was not only a referendum on the preceding administration, but on the PRI’s entire history in government. Mexico’s process of market reform also differed from the neoliberal adjustment packages of Carlos Menem and Alberto Fujimori. While Argentina and Peru pursued rapid, dramatic liberalizations, Mexico’s liberalization was more gradual, extending over two decades; it also left some key sectors untouched (in particular, the symbolically important and economically crucial energy and oil industries, which remained in state hands). A third major difference was the nature of Mexico’s opposition. Unlike in Argentina, where opposition parties formed an alliance,
or Peru, where opposition voters transferred their support from one leading figure to another, Mexico’s opposition remained divided at the time of the election, both at the leadership level and at the mass level. The division in the anti-PRI opposition corresponded with a diverging visions of political and policy change. The National Action Party (PAN) promoted a vision of change that was essentially second generation reformist, while the Party of Democratic Revolution (PRD) espoused a view that was nationalist and economically leftist. In Mexico, the central question of this comparative study – why the most important opposition movement was second generation reformist in character, rather than representing an economically leftist viewpoint – was determined via an explicit choice by Mexico’s opposition voters between two contrasting alternatives.

In the following pages I describe the nature of the PRI, its rule, and its decline. I then provide a profile of the two major opposition parties, including their origins, the evolution of their identity, and their prior efforts to shake the PRI’s grip on the Mexican state. I then examine the PAN’s 2000 electoral strategy and second generation reformist message, draw contrasts with the 2000 message of the PRD, and describe the campaign and its outcome.

The PRI

The 2000 elections were preceded by a long period of decline for the Partido de la Revolución Institucional. From its founding as the the Partido Nacional Revolucionario
in 1929 through most of the 20th century, the PRI dominated Mexican politics, maintaining control of the legislature for 68 years, and control of the executive branch for 71. Although initially founded as an elite political vehicle, in the decade following its creation the PRI adopted the main characteristics that it would retain throughout most of its long period of hegemony: a catch-all ideological identity, a corporatist structure, and a reliance on clientelism and control of state resources to build social support, co-opt potential opponents, and maintain a monopoly on power.

The PRI incorporated a range of ideological tendencies, and its ideological direction oscillated over time. Under Lázaro Cárdenas (1934), who reorganized the PRI (under Cárdenas known as the Party of the Mexican Revolution, or PRM), into a mass party, populism and nationalism prevailed. Cárdenas’ most prominent initiatives with enduring influence included land reform and nationalization of industry (in particular, the oil and railroad industries). Cárdenas’ successor, Manuel Ávila Camacho (1940-1946) adopted a more moderate orientation; he was followed by the strongly pro-business Miguel Alemán (1946-1952). This pattern of ideological alternation would continue through the coming decades, as Mexico’s powerful PRI presidents came and went in orderly fashion; with each president placing his stamp on the country’s policy direction while maintaining some of the policies of his predecessors. Political competition and ideological factionalism were largely contained within the bounds of the ruling PRI

The PRI’s hegemonic and all-encompassing position within Mexican politics rested on several pillars. Fundamentally, the party’s dominance was based on control of state resources; throughout most of its period of control, there was no effective distinction between the PRI and the Mexican state. The PRI exercised a monopoly over government
jobs and patronage, drew freely on the state budget to finance political campaigns, and forged extensive and long-lasting clientelistic links with both the poor and with business interests. The party devoted considerable effort to justifying and legitimating the Mexican party-state through propaganda and symbolism, depicting the PRI as uniquely embodying the ideals of the Mexican revolution. Major media outlets were among the government’s most reliable clients, and loyally supported the PRI.

The PRI’s unchallenged grip on the state apparatus was paralleled by its dominant position in social organization. The main social sectors in Mexico, including workers and peasants, were organized and mobilized primarily through corporatist organizations controlled by the PRI, whose leaders were primarily concerned with ensuring their organizations’ compliance with government priorities. When facing a challenge from potentially independent leaders or organizations, the PRI typically employed the vast state resources at its disposal to co-opt the most influential leaders of potential challengers, bringing them into the system. Although the incorporation or buying off of potential opposition was the PRI’s preferred approach, the regime was willing to resort to violent repression of social organizations when it appeared necessary, most prominently in the case of a 1968 massacre of student demonstrators in Mexico City.

An additional political asset of the PRI was its considerable capacity and willingness to engage in electoral fraud and abuse. The party’s control of the state, combined with electoral laws that disadvantaged the opposition, may have been sufficient on their own to preserve PRI dominance; nonetheless, election fraud was commonplace and extensive. Tactics employed by the PRI included “stuffing ballot boxes, intimidating potential opposition supporters, disqualifying opposition party poll-watchers, relocating
polling places at the last minute, issuing multiple voting credentials to PRI supporters and organizing multiple voting.” (Craig and Cornelius 1995, 255) Beyond efforts to subvert the balloting process, the PRI also frequently manipulated the counting of votes. Even in the absence of electoral fraud, the PRI’s other advantages would likely have sufficed to maintain its dominant position (Klesner 2005, 107); however, the party needed electoral victories to be as wide as possible in order to validate its claim to represent the entire Mexican public. The PRI’s total control of the institutions that administered elections guaranteed impunity for manipulations of the electoral process.

The PRI’s ability to control the state, its domination of social organization, and its capacity for fraud, made Mexico a model of authoritarian stability amid modernization. Even as other Latin American countries were thrown into political turmoil by the social changes associated with modernization and the rise of Cold War-era ideological polarization, Mexico’s PRI presidents peacefully and predictably succeeded each other at six year intervals, the country experienced an economic boom, and a substantial middle class emerged. Despite Mexico’s apparent prosperity and stability, tensions began to appear during the 1960s. The PRI’s corporatist representative structures, established to reflect the social profile of Mexico during the 1930s, became increasingly less viable in the face of rapid industrialization and urbanization, and the PRI’s sectoral organizations gradually became less effective at mobilizing reliable electoral support.

Weakening economic performance beginning in the 1970s also undermined support for the PRI. Under these conditions, a 1976 economic crisis that forced a devaluation of the peso posed the most pressing threat to the party’s dominance since the 1930s. Facing increased social pressures and declining legitimacy, the PRI responded
with a set of electoral reforms that eased the process of registering independent parties opened up additional spaces for the opposition in Congress. The discovery of massive oil reserves in 1977 provided short term breathing room for the Mexican economy and for the PRI. However, the reprieve would prove to be only temporary; the collapse of oil prices in 1982, and the country’s ensuing debt default, devaluation, and economic catastrophe triggered a profound crisis for the governing party. In the following years, the party would face the challenge of drastically reorienting the country’s economic model in the context of rising demands from an increasingly organized social and political opposition.

The PRI in the Neoliberal Era

While previous decades had seen a slow but steady erosion of PRI support and increase in political competition, during the 1980s the shift away from PRI hegemony accelerated dramatically. To some extent, the sudden emergence of meaningful opposition represented the culmination of the social changes and electoral reforms described above. The rise of political competition was also to a great extent triggered by recent developments: the debt crisis, and the market reforms that followed it. In the elections of 1988, the first in which the PRI for the first time faced a credible challenger for the presidency, the Mexican political system was shaken to its core.

Under Miguel de la Madrid (1982-1988), the PRI embarked upon a process of economic liberalization that would continue well into the next decade and transform the
country’s economy. Despite the inevitable social unrest associated with a shift to the market under conditions of economic decline and surging poverty, the relative strength and adaptability of the PRI’s corporatist and clientelist machinery prevented widespread upheaval. Nonetheless, the move toward neoliberalism triggered increasing internal dissension within the PRI, as the long-existing balance and mutual tolerance among the party’s varied ideological factions frayed. Traditionalists viewed the move toward the free market and international economic integration as a betrayal of revolutionary ideals of nationalism and populism. Moreover, the party’s policy shift was associated with the empowerment of a class of pro-reform technocrats at the expense of the party’s traditional leadership (often referred to as the “dinosaurs”). The growing internal friction ensured that the party’s traditional, top-down method of selecting the next president – the dedazo, in which a president chose his successor – would be less tolerable.

When demands for increased internal democracy and more attention to the poor were met with resistance from the party’s top leadership, a dissident movement (described in more detail in the following section) broke with the party to contest the 1988 elections. Headed by Cuauhtémoc Cárdenas, the son of the revered former president Lázaro Cárdenas, the new opposition rapidly gained public support, and represented an unprecedented electoral threat to the PRI. The PRI responded to the unwelcome emergence of electoral competition with electoral fraud. When early election results from early in the elections showed strong performance for the opposition New Democratic Front (FDN), the computer counting the results mysteriously crashed; when it came back on line, the PRI had a commanding lead. In the end, the official numbers gave the FDN 32% of the vote to a bare 51% majority for the PRI.
While an accurate vote count may well have given the PRI a (narrower) victory, the official figures were largely discounted by opposition supporters, and Cárdenas’ insistence that the PRI had robbed his party of a victory obtained widespread credence. The combined opposition – primarily the FDN, and the center right National Action Party (PAN), which was Mexico’s most established opposition party - also captured an unprecedented 48% of the seats in Mexico’s lower house of Congress. Having barely managed a majority in a clearly fraudulent election, the PRI’s claim to universal representativeness was definitively shattered. Although the party maintained formidable political resources due to its continued grip on the state apparatus, the party’s future would be determined in an environment in which genuine electoral competition was an unavoidable reality, in which the party’s legitimacy had been dramatically compromised, and in which PRI victories would be greeted with public suspicion.

The challenge of responding to these new circumstances fell to Carlos Salinas de Gortari (1986-1994). Salinas was a representative of the newly influential technocratic wing of the party, having received a Ph.D. from Harvard and first entered government in 1982. Salinas pushed ahead with liberalization, reversing past land reform policies, accelerating privatization, lowering barriers to investment and trade, and pressing for acceptance of the North American Free Trade Agreement (the last being viewed as a means of permanently locking neoliberal policies in place, in addition to being an important policy goal in its own right). The ability to persist with market reforms while maintaining public support was boosted by strong economic performance achieved during Salinas’ term. By 1994, nominal GDP per capita had increased by over 70%
relative to 1984, foreign investment had surged, and inflation had been reduced to single digits (González Gómez 1998, 43).

Beyond drawing on overall public satisfaction and optimism to rebuild the PRI’s damaged prestige, Salinas employed social spending as a means of reconnecting with the party’s lower class base, in particular through the National Solidarity (PRONASOL) social spending program. PRONASOL was both extensive and politically targeted; its spending was disproportionately concentrated in areas in which the PRD (the leftist party that had succeeded the FDN of 1988) was most competitive. Decisions over the allocation of PRONASOL funds were made independently by the executive, without influence from traditional PRI bosses (let alone from opposition leaders); the program was thus intended to both strengthen the PRI relative to the opposition, and to strengthen the hand of the president and the new technocratic elite relative to the PRI “dinosaurs.” (Fox 1994, Dresser 1991) While the central government’s efforts to undermine the PRD threat relied on clientelism, local competition for political supremacy sometimes involved violence – between 1989 and 2000, hundreds of PRD activists were victims of political murders (Levy and Bruhn 2006, 93).

The antagonistic relationship between the PRI and the PRD contrasted with the ruling party’s approach to the other major opposition party, the center-right PAN. Under Salinas, the PRI cultivated a legislative alliance with the business-oriented PAN to assist with the passage of its market reform policies. Partly as a condition for this cooperation, and partly because it was perceived as necessary to restore legitimacy to the Mexican political system, the PRI under Salinas agreed to the implementation of additional electoral reforms; the new measures enhanced the ability of minority parties to gain
legislative representation, and (perhaps most importantly) weakened the PRI’s control over the administration of elections. Recognizing that another dubious election would be devastating to the PRI and potentially undermine the efforts made since 1988 to rebuild social confidence in the party, the Salinas government took pains to make the 1994 election the most transparent and fair contest in Mexico’s history. Although the PRI continued to benefit from access to financial resources that far outstripped those of the other parties, as well as favorable media coverage, the 1994 presidential election was widely perceived as fair.

Thanks to the economic recovery, the president’s positive image, and the effectiveness of efforts to disarm the PRD, a credible vote count was in the PRI’s interest. The party had already made a strong comeback in the 1991 legislative elections, and had reason to be optimistic about 1994. Salinas’ government had apparently successfully passed the daunting tests presented by the aftermath of the 1988 shock, through a combination of continued market reform, effective use of clientelism to secure contested lower class votes, the increasing personalization of political authority relative to traditional bosses and party structures, and electoral reforms to satisfy opposition demands for more open competition. In the run up to the election, the country was shaken the January 1 uprising of the Zapatista insurgent movement in Chiapas, and by the assassination of two major PRI figures (including the party’s presidential candidate). Nonetheless, the PRI’s replacement candidate, Ernesto Zedillo Ponce de León, was elected with 48.8 percent of the vote, 23 points ahead of his nearest rival, Diego Fernández de Cevallos of the PAN.
Zedillo’s honeymoon was short-lived. Within a few days of his inauguration, Mexico was struck by a major economic crisis. Vulnerabilities within the Mexican economy that had been successfully concealed during the election period, in particular a growing current account deficit, became painfully clear. In less than three months, the value of the peso declined by almost a third (Levy and Bruhn 2006, 173). The effects of the crisis were devastating: the Mexican economy contracted by 6.2 percent in 1995, (González Gómez 1998, 53), industrial wages dropped by more than 30% over two years, and unemployment surged (Magaloni 1999, 207-208). By 1997, the economy had resumed growth, but by the end of the decade this growth had not yet made up the ground that had been lost since 1994.

As a result of the crisis and the ensuing loss of public faith, the electoral environment turned strongly against the PRI. The combined effects of the newly open electoral system and the punishing impact of the economic collapse opened the door to unprecedented opposition gains in the midterm elections of 1997. For the first time in the country’s modern history, the PRI lost its majority in Mexico’s Chamber of Deputies, with the resurgent PRD taking second place. Additional electoral reforms put in place prior to the election had reinforced the independence of the Federal Election Institute (IFE), reduced the biggest party’s overrepresentation in the legislature, and greatly leveled the financial playing field between government and opposition (Domínguez 1999, 8). The 1997 election result clearly demonstrated the meaningful impact of these changes.

Recognizing the changed political environment, the increasing public demands for democracy, and the need to renovate the party’s image (Bruhn 2004, 125), the PRI
altered its candidate selection process for the 2000 presidential elections. In place of the outgoing president’s anointment of a successor, the party held its first contested primary election. After a hard-fought contest, the nomination fell to Francisco Labastida, a former cabinet minister and state governor who was acceptable to both the technocratic and political wings of the party (Bruhn 2004, 126). Despite the PRI’s declining public support and the party’s possible need for a fresher image, their candidate was a representative of the PRI’s political mainstream and its partisan establishment. As such, Labastida faced an electoral task that would be far different from any in his party’s history: defending the PRI’s record in an environment of widespread social discontentment, and facing an opposition with a realistic prospect of ending the PRI’s seven-decade control of the executive.

As of 1997, however, it was not clear which opposition would be more likely to pose such a challenge. As had been the case since 1988, Mexico’s opposition was divided between two major parties. The two contenders offered very different visions, and had developed a fundamental rivalry in their pursuit of the anti-PRI vote.

The Opposition I: The Party of Democratic Revolution

As Levy and Bruhn (2006, 97) have noted, the rise of the leftist Partido de la Revolución Democrática (PRD) was a cause as well as a consequence of Mexico’s increased political openness and competition during the late 1980s. The party’s origin stemmed from divisions within the PRI over the party’s embrace of market reform
policies under De la Madrid. In 1985 and 1986, prominent politicians from the left wing of the PRD led the formation of a dissident bloc within the PRI that became known as the Corriente Democrática (CD). The most notable of these leaders were Cuauhtémoc Cárdenas, and Porfirio Muñoz Ledo, a former labor minister and PRI party head.

The CD’s grievances toward the PRI leadership involved both ideological differences and discontentment with the party’s internal practices. The leftist wing of the PRI had objected to the specific policies undertaken by de la Madrid; they rejected privatization, free trade, and the shrinking of the state, believing these to be departures from the ideals of the Mexican Revolution (Bruhn 1997, 76). Instead, they maintained that Mexico’s response to the economic crisis should focus primarily on attending to the social needs of the masses. The CD’s first manifesto emphasized the importance of national sovereignty, and depicted the country’s foreign debt (and the overwhelming priority that the de la Madrid government placed on debt repayment) as the primary threat to that sovereignty (Bruhn 1997, 80). Alongside these policy and ideological differences, the CD criticized the post-crisis PRI for lack of internal democracy, exclusion of dissenting perspectives, and alienation from its social bases. The dissidents within the PRD held that the party’s shift toward neoliberalism and ostensible abandonment of its revolutionary principles was linked to the increasing importance of technocrats within the party and the stifling of dissenting viewpoints (Bruhn 1997, 84-86). An increased emphasis on social participation was seen as necessary to correct the party’s drift away from its popular bases, and any challenge to the party’s newly adopted neoliberalism would require a more inclusive and open process for selecting De la Madrid’s successor (Bruhn 1997, 80-81, 87; Craig and Cornelius 1995, 259).
The nationalistic and populist character of the CD’s founding principles reflected important historic tendencies within the PRI, tendencies that could be traced to the tenure of Lázaro Cárdenas. The conflict between these tendencies and the more market-oriented elements of the PRI was not new; however, the economic crisis, the adoption of drastic market reforms, and PRI’s shift toward a technocratic identity sharpened these conflicts considerably (Bruhn 1997, 84-85). During the years that followed the CD’s transformation into a viable opposition party, the party’s message would evolve depending on political circumstances. However, the primary concerns and principles present at its founding persisted: questioning of free-market orthodoxy, a focus on attending to the social needs of the popular sector, calls for national sovereignty and economic self-determination, and an emphasis on social participation remained consistently fundamental to the PRD’s electoral appeal.

The PRI leadership responded to the CD’s challenge with open hostility (Bruhn 1997, 92-96) and a complete rejection of the dissidents’ demands for internal democracy. With the party’s presidential nomination process left firmly in the hands of De la Madrid, the CD faction saw no other option but to abandon the party, formally breaking with the PRI in 1987 (Bruhn 1997, 98; Craig and Cornelius 1995, 259). Having broken with the party to declare his own candidacy, Cárdenas attracted the support of a range of non-PRI political organizations, first accepting the nomination of a small opposition party, and going on to attain the support of several small independent leftist parties and former PRI allies (Craig and Cornelius 1995, 277; Bruhn 1997, 103-112). These organizations formed a coordinating group called the New Democratic Front (FDN), at whose head Cárdenas contested the 1998 elections.
While the FDN was technically a conglomeration of political organizations, the 1988 opposition challenge clearly was centered on the figure of Cárdenas rather than the groups that composed his electoral front. Cárdenas gained a vastly higher vote total than the FDN’s combined parties had in the previous election, and performed strongly in some areas that had previously lent little support to the opposition (Craig and Cornelius 1995, 277). Cárdenas’ personal prestige, in part derived from associations with his father, helped compensate for his organization’s lack of resources and funding (Bruhn 1997, 124-125). As his campaign gathered public momentum and polls showed him to be the most supported opposition candidate, Cárdenas became the primary option of voters for whom anti-PRI sentiment was the overriding determinant of vote choice.

The party’s powerful and unprecedented challenge to the PRI in the disputed 1988 elections cemented Cárdenas at the head of Mexico’s increasingly relevant opposition. Following the 1988 elections, Cárdenas and some other leaders of the FDN called for the formation of a new party, to be named the Partido de la Revolución Democrática. Several of the parties that had thrown their support to Cárdenas in the 1988 election did not adhere to the new party; however, the new party maintained a considerable diversity of internal actors, including former representatives of small left-wing parties and ex-priistas, as well as social movement activists (Levy and Bruhn 2006, 98).

The PRD immediately faced major challenges in moving beyond its identity as a vehicle for protest votes in the 1988 election and a establishing itself as a viable and sustainable opposition party. A central problem was the party’s dependence on the figure of Cárdenas for its identity and public profile. To some extent, the party relied on
Cárdenas personal image in place of a clear ideological platform (Levy and Bruhn 2006, 98-99), and in the years following their arrival on the scene the party went on to perform poorly in subnational elections in which Cárdenas was not on the ballot (Craig and Cornelius 1995, 278). Under Salinas, the PRI concentrated on suppressing the PRD; at the same time, the ruling party accepted victories by the PAN (which had recognized Salinas’ victory and collaborated with his economic reform agenda). The PRD was further hampered by the efforts of the Salinas administration to undermine the party’s organization and mobilization efforts through social spending in politically competitive areas (Bruhn 1997, 219-221, 260-266), as well as by localized repression and political violence. Finally, Mexico’s economic recovery undermined the appeal of the PRD’s attacks against the PRI’s shift to neoliberalism (Bruhn 1997, 217-223).

Buoyed by the popularity both of Salinas and of his economic policies (Domínguez and McCann 1996, 131-133), the PRI had recovered from the crisis of 1988 to resoundingly win the midterm elections of 1991; the PRD fell to 8.3 percent of the vote. More than 20% of Cárdenas’ 1988 voters returned to the PRI in 1991, while many others voted for the parties that had abandoned the FDN after 1988. (Craig and Cornelius 1995, 278). The PRD again fared poorly in the 1994 presidential elections, with Cárdenas falling to third place and garnering just 16.6% of the vote; polls showed that 20% of Cárdenas’ supporters from 1988 cast their vote for the center-right PAN (Domínguez and McCann 1996, 207). Despite having mounted the most successful challenge to the PRI in history, the PRD appeared to have become primarily a regional party (Craig and Cornelius 1995, 278), and Cárdenas had clearly lost his position as the primary standard-bearer for anti-PRI opposition.
In the midterm elections of 1997, however, the PRD rebounded. With social dissatisfaction running high in the aftermath of the peso crisis, the PRD capitalized on the opportunities presented by an increasingly open and fair electoral environment and a weakened incumbent party. The newly contested position of Mexico City mayor offered a clear opportunity for the PRD to seize a prominent office, as the Federal District was one of the party’s primary electoral strongholds. Cárdenas rose to the occasion with an effective campaign that mobilized lower class and anti-regime voters (Lawson 1999) and defeated the PRI’s candidate by 20 points, apparently positioning himself well for a third presidential run in 2000. More unexpectedly, the PRD performed strongly in the national legislative election, winning 25.7% of the vote, edging out the PAN as the second largest opposition party in the legislature, and elevating PRD founder Muñoz Ledo to the head of the Congress (Bruhn 1999, 89).

Having attained instant success as an electoral protest movement, and subsequently struggled to consolidate as a national opposition party, by the 2000 the PRD appeared to have established itself as a credible contender to unseat the PRI from its 71 year hold on power. However, its claim to leadership of the anti-PRI opposition remained hotly contested by Mexico’s oldest and best-organized opposition party: the center right National Action Party (PAN).

**The Opposition II: The National Action Party**

In 2000, the Partido de Acción Nacional had a history of opposition almost as long as the PRI’s history of hegemony. The party was founded in 1939 in response to the
nationalist policies of Lázaro Cárdenas. Cárdenas’ state-centered economic policies, land
reform measures, and nationalization of major industries were rejected by much of
Mexico’s economic elite and some middle class professionals; at the same time, the
government’s anti-clerical posture alienated religious leaders. The social ties that
resulted from these initial divisions would be persistently central to the PAN’s identity;
business interests and the Catholic church remained dominant influences on the PAN
throughout the rest of the century. However, the role and relative importance of those

Although the PAN’s economic ideology differed intensely from that of Cárdenas’
PRM, the virtual exclusion of the party from electoral competition ensured that, from the
beginning, their political challenge would revolve to a great extent on contestation of the
hegemonic position of Mexico’s dominant party, and promotion of liberal democratic
principles (Shirk 2004). In the following decades, the PAN’s positions on economic
issues shifted in accordance with internal party dynamics, while a succession of PRI
presidents implemented economic policies that varied in the extent to which they
 accorded with the PAN’s preferences. Amid these shifts, the PAN’s commitment to
more open electoral competition remained consistently central to the party’s identity.

Over the course of its sixty-year presence in the political opposition, the PAN’s
approach to the problem of PRI dominance and the nature of its ideological message
varied. During its early years, recognizing the inevitable futility of any attempt to
capture control of government, the PAN did not attempt to challenge the PRI directly at
the national level, opting to contest the ruling party at the local level in PAN strongholds
(Craig and Cornelius 1995, 271), and adopting the role of a principled opposition voice
while refraining from anti-system appeals - in effect, accepting the dominant position of the PRI at the national level for the immediate future. During the 1950s, amid frustration with lack of electoral progress, the party leadership began to take a more aggressive stance in response to the PRI’s electoral abuses; however, a more conciliatory tendency later took hold, as demonstrated by the party’s decision to recognize PRI presidential victories during the mid-1960s (Shirk 2004, 75). In response to electoral reforms in 1946 and 1963 that essentially required parties to demonstrate a national electoral presence, the PAN began to run candidates throughout much of the country; albeit with limited success; between 1964 and 1979, the PAN’s share of the vote in elections for federal deputies ranged from 9 to 15%, while the number of seats held by the PAN gradually increased. The PAN first nominated a presidential candidate in 1952, and finished second in every presidential election until 1988 (with the exception of 1976). During this period, the PAN firmly established itself as the most prominent and organizationally strong opposition party; however, its support remained regionally concentrated, and it never posed a genuinely threatening challenge to PRI control.

During the 1970s, following the death of its founder, the PAN was split by ideological divisions. The factional struggles prevented the party from fielding a candidate in the 1976 presidential election; in that same year, the nationwide share of the vote for the party declined by almost 50% from the previous election. The party was revitalized during the 1980s, as support from business leaders (in particular, in the north of Mexico) surged in response to economic failures and the PRI’s disastrous nationalization of banks. The PAN became increasingly competitive in regional elections,
forcing the PRI to resort to obvious fraud to defeat a PAN candidate in the Chihuahua

governor’s race in 1986 (and foreshadowing the contested presidential election of 1988).

The PAN’s dominant ideology also shifted throughout the first decades of its

history. The decision of Cárdenas to select the business friendly Manuel Avila Camacho

as his successor, and Avila Camacho’s overtures to the private sector, led some elements

of the PAN’s entrepreneurial base to cast their lot with the PRI during the 1940s and

1950s, refraining from political opposition in exchange for favorable treatment from the

regime (Mizrahi 2003, 69). At the same time, Catholic activists increased their clout

within the party. As a result of these changes, the PAN’s ideology underwent a shift to

the left, with Catholic doctrines emphasizing social responsibility increasing in influence

relative to free-market principles. In the 1970s, the increasingly statist economic policies

of PRI presidents generated a shift in the opposite direction. Reactions against the

populist administration of Luis Echeverría resulted in the increased influence of pro-

market leadership within the party. Internal divisions resulting in part from this were

behind the failure to nominate a presidential candidate in 1976. However, the economic

turmoil of the late 1970s and 1980s, and the ensuing decision of President José López

Portillo to nationalize the banking system in 1982, and the galvanization of business

support for the PAN (Middlebrook 2001, 22; Mizrahi 2003, 74; Shirk 2004, 100), and

cemented economic liberalism at the forefront of the party’s identity.

As the PRI under De la Madrid and Salinas responded to the debt crisis by

rapidly shifting Mexico toward a free market model, the PAN generally pursued

accommodation with the PRI on economic issues. As a result, the standard bearer for the

anti-PRI vote in the 1988 elections was Cuauhtémoc Cárdenas, at the head of the newly
formed leftist party that would later become the PRD. After Cárdenas’ controversial defeat in 1988, the PAN grudgingly accepted Salinas’ questionable victory, in return for the government’s promise to recognize future PAN victories at the state level, and implement additional electoral reforms. The PAN’s cooperation with the PRI regime supported the policy goals of important sectors within the party and the government’s reform concessions created new political openings for the opposition; however, the collaboration tended to undermine the party’s identity as standard-bearer for the country’s democratic opposition and the sole viable vehicle for electoral protest (Middlebrook 2001). While a pro-PRI/anti-PRI divide would continue to dominate Mexican politics, the support of the anti-PRI electorate would now be contested. This competition for the support of voters for whom removing the PRI was the top priority was a central preoccupation for the challengers in the election of 2000.

As the Mexican party system shifted to a three party structure during the 1990s, the PAN’s general message continued to demonstrate fundamental agreement with the neoliberal economic policies initiated by De la Madrid and dramatically advanced by Salinas as the PRI no longer enjoyed a substantial majority in Congress, this policy support from the PAN was important in the passage of key neoliberal reforms following the 1988 elections (Magaloni and Moreno 2003, 257). Conservative views on social issues continued to pay a role in the party’s identity and discourse, but had limited salience in national level political competition. In the absence of economic policy differences, the party’s advocacy of democratic openness and participation served as the most fundamental distinction between the PAN and the PRI.
The electoral reforms and willingness of the PRI to recognize PAN victories in exchange for political cooperation led to a wave of successes for the PAN in state and municipal contests. Between 1988 and 1995, the PAN went from controlling zero governorships to controlling four; from 1988 to 1996, PAN municipal governments increased in number from 17 to 292. (Shirk 2004, 107, 110); These victories enabled the party to add a new element to their campaign message by touting their successful governing experience and achievements at the subnational level. The PAN’s success at the local and regional level elevated the party’s overall profile and brought new leaders to prominence, and allowed PAN candidates to point to accomplishments in governance; this allowed the PAN to challenge the widespread perception, promoted by the PRI, that only the ruling party’s leaders had the necessary experience to govern effectively.

While the PAN’s growing strength and the increased competitiveness of the electoral system offered new opportunities, the division of the opposition vote between PAN and PRD prevented the party from posing a major independent challenge to PRI control during the 1990s. In the 1994 election, the party’s candidate, Diego Fernández de Cevallos, finished a distant second with 26% of the vote; in the landmark 1997 legislative elections that ended the PRI’s majority control, the PAN received 27% of the vote, just one point ahead of the PRD, while the PRD captured control of the Mexico City mayor’s office, the second most important office in the country. The new political environment provided an unprecedented opening for an opposition victory in the 2000 presidential elections; however, any successful PAN candidate would have to win back the mantle of the pro-democratic opposition leadership from the newly ascendant left. The profile and
electoral strategy of the candidate who captured the PAN’s nomination, Vicente Fox Quesada, were well suited to this task.

As a businessman who entered PAN politics during the 1980s, and rose to prominence via a governorship in the 1990s, Vicente Fox’s career in some ways closely reflected the recent evolution of the PAN. At the same time, his rise to the party’s leadership was built to a great extent on efforts and strategies that circumvented his party’s internal organizations and leadership in favor of an independent and personally driven campaign. Fox, a high level executive for Coca-Cola before entering politics, was one of many business leaders who became involved in PAN politics during the 1980s (Shirk 2000, 29; Shirk 2004). Fox was first elected to Congress in 1988. In 1991 he ran for governor of the state of Guanajuato, losing to the PRI candidate in an election riddled with fraud. Following negotiations between the PRI and PAN over the contested election, the PRI governor resigned, but was replaced as interim governor not by Fox, but rather by another PAN leader who had adopted a more conciliatory tone toward the Salinas administration. Over the next few years, Fox’s relations with both the ruling party and with his own party grew more conflictive, largely due to obstructions of his efforts to run for president (an intention first declared in 1992). (Shirk 2004, 122). After temporarily leaving politics as a result of these conflicts, Fox returned to win the governorship of Guanajuato in 1995.

Following his election, Fox immediately began pursuing his goal of obtaining the PAN nomination for the presidency in 2000. Faced with resistance to this ambition from the party’s leadership, Fox began pursuing a strategy that avoided formal party channels
and involved cultivating a personal base of support. As governor, Fox used his position as governor to generate publicity and build his national and international profile (Shirk 2004, 124). At the same time as he attempted to build an independent image, Fox strove to establish an independent financial and organizational base for his campaign with the formation of the “Friends of Fox,” a committee of his supporters and associates that raised funds and engaged in pre-electoral publicity on his behalf. As an autonomous, ostensibly nonpartisan organization, the Friends of Fox were able to incorporate supporters from outside the PAN (and from a broader range of ideological backgrounds) as well as ignore regulations limiting partisan campaign fundraising.

By the end of the 1990s, Fox had risen to the position of undisputed front-runner for the PAN nomination, on the basis of his own self-promotion as well as failures and misjudgments on the part of his opponents within the party leadership. As a result, he faced no serious rivals to his nomination, and was formally nominated in an internal election in 1999. Having achieved the first step in his pursuit of the presidency, Fox faced two remaining challenges: securing his position as the leader of the diverse electoral coalition that was united only by anti-PRI sentiment, and translating that anti-PRI opposition into an electoral victory. His campaign approached these goals in the same manner that he had obtained his party’s nomination: by relying strongly on his personal image and profile in addition to party organizations and partisan loyalties, and by emphasizing pragmatism and openness to a broad and heterogeneous sources of support. This approach would have consequences for the content of his campaign’s message, his capacity for electoral success, and the eventual prospects for effective governance following his victory.
The nature and content of democratic contestation in late 20th century Mexico was deeply influenced by the hegemonic position of the PRI. The dominant party’s unbroken hold on the reins of government made voter evaluations of past performance and future prospects inseparable from their attitudes toward the PRI. The desirability of continued PRI rule, and the propriety of the methods by which that rule was sustained, assumed a central role in the political debate (Moreno 2003, 111-112). Domínguez and McCann (1996) have characterized Mexican vote choice during this period as following a “two-step” process, in which the primary decision made by voters is whether they support or oppose the maintenance of the PRI in power. According to this view, after a voter’s anti-PRI orientation has been determined, he or she chooses between the two major opposition parties according to factors such as ideological affinity, partisan identity, and strategic decisions as to which of the opposition parties has a better chance of unseating the incumbent.

The tendency of the pro-regime/anti-regime divide to dominate political competition greatly influenced the strategies of Mexico’s two main opposition parties throughout the 1990s. During the period of increased competition that followed the 1988 elections, while concentrating much of their attack on the PRI, Mexico’s two main opposition parties also competed vigorously against each other for the loyalties of the anti-PRI vote. In 1988, much of this vote fell naturally to Cuauhtémoc Cárdenas, the PRI dissident who represented the strongest and most prominent challenge to the PRI government. While the PAN maintained their commitment to fair elections, their record
of collaboration with the PRI during its shift to neoliberalism undermined their position as a challenger. Cárdenas’ position as the most potentially dangerous adversary of the PRI in 1988 helped him draw anti-PRI votes from across the political spectrum. (Domínguez and McCann 1996, 112). In the following few years, the weaknesses of the PRD and the popularity of Carlos Salinas (in large part a result of public optimism regarding his free market economic policies) led to a decline in support for the PRD (Domínguez and McCann 1996, 129-134).

In the 1991 legislative elections, the PRD fell to 8% of the vote, and polls showed that (in contrast with 1988) strategic anti-PRI voters were more likely to cross ideological lines to support the PAN, which garnered 17% (Domínguez and McCann 1996, 147). In the subsequent presidential election of 1994, the PAN retained its position as the strongest opposition party, winning 26% to the PRD’s 16%. Following the economic crisis of 1994-1995, the picture again changed. In the 1997 midterm elections, the PRD reclaimed the status of main opposition contender, behind Cárdenas’ strong campaign for the newly competitive Mexico City mayor post (Lawson 1999). In the aftermath of the peso’s collapse, the PAN’s collaboration with the PRI on economic policy became a liability, and the PRD became the primary vehicle for the anti-regime vote.

During the twelve years of increasing political competitiveness that preceded the 2000 elections, then, Mexico’s two major opposition parties competed for the support of voters whose top priority was removing the PRI from power. The two parties took turns at the head of the opposition, with the support of the anti-PRI vote alternating depending on campaigns and circumstances. The ability of either party to claim the anti-PRI vote depended in part on the employment of an effective and convincing anti-government
message (with the potential for such a message depending both on the campaign itself and on the prevailing political conditions and attitudes); equally important, however, was fostering a perception that the party’s candidate was the most likely of the two contenders to unseat the PRI from power. Generating an effective anti-regime message and building a reputation as the most promising challenger were the most immediate concerns facing the main opposition candidates during the runup to the 2000 elections.

Having established himself early on as the presumptive nominee of the PAN largely through independent efforts, Vicente Fox was able to focus his subsequent campaign efforts on establishing himself as the first option among opposition voters. His campaign approached this goal in several general ways. He appealed directly to strategic voters, frequently arguing that anti-PRI voters, regardless of their ideological leanings, should vote for him as the best option for removing the ruling party from power. To support this wide-ranging appeal, Fox ran a campaign that emphasized his personal image above partisan identity, was ideologically vague by design, and incorporated prominent advisors and supporters from across the political spectrum. Instead of delineating policy differences with the incumbent government, the Fox campaign emphasized the issue of “change” in a generic sense, and overwhelmingly focused on the PRI’s long record of bad governance, and the necessity of ending its hegemony. The policy positions that accompanied this rhetorical strategy were clearly second-generation reformist in character; this type of programmatic content accorded well with the ideologically indistinct and governance-centered nature of the campaign’s public rhetoric.
The Fox campaign made appeals to the “useful vote” a central part of its message, arguing that votes for Cárdenas would be wasted, and would simply serve to perpetuate the PRI’s hold on power (Bruhn 2004, 103; Reforma, May 4 2000). Even after the possibility of a formal electoral alliance with the PRD had passed, Fox continued to stress the importance of a unified opposition, arguing that the anti-PRI forces should “unite around a leader of the whole opposition, that truly has the potential to win the election.” (Reforma, Mar. 18 2000). Seizing on survey results, as the election approached Fox depicted his own challenge as the only one with a chance to overtake the PRI; in response to a June opposition poll showing Fox trailing Labastida by four points and Cárdenas a distant third, Fox declared that the poll represented “an important message to PRD supporters, to all democrats and people of opposition, that it is clear that we need to unite” as well as “a very clear message to Cuauhtémoc Cárdenas that he now has no possibility of winning.” (Reforma, Jun. 6 2000). With polls showing a close race between PRI and PAN candidates, Fox depicted Cárdenas’ continued defiant challenge as a betrayal of the anti-regime cause and his of own his own supporters (Reforma, May 29 2000). A televised advertisement that appeared in June 2000 praised Cárdenas’ leadership of the anti-PRI movement of 1988, then attacked Cárdenas for not supporting a movement in 2000 that was similarly intended to remove the PRI from the presidency (www.vicentefox.org.mx/pag_campana/, accessed April 2006). At one point, Fox asserted that Cárdenas’ refusal to throw his support behind Fox suggested “that he has been bought, and has returned to the PRI,” (Reforma, May 7 2000) By depicting himself as the only opposition candidate with a chance to win, Fox argued that Cárdenas’ failure to join forces signified that he no longer represented the anti-PRI cause. In the absence
of an opposition alliance at the level of leadership, Fox sought to build an alliance at the electoral level that would render Cárdenas’ challenge irrelevant by drawing away his supporters.

In order to attract anti-PRI support from a range of opposition voters, Fox’s campaign departed from the center-right, pro-business, and socially conservative postures associated with his party. Instead, the Fox campaign characterized itself as representing an ideologically varied movement whose sole purpose was to remove the PRI from office. Fox emphasized the inclusive nature of his political movement in his public statements. In an April interview, he declared of his electoral movement:

“Here, ideologies are not being fused. We are bringing in people from all sides, with the sole objective of attaining alternation in power. People from the left, the right, and the center fit in this alliance, because the principal objective we have is to defeat the PRI...”
(Reforma, Apr. 16 2000)

A key element of Fox’s attempts to build a broad movement was the incorporation of prominent opposition figures from outside the PAN and from other ideological perspectives. Among the most important of the left-leaning supporters attracted by Fox were Jorge Castañeda, a prominent academic, commentator, and PRD advisor, and Adolfo Aguilar Zinser, who had served as Cárdenas’ director of communications in previous campaigns. Late in the campaign, Fox also attracted the support of Porfirio Muñoz Ledo, one of the original founders of the FDN, who had previously been attracting insignificant electoral support as the candidate of a small party. While not adhering to the PAN’s doctrine, advisors such as Castañeda and Aguilar Zinser justified their support for Fox on the assumption that elimination of the PRI’s monopoly
on power, and the corporatist political practices that inhibited the development of citizenship, was a necessary condition for any other sort of positive social and political change. According to Fox’s spokesperson (and future wife) Marta Sahagún, the Fox campaign was open to allies from anywhere on the political spectrum, with the only disqualifiers being “dishonesty and corruption.” (Reforma, May 31 2000) Beyond seeking out varied allies, Fox refused to be pinned down on his own ideological beliefs, at one point going so far as to describe himself as a candidate of the “center-left” (Bruhn 2004).

As the preceding discussion suggests, in the absence of a unified and coherent ideological viewpoint, Fox’s campaign focused intensively on basic issues of governance and on the need to remove the PRI from power. The simple promise of “change” became a mantra of his campaign, as reflected in the name of the electoral alliance under which he ran (Alianza por el Cambio, or Alliance for Change). The word ¡Ya! attained a similar totemic status, as part of Fox’s main campaign slogan “¡Mexico Ya!, which could mean either “Now” or “Enough;” in either case, the message was that 2000 election represented first and foremost a historic opportunity to break PRI dominance. In adopting the banner of “change,” Fox focused much of his campaign’s attacks not on Francisco Labastida himself, but rather on the PRI as a whole and its 71 year record of bad governance and corruption. A prominent campaign commercial depicted negative images and infamous PRI figures from Mexico’s recent history, accompanied by the traditional farewell song “Las Golondrinas,” and concluded with the simple message, “Adiós al PRI.” (Reforma, Mar. 15 2000) Another advertisement, entitled “PRInosaurios,” involved animated
dinosaurs with the heads of well known PRI figures coming to the rescue of Labastida’s campaign. (*Reforma*, May 15 2000).

The overwhelming focus on ending PRI dominance was explicitly adopted at the expense of any sort of programmatic alternative. In a 1997 interview, as he was initiating his campaign, Fox had asserted that he had no interest in being president, but that “It is my absolute and total responsibility…to remove the PRI from Los Pinos and achieve a true democratization for the country. Once this is achieved I will go home (Shirk 2004, 175)". Three years later, Fox’s narrow characterization of his political goals had evolved into the fundamental justification behind the PAN’s campaign for the presidency. In a May speech, Fox described the upcoming election as simply “a plebiscite to decide between alternation in power or more of the same, between paralysis or change. A plebiscite between the same [leaders] as always or an honest and professional government.” (www.vicentefox.org.mx/pag_campana, accessed April 2006)

As a candidate, Fox’s personal profile was well suited to this sort of non-ideological and governance centered message. Fox had built his image as a maverick, challenging the leadership of the PAN for their acceptance of Salinas’ victory and collaboration with his government; although his conflicts with his party may have had as much to do with personal political ambition as with commitment to democratic openness, they nevertheless afforded him credibility as a challenger of the ruling party. A relative newcomer to the PAN and politics, Fox depicted himself as separate from those in the PAN who were concerned about conserving the party’s tradition and “dogma and doctrine,” and as instead being part of a group with a “pragmatic” philosophy and a belief that “we must resolve the country’s problems quickly.” (Shirk 2004, 197). Fox’s
maverick tendencies and lack of concern for party hierarchy, tradition and doctrine created frictions within the PAN (Wuhs 2001, 145). However, by launching his campaign early and establishing a substantial base of funding, public recognition, and support independent of the party, Fox had been able to stake an early claim to the PAN nomination that was so formidable that, despite the hostility of the party leadership, no serious challengers contested his candidacy (Shirk 2001, 124-125, Mizrahi 2003, 143).

Once Fox became the party’s standard-bearer, with his challenge to the PRI clearly thriving, the PAN hierarchy quickly fell into line behind his heterogeneous and pragmatic campaign message. One month before the election, PAN president Luis Felipe Bravo Mena commented:

“All of [Mexican] society understands that what’s important aren’t ideological positions; the key in this election is whether we are going to have a democratic transition, or whether we will begin to regress toward authoritarianism, as the PRI wants.” (Reforma, Jun. 2 2000).

Similarly, in an earlier statement, Bravo Mena had described an eventual PAN administration as a “government of transition, with the inclusion of a project of national unity that would obviously have to involve the participation of many actors and voices.” (Reforma, Apr. 21 2000).

To further separate Fox’s message from the traditional doctrine and ideology of the PAN, his campaign emphasized his personal image above party identity. As David Shirk notes: “Fox made tremendous efforts to market himself like a product: maximizing recognition of his face, his name, and his slogans, rather than familiarizing voters with the details of his policy agenda and party doctrine.” (Shirk 2004, 154) The centrality of
Fox’s persona to his public appeal was exemplified by his efforts to incorporate his picture into the official logo of his electoral alliance (an effort that was successfully challenged by the PRI as a violation of Mexico’s electoral code). (*Reforma* Jan. 12, Jan 13, 2000). In part this appeal was based on Fox’s personal charisma: his height and rugged appearance (characteristics that Fox emphasized by ridiculing the short stature and high voice of Labastida), as well as his ability to adopt the mannerisms and image of an “everyman,” his privileged background notwithstanding (Shirk 2004, 153-155).

Beyond projecting the image of a strong leader, Fox’s persona separated him from Mexico’s traditional political class, bolstering his claim to be an embodiment of change. Fox’s frequent references to his personal accomplishments as governor of Guanajuato further reinforced the personalistic character of his campaign.

Kathleen Bruhn summarizes Fox’s appeal as involving only two themes: “Fox (the man) and change (getting rid of the PRI). Fox was change. Change was Fox. Everything else could be filled in by the voter as he or she wished.” (Bruhn 2004, 142)

These were the fundamental elements of the Fox campaign: ideological vagueness and heterogeneity, an emphasis on the individual candidate rather than on partisan identity and doctrine, a reliance on generic promises of “change” instead of specific proposals, and a definition of “change” that focused strictly on governance issues and the need for democratic transition, rather than involving any substantive reorientation of policies or proposals. While this sort of appeal limited the appearance programmatic elements in public rhetoric, like any political campaign, Fox’s 2000 challenge required a platform and a set of policy positions. The policy agenda that formed the basis for Fox’s campaign was clearly and explicitly second-generation reformist in character. The fundamental
elements of second generation reformism – maintenance of existing neoliberal policies, marginal reforms to give the market more of a “human face,” and a strong emphasis on governance issues – accorded well with Fox’s overall campaign message.

**Vicente Fox’s Second Generation Reformism**

It outlining the future direction of Mexican economic policy, both the public statements and the official party documents of Vicente Fox and the PAN emphasize the need to continue and deepen the free market policies undertaken by PRI governments. In a speech at a conference in March 2000 in which he outlined his economic proposals, Fox declared that his administration would “complete the structural reforms necessary to make the economy more competitive,” and “support Mexico’s transition to a modern and competitive economy.” (www.vicentefox.org.mx/pag_campana; accessed April 2006). Fox’s policy manifesto (as posted on his campaign website under “Propuestas” during the 2000 contest) describes the character of these reforms in more detail. Fox emphasizes the importance of economic stability as a priority, promising “strict fiscal discipline” and a monetary policy that would be anti-inflationary and controlled by an independent central bank. The manifesto promises a “market-friendly” industrial policy, and calls for “completion of the reforms that were incomplete” during PRI governments, including reforms to the financial sector as well as the transportation and energy sectors.

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13 Fox’s official policy statement, along with several speeches cited in this section, and clips of television commercials were obtained from the archive of Vicente Fox’s campaign website, www.vicentefox.org.mx/pag_campana, in April 2006. The page is no longer online; however, past versions of it can be accessed through the internet archive at www.archive.org.
Fox’s manifesto stresses the benefits of connection to the international economy, promising to “fully take advantage of the process of globalization.” The manifesto pledges efforts toward creating a common market between the United States, Canada, and Mexico (while acknowledging the concerns of the left wing of his coalition by promising to make good on unfulfilled PRI promises of compensation for negatively affected sectors), as well as toward establishing a free trade area throughout Latin America. Foreign investment is depicted in a similarly positive light; Fox’s manifesto states that foreign direct investment “should be much higher,” and proposes to attain this goal by creating effective regulatory agencies to promote competition and juridical security, as well as by opening parastatal enterprises to foreign involvement and promoting investment by high-tech firms.

The official platform of the PAN’s electoral alliance devotes little space to economic policy proposals (two pages out of a nineteen page document), but emphasizes the same themes as Fox’s personal campaign manifesto. The platform promises that economic development and growth will be attained through a “responsible economic policy” that would emphasize “strengthening of the financial system, linkage with the international economy,” and “stimulating increases in productivity and private investment.” The platform also stresses the importance of fiscal austerity, promising that “we will not spend more than we have” and proposing that this goal would be attained in part through tax reforms that would “stimulate investment and saving and decrease evasion,” as well as a more efficient allocation of government spending. (2000 Platform, Alianza por el Cambio).
Fox’s campaign promised a significant improvement in economic performance, pledging that his administration would “begin a new economic miracle” in his platform, and that annual growth rates would reach 7% during his administration (in contrast to the PRI, which promised an annual growth rate of 5%) (Reforma, Jan. 3 2000) Although Fox distinguished himself from the PRI through more extravagant promises of growth, the actual policies he and his party offered differed little from the measures undertaken by recent PRI governments. This congruence was unsurprising, given that PAN support and cooperation had been crucial to the passage of the PRI’s market reform policies. Speaking before a hostile audience of workers in February, Fox defended this cooperation, asserting that “We have wanted to be responsible with Mexico. That’s why we have sometimes voted with the PRI in the Chamber of Deputies.” (Reforma, Feb. 17 2000).

Mexico’s economic establishment approvingly took note of Fox’s commitment to neoliberal policies, and of the economic policy congruence between the PAN and the PRI. Speaking before a conference of bankers in March 2000 alongside the two other major candidates, Fox received an enthusiastic reception for his speech, in which he promised to increase the autonomy of the Central Bank, maintain fiscal equilibrium, permit private investment in the petrochemical and electrical sectors, and continue the PRI’s exchange rate and general macroeconomic policies. Following the speech, one of the executives stated to journalists that “Fox told us what we wanted to hear,” and another noted that the PAN and PRI “offered the same...the economic proposals are almost identical.” Carlos Gómez y Gómez, the outgoing president of the Mexican Bank Association summarized the speeches by declaring:
“There are only two options for the voters: one is that of Cuauhtémoc Cárdenas, and the other is that of Fox and Labastida. The first is intended for a Mexico that doesn’t exist, and the second is viable. And between Fox and Labastida...the differences are only in minor details” (Reforma, Mar. 13 2000).

Assessing the economic proposals of the two leading candidates before the election, Francisco Avila, the president of the Mexican Institute of Financial Executives noted that the proposals of both Fox and Labastida were based on adherence to the principles of globalization and the free market, and that as regardless of which of the two won, “our prediction is the continuation of the economic model.” (Reforma, Jun. 26 2000)

Similarly, economic analyst Rogelio Ramirez de la O. noted that “The financial markets have taken a simple view of the similarity between the economic programs of the PRI and the PAN, thus their confidence that no matter who wins the election, good macroeconomic management is guaranteed and there’s nothing to worry about.” (Reforma, May 16 2000)

Fox’s campaign, then, was obligated to reconcile its continual insistence on the idea of “change” and its promises of greatly improved economic performance with the fact that Fox’s economic proposals represented far more continuity than change in regard to the policies of the PRI. Fox’s solution to this apparent problem was an appeal that incorporated the messages and ideas of second generation reformism. In a speech to the Chamber of Commerce of Monterrey, Fox declared “Our government has concentrated its attention on the fundamentals of the economy. This is indispensable, and requires greater attention, but it is not sufficient. In addition to the macroeconomic fundamentals high quality growth would require that “other fundamentals be in order.” In accordance
with this perspective, Fox’s economic policy statements often featured the ubiquitous second generation reformist slogan that economic growth needed a “human face,” and his campaign manifesto promised that Mexico would “grow with quality.” While the market reforms of the 1980s and 1990s laid the foundation for strong economic growth and were not called into question, sustaining this growth and translating it into widespread improvements in standards of living would require additional reforms.

According to Fox, the development of human capital was the most important of the “other fundamentals” that needed to be in order. Fox’s rhetoric emphasized the significance of education and health care for economic growth. One of his official policy statements noted that experience of nations that during the twentieth century “raised themselves from destruction, and today are world powers, because they built their economic and social development around their educational project;” a central campaign promise was his pledge to devote 8% of Mexico’s GDP to education.

In accordance with typical second generation reformist messages, Fox emphasized the importance of small and medium sized businesses; his manifesto called for “growth built on the microeconomy,” and pledging to “incentivize the growth and expansion of small and medium sized enterprises” and to pursue policies to facilitate their access to capital. Labor reform is cited as an important goal, but without specifics: The manifesto includes a promise to “promote a reform of labor law to make it competitive with those of out partners in the free trade area, but also assure the rights of Mexican workers,” without elaborating on the specific policies that would be pursued to achieve these goals.
Given the paucity of specific proposals for change, Fox’s promises of dramatically improved economic performance rested to a great extent on promises of improved governance. Like the other second generation reformist challengers examined in this study, Fox depicted improved governance as a goal in its own right, but also as a crucial component in attaining socioeconomic progress. Fox’s manifesto describes good government as “an effective instrument for change” as well as a “competitive advantage for the economy.” In laying out his economic proposals at a Mexico City conference in March 2000, Fox concluded by noting that all of his economic policy proposals and proposals were based on “the strengthening of the rule of law...a rule of law that generates certainty, confidence, and political stability.” In a speech to the national federation of law schools, Fox emphasized that economic and personal development depended on juridical security, without which “there is no protection for the economically weak against the economically strong” and “relations between economic actors are affected by lack of confidence.”

Beyond emphasizing the general importance of the rule of law for economic growth, Fox invoked institutional improvements as important factors enabling the pursuit of specific policy goals. His manifesto cites reduced corruption and “clear and transparent rules that minimize the discretionary power of governmental organs” as crucial to attaining the goals of economic stability and a solid financial system, and promises that institutional improvements will lead to a reduction in the costs of public services and that a government that is “agile, productive, and high quality” will improve the effectiveness of industrial policy. Similarly, in promising to attract more foreign investment, the platform stresses the importance of “judicial guarantees and laws that are
modern and adapted to the insertion of Mexico in the international community of nations.” (www.vicentefox.org.mx/pag_campana, accessed April 2006)

In sum, the campaign of Vicente Fox and his party rested above all on promises of “change,” and on the creation of an expectation that change would produce a rapid improvement of standards of living. The change that Fox proposed was essentially political in nature; his only clear and crucial campaign promise was to remove the PRI and everything that it represented from power; other positive social and economic changes would follow from the introduction of alternation in power. The ideas and rhetoric of second-generation reformism accorded well with this type of campaign. Fox’s conception of change contrasted strongly with the opposition agenda set forth by the PRD, his rival for primacy within the opposition.

The PRD Alternative

In the battle for primacy within the anti-PRI opposition, the PRD sought to stake its own claim to the mantle of “change;” doing so involved putting forth an alternative vision to the second generation reformist message of Fox and the PAN. From its origins as a protest movement in 1988 to its triumphant entry into the forefront of Mexican politics in 1997, the PRD’s message had evolved, and generally become more pragmatic. However, the nature of the “change” that the PRD proposed in 2000 closely reflected the
principles and concerns that had motivated the FDN’s original founding: an emphasis on the poor and on improving social conditions, suspicion toward the free market model and free trade, and promotion of nationalism and national sovereignty.

In 2000, the PRD directly attacked Fox’s tendency to treat alternation in power as an end in itself, and, as Kathleen Bruhn (2004) observes, “took pains to identify ‘alternation’ more in policy than in party terms.” Cárdenas consistently asserted that the vision of change promoted by Fox was superficial or meaningless, characterizing Fox’s promise as “an alternation in power that would replace Zedillo and continue doing the same.” (Reforma, May 6 2000). Cárdenas’ campaign derided Fox’s efforts to broadcast an ideologically all-encompassing message, attacking his rhetoric as full of contradictions, and arguing that the lack of clarity was meant to obscure a fundamental agreement with the PRI. In justifying Cárdenas’ unwillingness to enter into an alliance with the PAN, his campaigns Coordinator of Program and Plan argued that “Cárdenas cannot support Fox because he can’t support a variant of the PRI” (Reforma, Apr 21 2000), and the combative PRD president Andrés Manuel López Obrador claimed that the dispute between Fox and Labastida “is not about programs or ideas, but is a dispute between factions within the same regime” (Reforma, May 6 2000).

The PRD focused much of its criticism of the PAN on the congruence between Fox’s economic policy principles and those of the recent PRI administrations. Cárdenas attacked Fox for having “approved of all of Salinas’ reforms.” (Reforma, May 13 2000). At a May rally, López Obrador charged that “The PAN only offers changes in the men who are in power, but will maintain the same anti-popular and corrupt nature that as the technocratic and neoliberal PRI.” López Obrador further argued that the PAN and PRI
were united by their lack of popular representativeness, claiming that the two parties “represent and serve identical minorities.” Cárdenas echoed this charge at the same rally, ridiculing the idea of “a useful vote to protect the financial interests... to support latifundistas so that they can continue accumulating land, for alternating in power and continuing to serve the big transnational corporations” (Reforma, May 6 2000). Cárdenas also attacked the PAN and the PRI for ostensibly intending to undermine Mexico’s national sovereignty, in particular through privatization of the electrical and petroleum industries. In a speech commemorating the anniversary of the expropriation of Mexico’s oil industry by his father Lázaro Cárdenas, he accused Mexico’s leaders of intending to submit to “geopolitical and financial interests” by supporting the privatization of the oil and electrical industries to “accommodate and augment their personal interests and those of their group of friends and political clients;” and derided Fox’s PAN as a “domesticated opposition” that intended to do the same. (Reforma, Mar. 19 2000). Three days later, in a rally commemorating the birthday of Benito Juárez in Oaxaca, Cárdenas accused both Labastida and Fox of dishonoring the legacy of Juárez by intending to sell the country out to foreigners (Reforma, Mar. 22 2000). In another rally the following month, Cárdenas sought to underline the distinction between his version of “change” and that of the PAN:

“We are not compromised, unlike many others... we are not here to privatize the electrical industry and the oil industry, or so that we can have six more years of the same, but rather so that in this election we will guarantee a profound change in the economic, political, and social direction of the country” (Reforma, Apr. 11 2000).
These general tendencies in the PRD’s public statements were reflected in the official platform of their electoral alliance, the Alianza por México. On economic issues, the PRD’s 2000 platform criticizes the impact of economic globalization on Mexico, claiming that “The current globalization only benefits a fistful of big transnational corporations, creating a high social cost in terms of unemployment, falling salaries, impoverishment, and exclusion of the majority of the population.” Beyond general critiques of globalization, the PRD platform specifically charged that the North American Free Trade agreement for damaging small and medium sizes businesses and agricultural producers, and demanded that existing free trade pacts be renegotiated; additionally, the platform calls for the imposition of taxes on short term external capital flows.

The PRD’s platform calls for an augmented role of the state in the economy. The platform proposes an increase in government spending as a percentage of GDP, in order to reverse the trend of decreased spending that had occurred during the period of market reform, a tendency that had “reduced the role of the state in promoting national development.” The platform attacks previous governments for “having “abandoned their constitutional role of overseeing the national economy” and calls for the Mexican state to “assume an active role in directing the development and definition of a new industrial policy.” The platform criticizes the privatizations conducted under recent PRI governments, and specifically stresses the importance of maintaining the petroleum and energy sectors under state control. The PRD also promises a renewed emphasis on the “strengthening of the internal market” and the “reconstruction of the productive apparatus,” and on increasing salaries, and declares that “the state can and should play the role of promoter, facilitator, and advisor in this process.” The PRD platform stresses the
role of the state in attending to social needs, promising to “Construct a policy of strengthening of social institutions that will revert tendencies toward privatization.” The platform emphasizes the importance of free education and guaranteed healthcare, and promises to devote more resources to these sectors, as well as to state programs to provide housing. The PRD platform is often vague on the exact nature of the policies that would serve as an alternative to neoliberalism. However, the overall tone of the document involves a sharp critique of the free market policies of the previous administrations, and a promise to shift toward an economic policy that involves an expanded state role and an increased emphasis on addressing poverty and exclusion.

As the name of its electoral alliance would suggest, the PRD’s program also touches on nationalistic themes. The document depicts the contemporary era of globalization as posing grave threats to self-determination, invoking “the weight of governments of great powers, the pressures of the international financial organizations, and the gigantic operations of transnational corporations,” and concluding the “’National sovereignty has been practically wiped out by globalization.” The platform accuse the previous three PRI administrations of having exacerbated this trend by “having ceded important parts of Mexico’s political and economic sovereignty” to external actors. Attacking the conditionality policies of international financial institutions for “keeping developing countries in a prostrate position,” and undermining social welfare and productive industry, the PRD promised to “initiate and intense offensive of negotiation with the international financial institutions” and to work with other indebted countries to generate international debt negotiation accords. The PRD also proposed to recover
economic sovereignty and autonomy through regulation on the movements of foreign
capital.

The 2000 Election Campaign

While the platforms and campaign messages of both Fox and Cárdenas
emphasized “change” and often lacked precision, the two opposition challengers
nevertheless offered drastically different perspectives on the sort of change that Mexico
needed. Fox’s campaign offered almost no change in economic policy, stressing the
importance of continuing Mexico’s transition to the free market and the benefits of
integration into the global economy; promises of economic policy change were confined
to minor reforms along second generation lines to “give a human face” to the market
economy. The change that Fox promised was primarily in the style and quality of
governance, with an incompetent, authoritarian, and corrupt PRI being replaced by
democratic and honest leadership. Cárdenas offered a policy agenda that involved
retreating from economic liberalization in favor of more state involvement and activism
in addressing economic and social shortfalls, and displayed a decidedly suspicious
perspective on economic globalization (viewed as a means for the enrichment of
privileged groups and a threat to Mexico’s sovereignty). Cárdenas’ vision of change
emphasized a direct role for government in promoting inclusion and upending an unjust
social order.

In the end, Fox’s vision of change triumphed handily over Cárdenas’ alternative;
when asked to choose between a leftist and nationalist opposition and a second
generation reformist opposition, anti-PRI voters overwhelmingly favored the latter. By January 2000, a Reforma poll placed Fox clearly at the head of the opposition with 35% of voter preferences, trailing the PRI’s Labastida by 15 points, but well ahead of the 14% combined for Cárdenas and other candidates. By April, the same poll placed Fox three points ahead of Labastida at 45%, while Cárdenas lagged below 12% (Moreno 2004b, 245). For most of the campaign, Cárdenas was largely marginalized, and the contest between Fox and Labastida dominated the public and media attention.

As Fox had hoped, the presidential contest became in large part a referendum on the 71 year rule of PRI and its standard of governance; the centrality of governance issues to the opposition’s message was reflected in surveys of voter attitudes. According to exit polls, Fox received two thirds of the vote of those who identified “change” as their primary reason for behind their vote choice (Bruhn 2004, 134). In another exit poll, among voters who considered corruption and democracy to be the most important issues in the 2000 election, Fox won by 54% to 25% over Labastida; for those who considered poverty or unemployment to be the most important issue, Fox’s advantage over the PRI candidate was only 4 points (Mitofsky exit poll, 2000). A postelection poll showed a similar pattern, with Fox supporters being 16% more likely than Labastida supporters to mention corruption as one of the three most important problems for the new president, and Labastida supporters being 12% more likely than Fox supporters to mention poverty as one of the three most important problems (Mexico Panel Study 2000, postelectoral). In personal terms, a February 2000 survey by CIDE found Labastida to be perceived as slightly more experienced and prepared to govern than Fox, while Fox enjoyed substantial advantages in terms of ability to bring change and honesty.
Perhaps most fundamentally, voter preferences accorded with views of whether Mexico was a democracy. In a survey taken the month before the elections, 63% of Labastida’s supporters agreed that Mexico was a democracy, and only 30% disagreed. In contrast, 55% of Fox supporters asserted that Mexico was not a democracy (Mexico Panel Study, June 2000). By the time of the election in July 2000, it was clear that Fox had succeeded in the immediate goals of his campaign: establishing himself as the only viable challenger to the PRI, associating himself with the idea of “change,” and, through a second generation reformist message, promoting a vision of change that centered on governance issues rather than ideology or policy positions.

The Mexican campaign of 2000 differed markedly from previous ones; the greater equality of financial resources and the improved openness of the media allowed opposition candidates to gain a higher profile and televised debates attracted major attention (Lawson 2004b, 2004c). Notwithstanding the fact that the two main contenders agreed on most major policy issues, negative campaigning was common, particularly in the case of Fox, who often mixed his criticisms of the PRI regime with demeaning comments about his opponent. While early surveys showed a PRI lead, Fox's support in polls gradually grew, making the race a statistical dead heat by the time of the election. Despite the closeness of polls, many observers expected a PRI victory, in part because of evidence that electoral reforms had fallen far short of eliminating the PRI's ability to influence, buy, or coerce votes in rural regions through uses of state resources or intimidation.
In the end, despite having trailed in the polls for most of the campaign, Fox emerged victorious in the July 2 election, winning 42.5% to Labastida’s 36.1%; Cárdenas finished a distant third with 16.7%. (Table 5.1) The PAN’s victory at the executive level was accompanied by gains at the legislative level. The PAN went from third place, with 121 seats, to second place with 206, just behind the PRI, which managed to hold onto a slim plurality of 211 seats (the PRD was reduced from 126 seats to 50). As the election results came in, President Zedillo calmly acknowledged Fox's victory, heralding the first genuine transfer of political power that most Mexicans had witnessed in their lives. After 71 years of PRI control, the voters had unequivocally opted for change; the great majority of the opposition vote had endorsed a vision of change that was second generation reformist in character.

Table 5.1 – Mexican Presidential Election, July 2000

<table>
<thead>
<tr>
<th>Candidate</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vicente Fox (PAN)</td>
<td>42.5</td>
</tr>
<tr>
<td>Francisco Labastida (PRI)</td>
<td>36.1</td>
</tr>
<tr>
<td>Cuauhtémoc Cárdenas (PRD)</td>
<td>16.7</td>
</tr>
<tr>
<td>Other</td>
<td>4.7</td>
</tr>
</tbody>
</table>
Chapter 6: The Origins of Second Generation Reformist Opposition

Introduction

As the past three chapters have outlined, at the end of the twentieth century, Argentina, Peru, and Mexico arrived at a similar political destination via differing routes. Despite the significant differences in the three countries’ socioeconomic context and in the historical evolution and contemporary state of political representation, the political opposition’s response to the onset of “reform fatigue” in Argentina, Peru, and Mexico represents a clear and seemingly similar pattern. In each case, the opposition’s orientation toward second generation reformism was apparent both in the party’s campaign rhetoric and in the attitudes and priorities of its electorate. What explains this common tendency?

An examination of the opposition campaigns in each country reveals several commonly shared ways in which second generation reformism proved to be an useful and appropriate approach. In each case, the incumbent’s record of government provided ample basis for an opposition campaign focused on governance issues. Menem’s administration was notable for its corruption scandals and the president’s autocratic tendencies, Fujimori had resorted to authoritarian methods on regular occasions (and was committing obvious abuses in an effort to extend his tenure), and PRI rule was essentially
synonymous with Mexico’s undemocratic past for much of the country’s electorate. The relevance and appropriateness of a governance-related critique was unquestionable.

The focus on institutions and accountability served another shared purpose for oppositions in Argentina, Peru, and Mexico by providing a common theme to unite an ideologically varied movement (both at the level of leadership and among the broader electorate). Opposition supporters in each case ranged from hardcore neoliberals to leftists. A message that could provide a common ground for these diverse groups was essential in posing a challenge to the incumbent.

These factors clearly contributed to the appearance and effectiveness of second generation reformist opposition strategy; nonetheless, they fall well short of providing a complete explanation. The presence of leaders with questionable records of governance, and the existence of significant ideological diversity among potential opposition supporters, were hardly unique circumstances to Argentina, Peru, and Mexico. It is not obvious why those conditions promoted the successful opposition adoption of second generation reformism in these three countries, but not elsewhere. A more complete and convincing explanation requires the identification a shared and politically significant tendencies that distinguishes Argentina, Peru, and Mexico from the rest of the region.

This sort of explanatory similarity can be most clearly found in the patterns of social class support for opposition and incumbent in Argentina, Peru and Mexico, and in the prior political circumstances that produced those patterns. Opposition parties in each case enjoyed their strongest support among voters who were relatively more educated, affluent, and urban, while the market reforming incumbents drew on an electorate that was disproportionately poor and rural. A study of the origin and nature of the challenges
to market reforming incumbents in Argentina, Peru, and Mexico suggests a plausible link between the social basis of the opposition vote and the second generation reformist, governance based content of the opposition message.

In the following sections, evidence is presented regarding the socioeconomic profile of the second generation reformist vote in Argentina, Peru, and Mexico. These patterns in opposition and incumbent support are then linked to previous patterns of political representation and leadership. In each case, the prior success of a “neoliberal populist” approach to market reform shaped the nature of the eventual opposition coalition, and generated the conditions under which a second generation reformist appeal provided the most likely route to opposition victory.

Argentina

In socioeconomic terms, the Alianza clearly drew its strongest support from more affluent and better educated sectors in 1999. As displayed in Table 6.1, support for De la Rúa rises with education; a survey taken by Graciela Römer shows Duhalde winning a majority of support among respondents with less than primary education and a plurality of those who had only completed primary education; while De la Rúa won every higher category. A similar pattern can be observed with regards to income: Duhalde led De la Rúa by 9 points among voters whose monthly income did not exceed $500, while De la Rúa dominated among higher income voters (Romer, April 1999).

This tendency also appears when respondents are asked to characterize their own level of economic comfort – in an April 1999 poll, those who reported that they had
enough money to make ends meet on a monthly basis were more likely to support the Alianza while those who responded that their income didn’t cover necessities supported Duhalde (Romer, April 1999). The Alianza also performed well among students and younger voters, while the PJ enjoyed strong support among housewives. Unemployed voters provided Duhalde with substantially higher support than the voting public as a whole.  

Table 6.1-Vote choice % by social category, Argentina

<table>
<thead>
<tr>
<th>Social Category</th>
<th>De la Rúa (Alianza)</th>
<th>Duhalde (PJ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤ $500/month (42%)</td>
<td>40</td>
<td>49</td>
</tr>
<tr>
<td>$501-$1000/month (31%)</td>
<td>50</td>
<td>40</td>
</tr>
<tr>
<td>$1001-$2000/month (19%)</td>
<td>58</td>
<td>25</td>
</tr>
<tr>
<td>&gt;$2000/month (9%)</td>
<td>56</td>
<td>17</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None/Primary (32%)</td>
<td>32</td>
<td>58</td>
</tr>
<tr>
<td>Secondary (40%)</td>
<td>54</td>
<td>33</td>
</tr>
<tr>
<td>Tertiary (10%)</td>
<td>61</td>
<td>25</td>
</tr>
<tr>
<td>University/Postgrad (17%)</td>
<td>59</td>
<td>19</td>
</tr>
<tr>
<td>Employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployed (11%)</td>
<td>45</td>
<td>46</td>
</tr>
<tr>
<td>Temporary (8%)</td>
<td>46</td>
<td>41</td>
</tr>
<tr>
<td>Permanent (27%)</td>
<td>53</td>
<td>35</td>
</tr>
<tr>
<td>Self-Employed (18%)</td>
<td>49</td>
<td>30</td>
</tr>
<tr>
<td>Student (6%)</td>
<td>52</td>
<td>31</td>
</tr>
<tr>
<td>Housewife (17%)</td>
<td>45</td>
<td>46</td>
</tr>
</tbody>
</table>


The patterns of socioeconomic support demonstrated in opinion polls are reflected in the geographic distribution of the vote results according to socioeconomic status by

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14 Other national surveys reported in newspapers report similar results; for example, those by Gallup Argentina in La Nación, 7/24/99 and 8/11/99). Raúl Jorrat and Dario Canton (2002) have conducted a multivariate analysis within the city of Buenos Aires finding social class to be an independent and significant predictor of vote choice.
district. A district-by-district examination of the 1999 election results, incorporating census data, shows strong associations between vote choice and wealth, literacy rates, and urbanization (measured in terms of population density). Tables 6.2 to 6.4 display the aggregate vote percentage attained by De la Rúa and Duhalde within the combined electoral districts in each socioeconomic category\textsuperscript{15}.

**Table 6.2 - Vote % by district poverty rate, Argentina**

<table>
<thead>
<tr>
<th>Poverty Rate</th>
<th>De la Rúa</th>
<th>Duhalde</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5% (7%)</td>
<td>56.4</td>
<td>19.1</td>
</tr>
<tr>
<td>5-9.99 (14%)</td>
<td>50.4</td>
<td>28.6</td>
</tr>
<tr>
<td>10-14.99 (32%)</td>
<td>45.8</td>
<td>33.0</td>
</tr>
<tr>
<td>15-19.99 (18%)</td>
<td>45.8</td>
<td>36.5</td>
</tr>
<tr>
<td>20-29.99 (20%)</td>
<td>43.7</td>
<td>41.2</td>
</tr>
<tr>
<td>&gt;30 (8%)</td>
<td>40.4</td>
<td>49.2</td>
</tr>
</tbody>
</table>

**Table 6.3 - Vote % by district illiteracy rate (10 years +), Argentina**

<table>
<thead>
<tr>
<th>Illiteracy Rate</th>
<th>De la Rúa</th>
<th>Duhalde</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1% (16%)</td>
<td>53.0</td>
<td>22.4</td>
</tr>
<tr>
<td>1-1.49 (19%)</td>
<td>46.9</td>
<td>33.2</td>
</tr>
<tr>
<td>1.5-1.99 (21%)</td>
<td>43.2</td>
<td>38.4</td>
</tr>
<tr>
<td>2-2.99 (25%)</td>
<td>44.9</td>
<td>36.2</td>
</tr>
<tr>
<td>3-6.99 (14%)</td>
<td>47.8</td>
<td>39.0</td>
</tr>
<tr>
<td>&gt;7 (8%)</td>
<td>40.7</td>
<td>48.4</td>
</tr>
</tbody>
</table>

**Table 6.4 - Vote % by district population density (pop/ sq. km), Argentina**

<table>
<thead>
<tr>
<th>Population Density</th>
<th>De la Rúa</th>
<th>Duhalde</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;10k (11%)</td>
<td>54.0</td>
<td>21.7</td>
</tr>
<tr>
<td>3k-10k (18%)</td>
<td>46.3</td>
<td>34.6</td>
</tr>
<tr>
<td>500-2.9k (16%)</td>
<td>40.2</td>
<td>36.4</td>
</tr>
<tr>
<td>50-499 (19%)</td>
<td>45.9</td>
<td>36.6</td>
</tr>
<tr>
<td>10-49 (21%)</td>
<td>48.1</td>
<td>35.0</td>
</tr>
<tr>
<td>0-9.9 (15%)</td>
<td>45.6</td>
<td>41.9</td>
</tr>
</tbody>
</table>

On the whole, The Alianza attained its widest margins within the most affluent, literate, and urban districts, while the PJ was competitive primarily in the most impoverished, illiterate, and rural areas. While this trend is straightforward with regard to poverty rates, an exception to this trend can be seen in the results for illiteracy and urbanization. The relative strength of the PJ in semi-urban areas and areas with moderate

\textsuperscript{15} Information about the source and nature of electoral and survey data for both is provided in the Appendix.
illiteracy stems largely from its success in the province of Buenos Aires, which surrounds (but does not include) the country’s capital city, contains about a third of the country’s population, and is a traditional Peronist stronghold. Of the ten districts with illiteracy rates between 1.5 and 2 percent in which Duhalde won a plurality, eight were located in the province of Buenos Aires; similarly, nine of the ten PJ-won districts with population densities between 500 and 3000/sq. km were located in the Buenos Aires province.

Bivariate correlations confirm the strength of the links between socioeconomic tendencies and vote results. Table 6.5 displays results of independent correlations of the three socioeconomic variables with De la Rúa’s percentage of the vote in each district.

<table>
<thead>
<tr>
<th>Table 6.5-Correlation with De la Rúa vote</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
</tr>
<tr>
<td>----</td>
</tr>
<tr>
<td>Population Density</td>
</tr>
<tr>
<td>Poverty</td>
</tr>
<tr>
<td>Illiteracy</td>
</tr>
</tbody>
</table>

These socioeconomic tendencies in the vote represented both continuity with and change from previous patterns. The association between lower levels of education and income and Peronist support has been a consistent feature of Argentine electoral behavior (Ostiguy 1997, Catterberg 1991). To some extent, the Alianza’s vote can be viewed as a reuniting of the middle-class dominated, anti-Menem electorate that had split during the mid-1990s. However, while Menem had obtained 49% of the vote in 1995, four years later his party’s support had been reduced to 38%. In 1995, Menem had benefited from an unusually high share of middle class and upper class voters, who tended to lack Peronist partisan identification but responded positively to free market economics and the economic stability that had accompanied it (Gervasoni 1997). By 1999, with all the major
parties supporting convertibility and pledging commitment to economic stability, these voters tended to trend away from Duhalde’s candidacy, throwing their support either to the Alianza or to Cavallo (Levitsky 2001, 64). As a result, Duhalde was left with an electoral coalition that barely exceeded the PJ’s traditional “floor.” In accordance with traditional patterns, Duhalde drew his strongest support from the lower class; as a result of the shifts in the character of the Peronist vote under Menem, his support was disproportionately concentrated among the rural poor of the country’s interior, and in the informal sector.

Both the content of the Alianza’s campaign message and the socioeconomic characteristics of its support base had their roots in the political shifts of the 1990s, both within the opposition and government. FREPASO’s emergence as an opposition force during Menem’s first term was built around an appeal to governance issues and a successful attraction of middle class, urban voters away from the UCR; this success reinforced the leadership’s tendency toward messages that offered minimal critiques of the existing economic order. The UCR’s precipitous electoral decline stemmed from the successive discrediting of the party’s capacity for economic management (as a result of the disastrous outcome of Alfonsín’s tenure) and capacity to represent a genuine opposition capable of holding the Peronist government accountable (primarily as a result of Alfonsín’s capitulation to the Pacto de Olivos). These events elevated the stature of De la Rúa, who had opposed the pact, and whose economic views differed sharply from those of Alfonsín. In electoral terms, the UCR’s clearest path back to political relevance involved adopting much of FREPASO’s political message and ”clean government”
image, in order to bring its wayward supporters back into the fold. In this regard, the urban middle class was clearly central. These were the voters that represented a traditional support base of the UCR but had been more likely to desert the party in 1995; obtaining a majority in this sector was essential for the Alianza’s hopes of victory in 1999.

These trends were closely tied to strategies undertaken by the government, and the evolution of Peronism, under Menem. Menem’s autocratic approach, combined with the initial success of his economic reforms and the emergence of economic stability, helped ensure that much initial opposition to his government was centered on governance issues. As the country’s economic performance began to falter, the government’s electoral strategies (including the shift toward patronage based machine politics and politically targeted social spending), combined with traditional partisan loyalties, sustained the party’s support among lower class voters, with the core of Peronist support shifting away from the shrinking organized working class and toward the rural poor and the informal sector. In 1999, faced with the increased unpopularity of the president, Duhalde attempted to distinguish himself from the government on the basis of economic policy critiques, leaving the opposition room to define its message through appeals involving governance and corruption.

Peru

Journalistic accounts of Toledo’s rise to the status of leading opposition candidate often tended to focus on his childhood of poverty and indigenous ethnic heritage, and on
the potential appeal of these qualities to the poor and excluded in Peru. Public opinion data, however, indicate that the major sources of Toledo's political support were in fact Peru's upper and middle classes, a sector that had initially offered strong support to Fujimori but had increasingly soured on the president during the second half of the 1990s (Balbi and Gamero 2003). While Toledo attracted some of Fujimori's lower class vote during the last months of the campaign, his rapid ascent in the polls apparently came primarily on the basis of attracting comparatively affluent voters who had intended to vote for the previous leading opposition candidates, Alberto Andrade and Luis Castañeda (Compañía Peruana de Investigación poll in Caretas, March 16 2000). Opinion surveys that examined vote choice by social class were essentially unanimous in their depiction of the eventual tendencies in voting in a two-way race between Toledo and Fujimori. The results in Table 6.6, collected after the first round of the elections, illustrate the trend.

Due to the difficulty of accurately measuring income levels, Peruvian pollsters typically create an index of socioeconomic status, employing the categories A to E as shown. Of particular note in these results is Toledo's dominance in the upper middle class sector, where he outpolled Fujimori by nearly a two to one margin, and Fujimori's similar dominance among the poor. This pattern of vote by social class is present and similarly pronounced in surveys conducted by a variety of other polling firms.\(^\text{16}\) Survey results from 2000 at the national level in Peru are generally less extensive, detailed or reliable than those taken within Lima, due to practical obstacles involved in obtaining a

\(^{16}\) For example, a survey taken at the same time by IMA S.A. found Toledo leading Fujimori by a 65 to 21 percent margin among those who fell into the upper/middle economic category, and trailing Fujimori by 48 to 43 in the low income sectors An Analistas y Consultores poll found Toledo leading Fujimori by 58 to 28 percent among the combined A and B sectors, and by 56 to 36 percent among the C sector. Fujimori held a 54 to 35 percent lead among the combined D and E sectors (Peru Election 2000 website).
representative sample and measuring social class. To the extent that this national survey evidence exists, however, it points to a similar tendency, as demonstrated in the results provided for vote choice by education level.\footnote{17}

**Table 6.6 - Vote choice % by social category, Peru**

<table>
<thead>
<tr>
<th>Socioeconomic Level(^a)</th>
<th>Toledo (PP)</th>
<th>Fujimori (P2000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A (upper class) (7%)</td>
<td>49</td>
<td>40</td>
</tr>
<tr>
<td>B (upper middle) (17%)</td>
<td>60</td>
<td>32</td>
</tr>
<tr>
<td>C (lower middle) (40%)</td>
<td>45</td>
<td>44</td>
</tr>
<tr>
<td>D (lower) (30%)</td>
<td>33</td>
<td>56</td>
</tr>
<tr>
<td>E (very poor) (6%)</td>
<td>33</td>
<td>47</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education(^b)</th>
<th>Toledo (PP)</th>
<th>Fujimori (P2000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary or less (9%)</td>
<td>28</td>
<td>63</td>
</tr>
<tr>
<td>Secondary (36%)</td>
<td>38</td>
<td>51</td>
</tr>
<tr>
<td>Tech.school/some university (42%)</td>
<td>51</td>
<td>37</td>
</tr>
<tr>
<td>University grad/postgrad (13%)</td>
<td>44</td>
<td>35</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Residence(^b)</th>
<th>Toledo (PP)</th>
<th>Fujimori (P2000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban (80%)</td>
<td>44</td>
<td>43</td>
</tr>
<tr>
<td>Semiurban/Rural (20%)</td>
<td>41</td>
<td>50</td>
</tr>
</tbody>
</table>


As in Argentina, the tendencies suggested by opinion polls are generally confirmed by a district-by-district examination of vote results and demographic data from the 2000 first round election in 1788 electoral districts (Tables 6.7-6.9).

**Table 6.7 - Vote % by district poverty rate, Peru**

<table>
<thead>
<tr>
<th></th>
<th>0-14.9% (10%)</th>
<th>15-29.9 (13%)</th>
<th>30-39.9 (18%)</th>
<th>40-49.9 (16%)</th>
<th>50-64.9 (15%)</th>
<th>65-79.9 (9%)</th>
<th>80-100 (19%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toledo</td>
<td>45.4</td>
<td>44.6</td>
<td>43.3</td>
<td>38.3</td>
<td>39.4</td>
<td>37.1</td>
<td>35.4</td>
</tr>
<tr>
<td>Fujimori</td>
<td>41.2</td>
<td>46.0</td>
<td>48.4</td>
<td>52.7</td>
<td>52.1</td>
<td>53.2</td>
<td>52.9</td>
</tr>
</tbody>
</table>

\footnotetext{17}{Additional detail about the survey samples is provided in the Appendix.}
### Table 6.8-Vote % by district illiteracy rate, Peru

<table>
<thead>
<tr>
<th>Illiteracy Rate</th>
<th>Toledo</th>
<th>Fujimori</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2.9% (11%)</td>
<td>43.6</td>
<td>43.3</td>
</tr>
<tr>
<td>3-4.9% (28%)</td>
<td>42.1</td>
<td>48.6</td>
</tr>
<tr>
<td>5-9.9% (28%)</td>
<td>41.1</td>
<td>50.5</td>
</tr>
<tr>
<td>10-24.9% (21%)</td>
<td>36.8</td>
<td>53.4</td>
</tr>
<tr>
<td>25+ (12%)</td>
<td>36.1</td>
<td>52.0</td>
</tr>
</tbody>
</table>

### Table 6.9-Vote by district % rural, Peru

<table>
<thead>
<tr>
<th>Rural Population</th>
<th>Toledo</th>
<th>Fujimori</th>
</tr>
</thead>
<tbody>
<tr>
<td>0% (33%)</td>
<td>41.2</td>
<td>48.4</td>
</tr>
<tr>
<td>1-2.99% (19%)</td>
<td>42.9</td>
<td>48.9</td>
</tr>
<tr>
<td>3-14.9% (13%)</td>
<td>45.2</td>
<td>46.4</td>
</tr>
<tr>
<td>15-29.9% (9%)</td>
<td>38.0</td>
<td>51.8</td>
</tr>
<tr>
<td>30-59.9% (10%)</td>
<td>36.4</td>
<td>54.1</td>
</tr>
<tr>
<td>60+ (18%)</td>
<td>35.2</td>
<td>53.0</td>
</tr>
</tbody>
</table>

Overall, Toledo’s showing in the most affluent districts was just sufficient to compensate for Fujimori’s majority support in poorer, rural, less literate regions, enabling Toledo to force a runoff election. As with the Argentine election results, the electoral geography according to urbanization rates presents a more complicated picture. While enjoying his strongest support in rural areas, Fujimori performed strongly in the most urbanized districts, a performance based largely on his electoral strength in Lima. The incumbent’s strength in the country’s capital and main city helps explain the muted difference in overall urban vs. rural vote totals in Table 6.9, and represents a noteworthy difference between Peru and the other two cases examined here. Toledo, while tending to perform well in urban areas overall, attained his highest support in smaller cities in the country’s interior. In districts outside of Lima with 0% rural population (a category encompassing roughly 6% of the electorate) Toledo defeated Fujimori by 48.9 to 41.3 percent.

Correlations of the Toledo vote according to district demographics (Table 6.10) reinforce the survey data and aggregate vote tallies, although the statistical relationships...
are notably weaker than in the Argentine case. A correlation between Toledo’s percentage of the vote and literacy rates falls just short of statistical significance.

Table 6.10 - Correlation with Toledo vote

<table>
<thead>
<tr>
<th></th>
<th>R</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural % (1993)</td>
<td>-.134</td>
<td>.000</td>
</tr>
<tr>
<td>Poverty</td>
<td>-.112</td>
<td>.000</td>
</tr>
<tr>
<td>Illiteracy</td>
<td>-.045</td>
<td>.058</td>
</tr>
</tbody>
</table>

n=1788 for illiteracy, 1813 for rural % and poverty

In contrast with Argentina and Mexico, where class tendencies in the vote reflected long-term historical trends and patterns of partisan loyalty, the looser representative links between Peruvian voters and leaders led to considerable shifts in the social profile of opposition and incumbent support throughout Fujimori’s term. Having won election with the backing of Peru’s poor and votes from the interior, Fujimori’s initial policies and their outcomes received approval from across the socioeconomic spectrum. Following the 1992 autogolpe and the capture of Abimael Guzmán, the president’s approval in all social classes was between approximately 63 and 67%, with the very poor indicating the lowest levels of support, and the middle classes the highest (Carrión 2006, 130). However, over the next few years this coalition would be reshaped, in response to two major trends: government social spending intended to build support for the President’s reelection among the poor, and Fujimori’s efforts to concentrate power and override legal limitations, particularly in his pursuit of a constitutionally prohibited third term. After the 1993 referendum demonstrated that his support among the poor and rural sectors was potentially tenuous, the government made attracting those voters a top priority. By the 1995 elections, Fujimori’s overall popularity had increased, but a gap had
emerged between his support from the upper classes and very poor, which surged, and his support from the middle and lower classes, which remained relatively constant (Carrión 2006, 130). In the 1995 election, support for Javier Pérez de Cuellar’s governance-centered campaign was drawn disproportionately from urban areas and middle class voters (Kay 1996, 87).

Following Fujimori’s reelection, as the economy began to decline, the government launched its campaign for reelection, and as Fujimori’s popularity dropped overall, the middle class remained Fujimori’s weakest supporters. During this period upper class opinions shifted from approving to disapproving, and the president came to rely increasingly on the support of the very poor. (Carrión 2006, 130; Tanaka 2003, 128-129). By the time of the 2000 election, only among the very poor did Fujimori enjoy an approval rating over 50%, while support from the upper and middle classes both were just under 40%.

The consistently weaker support for Fujimori among the middle class has in part been ascribed to economic factors: Tanaka (2003) and Balbi and Gamero (2003) note that the middle class, (and the urban formal sector more generally) suffered some of the sharpest costs of the switch to the free market, was hit the hardest by economic slowdown and increase in unemployment following Fujimori’s reelection, and benefited little from the spending and public works of the government. Despite having some basis in economic concerns, the ensuing discontentment was not expressed primarily in terms of rejection of the free market model. Support for privatization declined overall throughout Fujimori’s term; however, the middle classes consistently expressed greater support for the free market than the poor or very poor (Carrión 2006, 139). Balbi and Gamero note
that burgeoning middle class dissatisfaction following Fujimori’s reelection was significantly tied to governance issues: the “continually decreasing government respect for the rules of democracy” and “the growing arbitrariness of the regime’s actions.”

(Balbi and Gamero 2003, 167-168)

Given the fluid and transient nature of political representation in post-crisis Peru, this general, middle class-centered discontent did not coalesce around its eventual standard bearer until just before the election. The initial beneficiaries of the growing opposition sentiment were Andrade and Castañeda; after they faltered due to the geographic limitations of their support and the withering assaults of the government, Alejandro Toledo stepped into the gap at the last minute. While in some ways an arbitrary choice to embody the anti-Fujimori message, Toledo’s persona offered advantages –while able maintain the middle-class, urban core of the opposition’s support, his provincial and indigenous roots and emphasis on decentralization helped broaden the opposition’s appeal. The votes of the middle class and more educated are insufficient to enable electoral competitiveness in a country with Peru’s social and economic composition. Nonetheless, strong support in those sectors, combined with inroads into the poorer and the rural vote, allowed Toledo to attain enough support to reach the 2000 runoff, dealing a considerable blow to the incumbent and effectively positioning him to claim the presidency following Fujimori’s eventual fall.

Mexico

During its decades of dominance in Mexican politics, the PRI’s traditional bastions of electoral support had been, as Joseph Klesner describes them, “rural areas and poor
states, populated with older voters who remember the years of the ‘Mexican miracle,’ with illiterates and peasants who are easily coerced, and with housewives who have traditionally feared change.” (Klesner 2001, 109) Throughout the latter part of the twentieth century, social and economic changes shrank the size and importance of these constituencies, as Mexico’s population underwent rapid increases in urbanization and literacy.

Survey data from the 2000 elections shows that the strongest support for the PAN and Fox came from the social groups outside of the shrinking traditional support base of the PRI. According to preelection surveys and exit polls (see table 6.11), Fox defeated Labastida among younger voters, voters with higher levels of education, and voters with higher levels of income. Fox held large advantages among voters who described their occupations as private sector employees or students, while Labastida led among self-described housewives and welfare beneficiaries. The Fox vote increases by educational level, with voters with no education supporting Labastida by a sixteen percent margin, and with Fox ahead by nearly forty percentage points among those with a university degree.18

Newspaper accounts and commentaries by public opinion analysts on the campaign and its outcome emphasized the centrality of Mexico’s middle class to the opposition victory. One pollster, referring to results such as a Reforma poll which showed Fox leading Labastida by more than a 2-1 margin among professionals under 40, characterized the election as a "yuppie revolution" (Associated Press, 7/6/00).

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18 The other major exit poll, conducted by Consulta Mitofsky with a sample size of over 6000, obtained similar results. For more detailed discussion, see Klesner (2005), Magaloni and Poiré (2004) and Moreno (2003) have conducted multiple regression analysis of the 2000 Mexican vote).
As in Argentina and Peru, a study of vote results by district confirms the tendencies established in surveys. Joseph Klesner (2004, 2005) has conducted analyses of the election for federal deputies at the municipio level; in a multiple regression analysis for the election of 2000, literacy, urban population, and industrialization all have a significant and positive effect on the PAN vote. The results of the analysis support the picture presented by surveys of the PAN as “a party with an urban, educated, middle class base” (Klesner 2005, 111).

**Table 6.11 - Vote choice % by social category, Mexico**

<table>
<thead>
<tr>
<th></th>
<th>Fox (PAN)</th>
<th>Labastida (PRI)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Education</strong> a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None (8%)</td>
<td>30</td>
<td>46</td>
</tr>
<tr>
<td>Primary (34%)</td>
<td>35</td>
<td>36</td>
</tr>
<tr>
<td>Secondary (22%)</td>
<td>49</td>
<td>34</td>
</tr>
<tr>
<td>Preparatory (21%)</td>
<td>53</td>
<td>28</td>
</tr>
<tr>
<td>University (15%)</td>
<td>60</td>
<td>22</td>
</tr>
<tr>
<td><strong>Income</strong> b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>≤1000 pesos/month (27%)</td>
<td>31</td>
<td>48</td>
</tr>
<tr>
<td>1001-2000 (24%)</td>
<td>46</td>
<td>41</td>
</tr>
<tr>
<td>2001-4000 (22%)</td>
<td>56</td>
<td>29</td>
</tr>
<tr>
<td>&gt; 4000 (27%)</td>
<td>58</td>
<td>31</td>
</tr>
<tr>
<td><strong>Welfare Beneficiary</strong> a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes (15%)</td>
<td>27</td>
<td>56</td>
</tr>
<tr>
<td>No (83%)</td>
<td>48</td>
<td>32</td>
</tr>
<tr>
<td><strong>Residence</strong> b</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban (69%)</td>
<td>53</td>
<td>32</td>
</tr>
<tr>
<td>Rural (24%)</td>
<td>28</td>
<td>54</td>
</tr>
<tr>
<td><strong>Employment</strong> a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public sector (18%)</td>
<td>41</td>
<td>37</td>
</tr>
<tr>
<td>Private sector (26%)</td>
<td>53</td>
<td>31</td>
</tr>
<tr>
<td>Student (5%)</td>
<td>59</td>
<td>19</td>
</tr>
<tr>
<td>Housewife (25%)</td>
<td>41</td>
<td>43</td>
</tr>
</tbody>
</table>

As Alejandro Moreno (2002) notes, the electoral coalition that propelled Fox to victory was “not an accident of the 2000 elections.” Rather, it had its roots in the modernization of Mexico, as Fox drew his “main support from the educated and urban electorate that started to vote against the PRI long ago in local elections.” The basic class tendencies in the PRI and anti-PRI vote dated back to the first appearances of genuine electoral competition (Moreno 2002, 4). Fox’s victory and the profile of the voters that made it possible, then, were in part the culmination of a long term historical trend; however, the nature of the political context in 2000 and Fox’s electoral strategy also played a role in the assembling of the coalition that carried the PAN to electoral success. In Moreno’s view, during the era of declining PRI hegemony:

Mexicans have been split into two politically relevant camps. One of them is younger, more educated, more urban, and holds more democratic and pro-liberal points of view. The other is older, less educated, more rural, more authoritarian and more fundamentalist. The former tends to vote for the opposition, and supported the rise of the PAN in the electoral arena, more than the PRD. The latter tends to vote for the PRI and constitutes the core support of a party with a long tradition in government (Moreno 2002, 24)

Given that the links between social class, attitudes, and vote choice in the 2000 election represented a pattern that had characterized all post-1988 political competition in Mexico, why was 2000 the year in which the opposition camp successfully took the presidency behind a PAN candidate? As discussed previously, the overall gradual decline in size of the social groups that the PRI relied on for its support steadily strengthened the opposition’s hand. The increased political opening and fairness of electoral reforms post-1988 were also of considerable importance, and the economic discontentment that
followed the Mexican peso crisis of 1994 made the PRI more vulnerable than in any year since the watershed 1988 contest.

Beyond these contextual factors, the successful adoption of a deliberately expansive appeal by Fox was crucial to mobilizing the opposition vote as an effective force against the PRI. Building on the independent and non-partisan elements of his campaign, Fox pursued a strategy that was forthrightly non-ideological, incorporated figures from across the political spectrum and appealed to the politically divided anti-PRI electorate by citing the principle of the “useful vote” and making the claim that only Fox could remove the PRI from office. Exit poll results demonstrate that this approach was largely effective; the PAN drew “support from the left to the center right;” and in particular gained support from left-leaning voters (with the biggest gains coming among the “educated and liberal segments of the left.” (Moreno 2002) Fox’s support both exceeded the percentage of the vote achieved by his party at the legislative level, and was more evenly distributed across the country than PAN legislative support. The successful uniting of the ideologically diverse anti-PRI opposition was crucial to Fox’s victory.

A final factor that helps explain the sudden success of the “coalition of change” in 2000 was the impact of electoral turnout. Despite the increased competitiveness of the election process, overall turnout in 2000 was 64 percent, 13 points lower than in 1994. This turnout decline occurred disproportionately among voters in the PRI’s target electorate. Pre-election surveys indicated that Fox’s supporters were more likely to vote than Labastida supporters, a fact that helps explain the difference between the final opinion polls (which slightly favored the PRI) and the eventual outcome (Moreno 2002). Turnout in districts won by Fox’s electoral alliance tended to be higher than in PRI
districts: districts in which the PAN won a majority averaged 67% turnout compared to
59% for PRI majority districts, and districts in which the PAN was held below 20%
averaged 56% turnout compared to 72% in districts where the PRI failed to break 20%
(Klesner and Lawson 2001, 19). The increase in PAN district turnout was paralleled by a
shift in the socioeconomic determinants of participation. Whereas higher rates of literacy
had been significantly correlated with abstention during the era of PRI dominance, by
2000 literacy, urbanization, and education were all positively correlated with voter
turnout, the decreasing effectiveness of the PRI’s clientelistic machine and the increasing
competitiveness of election created a turnout pattern more in with those observed in

In sum, the Mexican election contest of 2000, like previous elections, revolved
around two basic divides. In socioeconomic terms, the divide was between more urban,
educated, affluent and younger voters who tended to favor the opposition and more rural,
poorer, older, and more traditional voters who tended to favor the PRI. In attitudinal
terms, the divide centered around differing opinions on the political regime. The fact that
this previously existing pattern of divisions produced an unprecedented opposition
victory in 2000 can be tied to a number of factors: institutional changes that leveled the
electoral playing field, long-term demographic changes that increased the size and
importance of the opposition’s social base, a decline in the effectiveness of clientelist
methods (leading to higher levels of turnout among more civically engaged voters), post-
crisis economic difficulties that promoted overall discontentment, and the effective use
of a non-ideological opposition campaign that appealed to a broad range of anti-PRI
voters.
The existence of similar patterns of social support for government and opposition in Argentina, Peru, and Mexico (combined with the ideological diversity of opposition supporters and the governance-related political liabilities of incumbents), provides a potentially strong explanation for the simultaneous and successful adoption of second generation reformist opposition in each of the three cases. This common configuration of social class and political loyalties, and the campaign messages associated with it, were not a chance occurrence. In each case, the nature of the electoral contest and patterns of representation were a product of a shared prior trend: the successful implementation of market reform by an incumbent leader employing a political approach that can be characterized as “neoliberal populism.”

Neoliberal Populism

The term “neoliberal populism” describes a particular political strategy and pattern of political representation that was central to the implementation of sweeping packages of market reform in Argentina (under Carlos Menem), Peru (under Alberto Fujimori), and Mexico (under the PRI, and in particular under Carlos Salinas de Gortari). Second generation reformist opposition in Argentina, Peru, and Mexico was a reaction to, and a logical consequence of, the previous political success of these neoliberal populists.

This political approach was not unique to Argentina, Peru and Mexico. Leaders elsewhere in Latin America at various times displayed neoliberal populist tendencies or
attempted neoliberal populist strategies during the market reform era; some of these attempts will be discussed in the concluding chapter. However, only in Argentina, Peru, and Mexico did a neoliberal populist approach prove effective in both political and policy terms over the medium term, in the sense that neoliberal populist leaders or parties both successfully implemented free market reforms and successfully pursued reelection. It was this dual success that generated the apparent free market consensus responsible for the second generation reformist nature of opposition challenges.

The phenomenon of neoliberal populism has several facets. The “neoliberal” aspect is straightforward; in each case, the central political goal of leaders was a drastic shift from a state-centered to market oriented economy. Prior to the 1990s, this type of policy agenda was typically viewed as antithetical to the sort of political approaches traditionally associated with the word “populism.” During the early 1990s, however, some prominent market reform efforts were accompanied by political styles and tactics that could be considered populist in nature, were carried out by parties or leaders with populist heritage, and were directed toward a predominantly lower class electorate.

The precise definition of “populism” is a matter of some debate. In the context of the neoliberal populist pattern discussed here, “populism” invokes several elements: the social nature of the electoral support base, the methods by which the loyalties of those supporters were maintained, and the political and leadership style displayed by the

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19 In particular, Kurt Weyland (2001) has argued that the concept of “populism” should be defined in solely political terms to denote a strategy based on personalized appeals to an unorganized mass of supporters. Other authors have adopted definitions that incorporate additional elements that have historically been associated with the term (such as Roberts, 1995) The use of the term “neoliberal populist” here is not intended to indicate a general preference regarding this conceptual debate; rather, it has been selected for descriptiveness and familiarity, in consideration of how the term has generally been applied in much of the literature.
market reforming presidents. Neoliberal populism drew primarily on the poor for its electoral support. This lower class vote was disproportionately concentrated in the rural and informal sectors, and was accompanied by the support of the urban economic elite. This distinctive electoral coalition was assembled with a political strategy that emphasized clientelistic linkages, in particular through politically targeted and highly discretionary spending. Finally, this political strategy was associated with a leadership style that bypassed or undermined many existing representative organizations and ties, and relied on the individual, personalistic and often autocratic leadership of the president.

The presidents and parties that spearheaded market reforms in Argentina, Peru, and Mexico displayed all of these characteristics. The fusion of populist politics with hardcore free-market economic policies appeared surprising or paradoxical to some, given the extent to which it ran counter to historical trends. However, some observers have noted that the variants of populism that emerged following the debt crisis, often referred to as “neopopulism,” share key affinities with the neoliberal populist policy agenda (Weyland 1998, Roberts 1995). In each case, the emergence of the neoliberal populist approach can be linked to the domestic and international pressures for market reforms, as well as the exhaustion of previous corporatist and state-centered modes of representation. In the following sections, I outline the basic features of the neoliberal populist coalition and strategy, and their relevance to the ensuing appearance of second-generation reformist opposition.
Neoliberal Populism: Electoral Coalition

At the most basic level, that neoliberal populist pattern is characterized by the incumbent’s continued maintenance of a lower class electoral base. In Argentina, Peru, and Mexico this lower class support was central to the successful implementation of market reform; it was also largely maintained during the era of increasing post-reform economic disenchantment following the reelections of market reformers in 1994 and 1995.

While the centrality of the lower class to the electoral coalition is a shared characteristic of both traditional populism and the recent neoliberal populist variant, the neoliberal populist support base displayed some novel features. These differences reflected the changing nature of representation and organization in Latin America following the debt crisis, as well as the political imperatives associated with the implementation of radical market reform. The most prominent difference involves the role of the working class. Although typically a significant actor in Latin America’s initial populist experiences (and particularly so in Argentina, among the three cases examined here), the organized, urban working class became less influential under neoliberal populist leadership. This decline in the political clout of labor was a region-wide trend, but was also deliberately pursued by neoliberal populist leaders. Correspondingly, the neoliberal populist coalition depended to a greater extent on the informal sector and on the rural poor.
As Weyland (1996a) notes, the centrality of the informal sector to populist mobilization is a key difference between modern variants of populism and their predecessors. The informal sector poor were among “the main victims of ISI,” and were largely disorganized. While previously politically marginal, the informal sector was empowered electorally as a result of democratization and the weakening of the clientelist control of landed elites (Weyland 1996a, 10-12). As a result, these voters presented a prime opportunity for neoliberal populists: they were numerous, available for mobilization, uncommitted to the preservation of existing economic arrangements, and amenable to new clientelistic linkages.

While the rural poor had always provided important support for populist movements, their weight relative to urban sectors increased in the 1990s. Edward Gibson describes this trend as a shift in the importance of the “metropolitan” and “peripheral” bases of populist parties in Argentina and Mexico; while populist parties traditionally relied on the vote of both the metropolitan and peripheral sectors, neoliberal populists deliberately bolstered the electoral importance of the periphery relative to the metropolis. The overall effort was intended to weaken and sideline urban political actors that could be expected to oppose market reform, while bolstering electoral support in the marginal sectors to compensate for the declining weight of organized labor (Gibson 1997, Bambaci et al. 2002).

Although the “metropolitan coalition” became relatively less important to neoliberal populists leaders as a source of votes, neoliberal populists successfully cultivated support from the urban, internationally connected economic elite. Surveys and studies at the height of neoliberal populist popularity showed strong backing for
neoliberal populists among the richest as well as among the poorest voters. Gibson describes Menem’s electoral support as “strongest at the bottom and the top of the social ladder and weakest in between (Gibson 1997, 364), and notes that in Mexico “While retaining a mass base that overwhelmed its opponents, the PRI in 1994 also mobilized substantial electoral support from affluent sectors of Mexican society.” Similarly, Fujimori’s sudden adoption of free market orthodoxy won him the backing of the economic elite in the elections following his accession to the presidency; in the municipal elections of 1993 and the 1993 constitutional referendum, the wealthiest regions of the country offered strong support. As the number of votes provided by the upper class was of limited significance in electoral terms, the support of the economic elite was most relevant in terms of financing and policy advice, rather than impact at the ballot box.

The characteristic electoral coalition for neoliberal populists, then, featured strong support from the poor (and the rural poor in particular), support from the wealthy, and weakness in the middle sectors. While each of the leaders examined here drew on an electoral coalition that displayed these basic qualities, the tendency toward reliance on the vote of the interior appears to have been less in Peru than in Argentina and Mexico; while the capital city became a source of electoral weakness for neoliberal populists in Argentina and Mexico, Fujimori ran strongly in Lima. This difference can be accounted for largely in terms of the differing histories and origins of neoliberal populism in each case. In Argentina and Mexico, the construction of a neoliberal populist electoral coalition involved reshaping existing populist parties, shifting the party’s internal base of support and economic ideology while preserving and relying upon some existing party
structures and traditional party loyalty. In Peru, the neoliberal populist coalition was created essentially out of whole cloth following the collapse of prior channels of representation (a collapse that Fujimori both benefited from and promoted through his constant attacks on the traditional parties). Under these circumstances, a support coalition would need to be rapidly established to fill this political vacuum; in practice, the lack of existing party structures in the countryside necessitated an emphasis on the poor voters in urban areas and in Lima specifically, who were more accessible and more easily mobilized.

**Neoliberal Populism: Political Strategy**

The similar electoral coalitions present in Argentina, Peru, and Mexico were constructed via similar political means. Clientelistic practices, in particular the use of politically targeted social spending, were crucial to the establishment and maintenance of lower class support in each case. These clientelistic links, as well as neoliberal populist leadership more broadly, involved a decreased emphasis on traditional representative organizations and partisan structures, in favor of a more personalistic leadership in which the discretionary authority of the president and autonomous, technocratic political elites were central. In each case (to varying extents), this powerful and discretionary executive leadership displayed autocratic or openly authoritarian tendencies.

In Argentina, as Steven Levitsky notes, Menem’s implementation of market reform with sustained lower class support was accomplished in part through the
transformation of Peronism from a labor based party to a clientelistic “machine” party. Much of this shift occurred during the 1980s, as the PJ underwent an internal restructuring following their 1983 election defeat, and as Peronist leaders who obtained office at the subnational level gained access to patronage resources independent of union support (Levitsky 2005, 191; Levitsky 2003). Following Menem’s election, a dramatic increase in federal transfers to the provinces and the maintenance of high levels of spending and public employment by provincial governments were crucial to the political viability of market reform (Gibson and Calvo 2000). As the 1995 election approached, Menem’s administration introduced a series of targeted anti-poverty spending programs; Weyland (1998) finds a significant effect of these spending programs the president’s vote share at the provincial level in 1995. Between 1993 and 1999, the percentage of social spending under the control of the presidency more than doubled (Corrales 2002, 210).

In Peru, social spending was a central element of Fujimori’s successful efforts to achieve reelection following the implementation of market reforms. During the first three years of his term, the economic costs of structural adjustment took a significant toll on the government’s approval. While Fujimori’s switch to market reformism had won him backing from upper classes and business interests, disapproval was concentrated in rural and poorer areas. While public support for the autogolpe, successes against terrorism, and the elimination of inflation helped improve the public mood, Fujimori’s political recovery in the run up to the 1995 election was also based substantially on a dramatic increase in social spending, and an increasingly explicit connection between spending decisions and the personal leadership of the president. From 1993 to 1995, bolstered by an influx of
revenue from privatization, overall government social spending more than doubled as a percentage of GDP, and increased more than tenfold in per capita terms. (Roberts and Arce 1998), At the same time, authority over allocation of funds was increasingly concentrated in the Ministry of the Presidency (Kay 1996, 83). This sudden increase in emphasis on social programs provided clear electoral benefits: analyses by Roberts and Arce (1998), Kay (1996, 87-88) and Weyland (1998) demonstrate that the regions in which Fujimori’s support improved most between the 1993 constitutional referendum and the 1995 election were those that had received the highest levels of social spending. As economic recovery lost steam following the 1995 election, the Fujimori government maintained its reliance on the use of state resources to foster political support from the lower classes.

In Mexico, the 1988 election had revealed the waning effectiveness of traditional PRI representative structures and mobilization in the post-crisis era. The revitalization of the PRI under Carlos Salinas would depend in large part on securing the vote of the poor; as a result, overall social spending nearly doubled as a percentage of the national budget between 1988 and 1991 (Dresser 1991, 6). The most significant new instrument to this end was the National Solidarity program (PRONASOL). PRONASOL spending was substantial (with spending reaching an estimated 1.7 billion in 1991 (Dresser 1991, 5), and highly discretionary, being targeted to politically strategic locations. It was also explicitly linked to PRI support (Dresser 1991, 28). As such, it served a dual purpose: it bolstered public support for the PRI in the 1991 and 1994 elections, but also strengthened
the political influence of Salinas and his inner circle relative to the traditional PRI hierarchy, helping sideline potential internal opposition to the liberalization process.

In each case, the ability of the government to buy voter loyalty through social spending was central to their success in implementing neoliberal policies while remaining electorally viable. The discretionary and politically targeted nature of social spending promoted electoral support for market reformers in politically crucial areas; equally importantly, it also helped consolidate the personal power of presidents, and in doing so sidelined interests and groups that might pose obstacles to market reform. The availability of resources for these clientelist practices was partially contingent on the recovery of the economy in aftermath of market reforms, as well as the short term infusion of funds provided by privatization of state enterprises. Following the reelection of neoliberal populists, economic slowdown, along with the diminished possibilities for additional privatizations, tended to hinder the government’s efforts to maintain levels of spending while simultaneously maintaining fiscal restraint. In practice, however, the overall worsening of the economic and public opinion panorama led to an increased dependence on clientelism as a source of political support. In the twilight of the neoliberal populists, clientelistic methods tended to become both more central and less effective. These tendencies contributed to the emergence and success of a second generation reformist discourse.

The discretionary nature of the politically motivated social spending in Argentina, Peru and Mexico was emblematic of a broader trend; neoliberal populist electoral
strategies were accompanied by a tendency toward increased autonomy and concentration of power on the part of executives and their inner circle, and a corresponding decrease in the influence of existing party structures and leaders, as well as of organized civil society. In Argentina, Menem’s election marked the continued consolidation of Argentina’s institutions of democratic competition and political freedom, and during his administration the Argentine military ceased to play a significant role in politics. Despite these democratic trends, the president’s leadership style was often autocratic in character. An obvious example of this tendency was his use of decree powers; in the course of pursuing radical market reforms, Menem issued 355 Decrees of Necessity and Urgency (compared to 10 during the entire administration of his predecessor). (Levitsky and Murillo 2005, 35) Similarly, Menem packed Argentina’s supreme court with friendly judges that posed few challenges to his policies, made a the pursuit of a constitutionally prohibited second term a top priority (ultimately by pressuring the UCR leadership into agreeing on a constitutional revision to that end) and unsuccessfully attempted to run for a third term as well. Overall, policymaking under Menem represented an archetypical example of what Guillermo O’Donnell (1993) has characterized as “delegative democracy.” Menem’s general disregard for institutional limits and democratic deliberation was echoed by his relationship with his party. While the negotiation of side-bargains and payoffs to provincial and labor leaders was essential in removing obstacles to Menem’s program, actual decision processes sidestepped these actors. Instead, policy-making power was increasingly concentrated in the hands of the president and loyal technocrats.
In Peru, Fujimori dominated Peruvian politics during his entire decade in office. To some extent, this dominance reflected the breakdown of the Peruvian party system following the economic crisis of the 1980s; however, Fujimori did everything he could to exacerbate this breakdown and prevent alternative political organizations from emerging. Railing against the “political class,” he adopted a plebiscitarian style, appealing directly to the public, depicting his personal leadership as an alternative to the politicians that had failed Peru, and sidestepping or ignoring inconvenient institutional limits. The most forceful illustration of this approach was the autogolpe of 1992; following the reintroduction of electoral procedures his administration remained essentially autocratic in character. Political influence and policy authority were based on cooperation among insulated technocrats, business interests, and the military (with the spymaster Vladimiro Montesinos at the center of the network) and public support was cultivated through the discretionary use and abuse of state resources by the president and his cronies.

While Carlos Salinas could not be expected to campaign against the “political class,” (as the “political class” was synonymous with his own party), his implementation of market reform in Mexico was nonetheless accompanied by a similar tendency toward increased autonomy and personalization of executive leadership. In part, this tendency represented a continuation of Mexico’s tradition of presidentialism; throughout the years of PRI control, presidents had occupied a dominant position in Mexican politics. However, under Salinas, the dominance of the presidency was accompanied by an increasing independence from existing party structures. Although the PRI’s clientelistic networks remained important, Salinas’ administration was characterized by the ascendance of neoliberal technocrats at the expense of traditional party bosses and
organizations, as well as by “the circumvention of sectoral organizations” (Gibson 1997, 361). Alan Knight (1998) describes Salinas’ leadership, likening it to that of Menem and Fujimori:

“...Salinas - like other neoliberal presidents - had his populist side. Like Menem, he broke with the traditions of a nationalist, ‘populist’ party; but, like Menem (and Fujimori), he elevated the power of the executive, rode roughshod over political and economic vested interests, and adopted an arbitrary, personalist and populist style of government.... Presidentialism flourished as never before; a veritable cult of Salinas... Salinas toured the country like some latter-day Cárdenas, distributing government largesse, gladhanding the people, marching down dusty streets in casual shirtsleeves or leather jacket, communing with an admiring people.”

In Mexico, unlike in the other countries examined here, the years preceding the election of second generation reformists were associated with a transition from authoritarianism to democracy, as electoral processes became fairer and more competitive, and PRI hegemony receded. Nonetheless, the leadership style and tactics associated with the implementation of market reform under Carlos Salinas bore a strong similarity to the pattern observed in Argentina and Peru.

Overall, neoliberal populist leadership was top-down and personalistic, both in terms of policy making and political representation. Market reform was driven by powerful executives and autonomous technocrats, and social spending was targeted, discretionary, and allocated by the president. The political style that accompanied this policy approach relied on personal connections between the president and voters, with political representation occurring outside of organized institutions. In each case, the personalistic and presidentialist governing style of neoliberal populist leaders sometimes became autocratic or authoritarian in character.
The policy successes and decisive reelection of neoliberal populists cannot be solely ascribed to skillful use of social spending or forceful executive leadership. In Argentina and Peru, the elimination of hyperinflation and the economic boom that followed the implementation of market reforms dramatically elevated the popularity of both Menem and Fujimori. Weyland (1998) has observed a strong connection between the presence of a hyperinflationary crisis and social support (and lower class support in particular) for market reformers. This explanation does not account for PRI support in Mexico, where the incumbent party was in power both for the debt crisis and for the neoliberal response; nonetheless, economic optimism during the early 1990s following Salinas’ reforms contributed significantly to the PRI’s 1994 recovery from the debacle of the 1988 election. In Peru, public gratitude for economic recovery was compounded by gratitude for internal security; the successful counterinsurgency against the Shining Path guerrillas that had terrorized the country (and the 1992 capture of their leader, Abimael Guzmán) were viewed as an immense accomplishment. In Argentina and Mexico (although not in Peru), neoliberal populist leaders benefited from decades of powerful party loyalty among lower class voters, loyalties that in many cases were unshaken by the party’s dramatic shift in economic ideology. Independent of the government’s strategies, the weakening or division of the main opposition groups during the mid-1990s was also helpful for the electoral prospects of incumbents; the rapid decline of the UCR smoothed Menem’s reelection, the disintegration of the Peruvian party system helped prevent a credible challenge to Fujimori, and the PRI benefited from a slump by the PRD (partially self-inflicted, and partially as a result of PRI pressure), as well as a continuing and
indecisive battle between the PAN and the PRD for the mantle of the anti-PRI opposition. While clientelism was a central element of the electoral strategy, other favorable conditions also contributed to neoliberal populist reelection victories.

By the end of the decade, however, most of these favorable conditions were no longer in effect. In Argentina and Peru, the elimination of hyperinflation created a “paradox of success;” as the previous crisis faded into the distance, the government’s achievements became less prominent in public opinion. Less favorable issues (such as unemployment, corruption and democracy) obtained greater salience. A similar tendency toward declining salience of successes occurred with regard to Fujimori’s anti-terror victories (Weyland 2000). In Mexico, the government’s economic achievements were nullified not by success but by failure, through the devastating impact of the peso crisis. As favorable memories faded, the burgeoning recessions sapped support for the government. At the same time, divisions within the opposition diminished – Argentina’s opposition parties formed an alliance, anti-Fujimori voters coalesced around a series of standard-bearers, and Fox attracted a broad range of anti-PRI opposition voters through an independent and non-partisan campaign and a flexible ideology. By 1999 and 2000, the continued viability of the neoliberal populist model was in doubt.

The Opposition Response

While the successful application of a neoliberal populist approach paved the way to reelection for Menem, Fujimori, and the PRI, the political environment in 1999-2000
offered new opportunities for challengers. The nature of the opposition strategy, and the electorate to which the opposition appealed, was largely defined in response to the strengths and weaknesses of the incumbent.

Despite the fact that economic optimism had largely given way to economic disenchantment by the end of the 1990s, opposition campaigns remained reluctant to challenge the basic features of the economic model. In each case, this fact can be plausibly ascribed in part to the incumbent’s successful maintenance of the electoral support of the poor; the voters who would likely have been most amenable to a more radical challenge to free market orthodoxy remained the most loyal supporters of the incumbent. The declining economy, while a general drain on incumbent support, had the least impact on the political loyalties of the poor; rather, the worsening overall picture resulted in an increased government reliance on clientelist methods. The voters, and the regions, that were most dependent on the social spending of neoliberal populist leaders tended to remain loyal. In contrast, the opposition attracted the support of dissatisfied voters who demanded goods that the neoliberal populist model was ill-equipped to provide, such as (in the words of a Peruvian opposition activist) “work and citizenship.”

In each case, the connection between a campaign based on governance issues and a middle class, urban, educated electorate had first appeared in elections prior to the onset of “reform fatigue.” In Argentina, FREPASO’s rapid shift from critiques of Menem’s economic policy to attacks on corruption enabled the fledgling third party to grow rapidly by capturing disillusioned middle-class Radical voters in the aftermath of the Pacto de

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20 Interview with Dr. Eduardo Cáceres of APRODEH, Lima, Feb. 2004)
Olivos. This growth elevated the new party onto the national stage and made its support and its message indispensable to a Radical party seeking to renovate its battered image; its anti-corruption message also resonated with the traditional “civic republican” element of Radical discourse. In Peru, Pérez de Cuellar’s challenge to Fujimori centered on honesty, democracy, and respect for the constitution; his support was concentrated among the middle classes (Kay 1996, 87). Outside of the partisan arena, the initial mobilizations against Fujimori that initially emerged during his second term were also fundamentally governance-based, having been provoked by the president’s efforts to pursue a second term; the social base of these movements was similarly affluent and educated. In Mexico, the emphasis on the importance of democratic competition was the only consistent and significant difference between the PRI and a disproportionately middle-class, urban based PAN that had enthusiastically signed onto Salinas’ market reform policies, and the regime divide remained the defining feature of partisan divisions from beginning of genuine political competition in 1988 to the PRI’s defeat in 2000. In each case, the emerging middle class opposition to neoliberal populists had initially coalesced not around disapproval of their free market economic policies, but instead around a forceful rejection of the incumbent’s attempts to monopolize the political arena.

The urban, middle class constituency that had formed the initial basis for opposition challenges, while insufficient to win a presidential election on its own, nonetheless remained essential. Without retaining the support of a strong majority of these voters, opposition challengers would have no hope of overcoming the incumbent’s remaining advantages. The founding identity of the opposition to neoliberal populists was fundamentally governance centered in nature; this basic identity naturally persisted as
second generation reformists attempted to build on their core support by attracting a broader range of voters who were disenchanted with the incumbent. Beyond its continuity with prior messages, the continued usage of a governance-centered, reformist message was a logical choice for several reasons.

Even as post market reform economic performance faltered, middle-class and urban voters demonstrated an increased concern with governance issues relative to economic preoccupations. While economic developments and economic policy under neoliberal populists were unkind to many elements of the middle class, those voters that maintained their relatively privileged and affluent status were unlikely to be responsive to calls for a more radical overhaul of the free market system. In order to mount a realistic challenge, opposition parties needed to maintain a strong majority among voters who were characterized by economic discontentment, but who were not experiencing social exclusion. A governance-centered message was appropriate for this constituency.

Survey data from Argentina, Peru, and Mexico points to corruption and governance issues as being higher priorities for more educated, middle class voters. In an April 1999 survey in Argentina, 18% of respondents with a university education considered corruption to be the single most important issue facing the country, compared to 6% of those with only a primary education (and 10% overall). In a nationwide poll of in May 2000, Peru, when asked what they disliked about Alberto Fujimori, 32 percent of upper and middle class voters (sectors A and B) identified “is authoritarian/dictator” as the biggest problem. Among poor voters (the D and E sectors), only 11% pointed to Fujimori’s authoritarianism, while the most common response was “doesn’t create
employment.” (Datum International, May 2000). In an a Mexican exit poll, 46% of voters with some university education identified “corruption” or “democracy” as the most important problem facing the country; among those who had completed only primary education, only 28% selected one of those issues (Mitofsky exit poll, July 2000). In a preelection poll, 60% of Mexicans with a university education believed that Mexico was not a democracy, compared with 40% of the respondents with only primary education. (Mexico Panel Study, June 2000).

While it is possible that the association of governance related concerns with social class might be an effect of political loyalties rather than a cause, the preceding studies of the three cases suggest that the link primarily involved parties adjusting their message to the attitudes of the electorate, rather than loyal partisans adopting the rhetorical priorities of their party. In Argentina, for example, FREPASO initially attempted to open space for itself within the political system by stressing economic issues, adopting an anti-neoliberal, social democratic message, and appealing to disaffected Peronists; only after this strategy produced meager results did corruption and governance become increasingly central to the party’s message. In Peru, Toledo’s initial entry into the politics in 1995 involved a more populist campaign message (Schmidt 2000); only in 2000 did he position himself primarily as a candidate associated with democratization. In Mexico, opposition voters were presented with an explicit choice between a governance-centered alternative in Fox and a leftist and nationalist alternative in Cárdenas; both the PAN and the PRD had proven to be potentially credible challengers during the previous twelve years. The fact that the second generation reformist opposition won out can be plausibly linked to the priorities of the available voters: the potential opposition vote was
disproportionately urban, middle class, and amenable to Fox’s message, while the poorer sectors that might have formed the basis for a strong PRD challenge retained strong links to the PRI.

In addition to the importance of the urban, middle class vote, other considerations favored the adoption of a governance-centered message. The political movements that had been assembled in response to the initial successes of neoliberal populism also included a wide variety of economic ideologies. Adopting a stronger challenge to the free market model would have created dissension within the opposition’s ranks; maintaining a reformist focus promoted unity, as the anti-corruption and pro-democracy themes were points of agreement among all opposition factions (albeit a tenuous and sometimes grudging unity, with divisions over economic ideology simmering beneath the surface).

Moreover, the central elements of the neoliberal populist strategy – clientelism and powerful, personalistic executive leadership- favored the adoption of a governance centered message. Clientelistic tactics and the use of state resources for political ends, essential components of neoliberal populist success, generated public perceptions of corruption and undemocratic leadership, and became the target of opposition attacks on reformist grounds.\textsuperscript{21} Furthermore, the tendency for strong and personalistic leadership of neoliberal populists to cross over into outright authoritarianism (most strongly in Peru, but also in Argentina and Mexico) elevated issues of democratic accountability and abuse of power to the top of the agenda.

\textsuperscript{21} Levitsky (2005, 196) makes this point regarding Menem.
In response to these conditions, opposition campaigns combined a continued adherence to their governance centered message with general promises of improved economic performance, arguing that a higher standard of leadership would produce better results, and courting voters whose electoral preferences were driven primarily by a desire for “change” in the most generic sense. The adoption and electoral success of this second generation reformist appeal can be viewed as a reflection of the central elements of the successful neoliberal populist strategy that had been previously applied.

Comparative Perspectives: The Failure of Neoliberal Populism in Venezuela and Bolivia

The connections between a successful neoliberal populist approach to market reform and the ensuing appearance and success of second generation reformist opposition can be further illustrated in comparison with contrasting cases elsewhere in Latin America. In particular, two cases provide useful contrasts: Venezuela and Bolivia. In Venezuela, a formerly populist party’s effort to liberalize the economy via a post-election policy switch (in the style of Menem or Fujimori) proved to be a disaster in both political and policy terms: the market reform effort was thwarted, and the unpopular president that had promoted it was removed from office. In Bolivia, by contrast, economic liberalization along neoliberal populist lines was a success in policy terms; however, it was less successful in political terms. As in Argentina and Peru, stabilization and structural adjustment brought economic stability, economic growth, and an end to
crippling inflation, and Bolivia became widely viewed as a model example for market reformers. Unlike in Argentina and Peru, rather than being accompanied by sustained lower class support for the market reformer, Bolivia’s economic transition was associated with increasing political exclusion of the lower classes. Venezuela and Bolivia also represent two of the cases in which the onset of “reform fatigue” was associated with increased polarization over the free market economic model.

Venezuela, like most of Latin America, underwent a severe economic decline during the 1980s. After two decades of economic growth, fueled by oil revenues, that had dramatically reduced poverty and produced a sizable middle class, Venezuela sank into a recession in 1979, recording negative growth rates from 1980 through 1984 (López Maya and Lander 2004, 209). With the country burdened by a massive foreign debt and oil revenues plummeting, economic decline turned into economic crisis on “Black Friday” (February 18, 1983), when the government was forced to drastically devalue the country’s currency. Under president Jaime Lusinchi (1984-1989), efforts to restore growth and stability largely failed; in the process, the government increased public spending every year and the country fell deeper into debt (Romero 2001, 10). By 1988, poverty rates had surged, and the country’s inflation adjusted GDP per capita had fallen below its level of twenty years earlier (Levine and Crisp 1999, 388).

In hopes of reversing the devastating trends of the last decade, the Venezuelan public turned to a figure from better times. In 1988, the presidential election was won by Carlos Andrés Pérez of the Democratic Action (AD) party. Pérez had previously occupied the presidency from 1974 to 1979, and his prior administration had been associated both with the height of the economic boom and with the oil-driven fiscal
excess that became a crippling burden in the following decade. Despite the fact that Pérez’ massive spending and borrowing had proven unsustainable following his previous exit from power, he built his 1988 campaign around populist promises to “restore the standards of living prevailing during the petrodollar years” (Romero 2001, 10) raising public expectations that his return to power would signify to a return of the “good old days.” (McCoy and Smith 1995, 131) Like Menem and Fujimori, Pérez won election amid dire economic circumstances by promising to avoid austerity and structural adjustment. And, like Menem and Fujimori, he changed course immediately following his election, announcing a package of harsh adjustment measures that were dubbed the “gran viraje” (big turnaround).

Unlike those of Menem and Fujimori, Pérez’ policy switch was greeted with a massive and debilitating public rejection. Only 25.6 percent of the Venezuelan public approved of the adjustment measures upon their announcement; even during the height of a temporary oil boom several years later, approval of Pérez’ economic policy never reached 50%. The president’s approval rating dropped precipitously, falling to 22% just eight months after he had been elected with a majority vote (Romero 2001, 15). The most powerful rejection of Pérez’ switch to neoliberalism occurred not in polls but in the streets. Within days of the announcement of the austerity measures, rioting broke out in the capital city of Caracas, and quickly spread throughout the country. The violent protests, which included “barricades, road closures, burning of vehicles, storming of shops, shooting, and widespread looting” (López- Maya 2002, 202), were eventually repressed at heavy cost. Police officers who were unprepared for the widespread chaos responded with deadly force, killing hundreds; the exact number of deaths remains
unknown. Along with their human and economic cost, the rioting (often referred to as the “Caracazo”) represented a major psychological blow for a country in which peaceful and orderly politics had become the norm (Levine and Crisp 1999, 390). Following the Caracazo, demonstrations continued on a daily basis; between 1991 and 1994, there were an average of 2.75 protests per day (López-Maya 2002, 202).

The deeply unpopular Pérez survived two military coups in 1992 (one of the coup leaders, Colonel Hugo Chávez, attained national prominence through his failed attempt), and was eventually removed from office in 1993 on charges of corruption. His successor, Rafael Caldera, was a founder of one of Venezuela’s two major parties, COPEI; however, in response to the deepening public disaffection with political parties as a whole, abandoned the party he had helped create to run as an independent. Caldera won election by promising to halt or reverse the neoliberal shift that Carlos Andrés Pérez had initiated, and his promises found a receptive audience: in a 1994 survey, overwhelming majorities of Venezuelans backed price controls, subsidies, and salary increases. Unlike his predecessor, Caldera made good on his word, imposing price and exchange controls. When his populist measures proved to be economic failures, Caldera shifted toward policies based on austerity and stabilization; overall, his administration was characterized by “vacillation between populist overtures to a restive population and reluctant stabs at liberal orthodoxy.” (McCoy and Smith 1995, 142) This inconsistency, and the persistent economic stagnation that accompanied it, further undermined Venezuelans’ faith in their politicians.

By 1998, with Venezuela’s formerly dominant parties in complete disrepute, the stage was set for the emergence of Hugo Chávez, who turned his notoriety from the 1992
coup attempt to a hugely successful presidential campaign. Chávez’ campaign was based around promises to dismantle the Venezuelan political system and on opposition to neoliberal economics. After winning the election with 56% of the vote, he set about reshaping the country’s institutions, consolidating his power and establishing Venezuela as an ostensible alternative to the free market economic model of the “Washington Consensus.”

As McCoy and Smith (1995, 131) have noted, efforts to employ a neoliberal populist strategy in Venezuela failed in both economic and political terms. Not only did Carlos Andrés Pérez fail to generate popular support for his government or his program, economic reform in Venezuela did not advance past initial attempts at stabilization. Moves toward neoliberalism were limited, halting, and haphazard; and unlike in Argentina, Peru, and Mexico, the economy never recovered sufficiently to create public optimism. The precise reasons why Pérez failed where Menem and Fujimori had succeeded are open for debate: prominent and plausible hypotheses include the absence of a hyperinflationary crisis (with an associated lack of a sense of public urgency) (Weyland 1998, 2002), and Venezuelans’ unrealistic assumptions of their country’s affluence (with an associated assumption that deprivation was a result of elite corruption) (Romero 1997). However, for the purposes of this study, the reasons for the failure of the gran viraje are tangential to the main point: the failure of a neoliberal populist approach opened the door to increased political polarization around economic issues at the end of the 1990s.
By contrast, in Bolivia, the implementation of market reforms by a former populist party was largely successful in policy terms: the government succeeded in stabilizing the economy and adopting structural adjustment policies. In political terms, however, the shift from populism to neoliberalism was less successful. In the aftermath of transition to democracy in Bolivia in the early 1980s, the country was wracked with severe economic problems. Under Henrique Siles Zuazo (1982-1985) Bolivia suffered from high levels of debt, economic stagnation, the collapse of the economically central tin sector, and hyperinflation that reached 25,000 percent by 1985. Siles Zuazo’s populist policies were ineffective in addressing these problems. In 1985, the presidency was won by Víctor Paz Estenssoro of the National Revolutionary Movement party (MNR), who finished second in the presidential election, but was named president by the legislature (who are responsible for choosing a president if no candidate receives a majority of the popular vote). MNR had first entered the political stage as a truly revolutionary movement – after being denied a 1951 presidential victory by the military, the party led the 1952 revolution that overturned Bolivia’s elite-dominated political system and put in place “populist reforms more sweeping than any in the previous history of Latin America (Mayorga 1997, 142); the most significant reforms included political inclusion through universal suffrage, land reforms, and nationalization of the tin industry (Gamarra and Malloy 1995, 403).

Despite his party’s revolutionary populist heritage, Paz Estenssoro (one of the MNR’s main leaders at the time of the revolution) concluded that the way out of Bolivia’s contemporary crisis was through neoliberal reform. Paz Estenssoro proposed and successfully carried out a New Economic Policy (NEP) that involved deregulation of
the economy and elimination of price controls, cuts in government spending, international economic integration, and a general reduction in state intervention. The macroeconomic results of the NEP were dramatically positive. Inflation was largely eliminated, positive growth rates returned in the late 1980s, exports surged, and the state’s budget deficit declined dramatically. As in Argentina and Peru, the implementation of structural adjustment by a Democratically elected government transformed Bolivia’s economy “from ‘basket case’ to ‘showcase’” in the eyes of the international financial establishment. (Mayorga 1997, 143).

The MNR’s economic successes were not paralleled by political successes. The former revolutionary populist party had been elected without capturing even a plurality of the vote, and was no longer backed by organized social forces (the collapse of state centered development and the tin industry had undermined social organization in general). Despite the macroeconomic gains achieved during Paz Estenssoro’s tenure, his party lost the subsequent presidential election. Over the next decade, overall respectable macroeconomic performance was associated with increasing popular political exclusion. The outcomes of presidential elections continued to be determined by the legislature through elite bargaining, as presidential candidates all fell well short of a majority.

Subsequent administrations maintained their adherence to the structural adjustment policies of the NEP. During the late 1980s and 1990s, Bolivia’s three traditional parties essentially converged around a neoliberal consensus (Barr 2005, 73). At the same time their support, and support for political parties as a whole, dwindled. In a 1990 poll, only 5 percent of the public believed that political parties represented their
interests; 71 percent believed that the government represented the interests of the wealthy and politicians (Gamarra and Malloy 1995, 419). Combined support for the three major parties fell from 74 to 57% of the vote between 1985 and 1993. In their place, two new populist parties headed by political outsiders arose to capitalize on increasing public disaffection. In 1993, Gonzalo Sánchez de Lozada of the MNR was elected president. Despite a campaign that in part emphasized the MNR’s revolutionary roots and sought to capitalize on public discontentment toward austerity policies (Gamarra and Malloy 1995, 423), Sánchez de Lozada pushed ahead with the move toward neoliberalism, in particular accelerating the process of privatization (which had received less emphasis in the original NEP) (Mayorga 1997, 146).

In general, Bolivian politics during the 1990s was characterized by the convergence of major parties around neoliberal economics, a decline in overall support for those parties, and their increasing isolation from the poor majority of voters and from increasingly demobilized social organizations. The generally exclusionary nature of the political system was intensified by U.S. - sponsored government crackdowns on the coca growing industry, which had boomed in the aftermath of the collapse of the tin industry in the early 1980s and had become increasingly central to Bolivia’s economy. Anti-coca policies were intensified during the presidency of Hugo Banzer (1997-2001).

Beginning in 1999, Bolivia (like much of Latin America) experienced an economic decline, accelerating the decline of the major political parties. The populist political movements that had emerged during the 1990s, the UCS and CONDEPA, had been headed by charismatic outsiders and were largely personalistic; their leaders had
been willing to cooperate with the traditional parties in exchange for access to patronage (Barr 2005, 73-74; Gamarra and Malloy 1995). Both parties were weakened by the deaths of their leaders in 1995 and 1997, and faded from the political scene. The populist opposition movements that emerged in the late 1990s to take their place in mobilizing Bolivia’s poor and indigenous majority were more organized, radical and intransigent. At their head was Evo Morales, leader of the union of coca growers in the Chapare region. During the next few years, anti-government protests became increasingly common and increasingly violent (Barr 2005, Whitehead 2001). In the election of 2002, three populist outsider parties received a combined 46% of the vote while running on strongly anti-neoliberal, anti-system campaigns; the incumbent’s party received only 3%, and the combined support of the three major parties fell below 50% for the first time. Gonzalo Sánchez de Lozada of the MNR was elected president with 22.5% of the popular vote (just ahead of Evo Morales and his Movement Toward Socialism (MAS), at 21%. Widespread, violent protests forced him from power in 2003. In 2005 Evo Morales was elected president; unlike all previous presidents since democratization, he won a majority of the popular vote (53%).

As in Argentina, Peru, and Mexico, Bolivia implemented market reform under the auspices of a former populist; as in Argentina and Peru, the reforms successfully stabilized the economy, controlled inflation, and generated macroeconomic recovery. However, Bolivia’s economic liberalization was not accompanied by sustained lower class support for a market reforming party – in fact, the years following the implementation of market reform were characterized by increased political exclusion and disaffection of the popular sectors, and declining support for all major parties. As a result,
when Bolivia experienced an economic downturn at the end of the 1990s, the opposition that arose in response was not second-generation reformist, but rather strongly populist, anti-market and anti-system. Weyland (2003) has argued that the political consensus on the acceptance of the free market in Argentina and Peru at the end of the 1990s was in large part a result of the successful pursuit of economic stabilization and taming of hyperinflation; according to that explanation, Bolivian politics should also have displayed a similar consensus. In reality, the 1990s in Bolivia saw increasing polarization over the economic model, culminating in the rise and eventual victory of Evo Morales and the MAS. The Bolivian case suggests that the key factor behind the appearance of a pro-market, second generation reformist opposition in the era of reform fatigue was not the successful implementation of economic liberalization measures, nor the achievement of economic stabilization through those measures, but rather the ability of neoliberal populists to maintain strong support from the lower classes. Successful neoliberal populist approaches precluded the emergence of anti-liberal, anti-system populist movements; failed neoliberal populist efforts created opportunities for renewed polarization over economic ideology.

**Conclusion: From Neoliberal Populism to Second Generation Reformism**

In conclusion, the successful adoption of second generation reformist campaign appeals by opposition candidates in Argentina, Peru, and Mexico is best understood as a response to prior successes and emerging weaknesses of the incumbent neoliberal populist leadership. The adoption of market reform on the basis of a coalition that
consisted of policy support from the economic elite and electoral support from the poor and rural ensured that the opposition’s main political opening was found among the urban middle classes. The initial economic successes that followed market reform, combined with the corruption, clientelistic practices, and autocratic leadership of neoliberal populist leaders, promoted an opposition appeal that cultivated this urban, middle class vote by emphasizing governance issues— an electorate and a message that were initially insufficient to prevent the incumbent’s reelection.

Following the reelection of neoliberal populist parties, the coming of recession (and in Mexico, an economic crisis) sapped incumbents’ overall public support. At the same time, incumbent support from economic elites weakened, for several reasons: the successful completion of first generation reforms had removed the initial motivation for the neoliberal populist synthesis, and the governance shortcomings of the incumbent seemed to pose potential problems for future economic growth and reform. Under these circumstances, the neoliberal populists became more dependent on clientelism and their “peripheral” constituents. In response, opposition parties crafted a message that retained the prior emphasis on corruption and governance, but incorporated the governance question into part of a broader promise of “change,” claiming that a similar policy agenda under superior leadership would produce improved economic results. This second generation reformist opposition strategy attained victory by building on the initial electoral gaps in the neoliberal populist approach, and taking advantage of the new incumbent weaknesses that emerged in the late 1990s.

Second generation reformist opposition, then, can be best understood as a evolving and pragmatic response to the immediate electoral challenges associated with a
particular political circumstance: the presence of a neoliberal populist incumbent with sustained lower class support. This explanation for the origins of the opposition messages is notable in part because it illustrates what second generation reformism was not. Contrary to the assumptions of some observers, the adoption of a reformist perspective did not signify a newfound consensus on the desirability of the free market economic model among all significant actors. Neither can the second generation reformist message be viewed as a coherent policy agenda designed to respond to the interests and needs of a cohesive electoral coalition, or to address the most pressing problems facing the country.

As a response to electoral challenges, second generation reformism proved successful in electoral terms. However, the ad hoc and conjunctural nature of the reformist option in Argentina, Peru, and Mexico proved deeply problematic when newly elected reformists faced the tasks of governing according to the principles they had espoused and of making good on their campaign promises. The opposition had essentially built their campaign on two central pledges: the removal of a corrupt and undemocratic incumbent, and the attainment of rapid and noticeable improvements of standards of living. Following their electoral victories, the former of these promises, having been accomplished, became irrelevant; the latter goal would prove elusive.
Introduction

Second-generation reformist campaign messages proved immensely successful in Argentina, Peru, and Mexico, helping opposition candidacies surmount considerable electoral challenges. In Argentina, the Alianza’s victory marked the first time the Peronist party had been removed from power via the ballot box in the country’s history, and restored to the presidency a party whose support had been reduced to a mere 17% of the vote five years before. In Peru, Toledo’s campaign raised him from single-digit obscurity to near parity in two months, allowed him to deny Fujimori a first round majority despite substantial electoral abuses to the benefit of the incumbent, and positioned him as Fujimori’s logical successor when the weakened administration collapsed under the weight of post-election corruption scandals. And in Mexico, Fox removed a party that had controlled Mexico’s presidency for seven decades, and that had begun the campaign favored to extend its tenure. As a campaign strategy, second-generation reformism was overwhelmingly successful.

Following their successful election campaigns, however, each of the three triumphant reformist challengers faced considerable doubt as to whether they could move from effective candidates to effective leaders. It was unclear whether the often vague reformist message that had served to convince voters of the possibility of positive change could form the basis of a
mandate for specific policies in response to actual problems. Equally questionable was the reformist challengers’ ability to retain consistent political support from the broad and heterogeneous coalitions that had placed them in office. In the absence of this clear mandate and sustained political loyalty, newly elected leaders would struggle to overcome the entrenched opposition to a reformist agenda, both from within the state (where opposition parties still carried considerable weight) and from interest groups.

In this regard, the eventual experiences of second generation reformist challengers once in office were generally disappointing; while the nature and scope of the political failures of second generation reformism varied greatly among the three cases, by the end of their tenures none could claim to have been successful both in political and policy terms. In Argentina, economic tribulations, unpopular policies, internal divisions, and scandal rapidly and dramatically drained the Alianza’s public support. Following a long period of decline, a chaotic crisis led to the collapse of both the economy and the government; just two years into his term, De la Rúa abandoned the presidency, the Alianza (and FREPASO) ceased to exist, and the UCR virtually disappeared as a national party. In Peru, after his ascendance to the presidency was imperiled by a surprisingly strong electoral challenge from the disgraced former president Alan García, Toledo’s public support quickly dissolved; he spent most of his term viewed as a weak and ineffective president, saddled with terrible approval ratings and beset by continual turmoil within his government. His party performed poorly in midterm elections, and by the subsequent presidential election had essentially disappeared as a political force. Only in Mexico did the second-generation reformist leader experience a modicum of success; Fox maintained his personal popularity at a high level until the end of his six-year term, and (despite a poor performance in midterm elections) eventually managed to transfer power to a presidential
successor from his party. Despite these successes, Fox was never able to transform his personal prestige into momentum for a policy agenda: he failed in his major reform initiatives, was unable to overcome legislative opposition from Mexico’s other two parties, and was generally viewed by the public as an honest and well intentioned leader who was also largely ineffective.

Why did the reformist challengers that had been such formidable candidates uniformly prove to be weak and ineffective leaders? To some extent, the performance of each reformist depended on factors particular to each country. The nature of the newly elected party played a strong role in shaping outcomes; these differences, which (as described in the introduction) were of lesser importance in determining the general nature of the opposition message in each case, regained causal importance following the election. Argentina’s second generation reformist party was a coalition of an old and a new party, which differing ideologies, differing priorities and differing modes of political competition; as a result, a breakup of the two parties and the end of the coalition was a constant threat. In Peru, the second generation reformist party was an ideologically incoherent and vague movement; as a result, despite the party’s tendency toward a lack of cohesion and the absence of a clear political program, a dramatic fracture between rival factions was not likely. In Mexico, the second generation reformist party was relatively cohesive and well institutionalized, despite some tension between the president and partisan leaders; however, its strong electoral showing had been partly due to temporary support from strategic voters with no long-term loyalty, and its minority status left it incapable of pursuing key policies without support from other parties.

An additional factor that was crucial in determining political outcomes was the economic situation faced by each country. As second generation reformist programs consisted more of a set
of rhetorical postures than a clear agenda for addressing the country’s most pressing problems, the three opposition campaigns had proposed very similar agendas for countries in different economic circumstances. In particular, the ongoing recession and severe debt constraints that the Alianza encountered upon taking office would prove critical, both in terms of their direct impact on the government’s options and public image, and in regard to the effect of those constraints on the existing divisions within the party. By way of contrast, Peru’s relatively strong macroeconomic performance under Toledo allowed the president some political breathing room even after his public image had collapsed, and the economic disenchantment faced by Vicente Fox in the early years of his term was less powerful than in Argentina (and was replaced by increasing optimism during the latter years of his term). In general, these two factors – the partisan makeup of the government and the economic context – were influential in determining the differing outcomes faced by the three reformist presidents: in Argentina, political collapse in Argentina, political incapacitation in Peru, and political stalemate in Mexico.

Alongside these differences, certain general, commonly shared elements of the second generation reformist challenges created a natural predilection toward political weakness and ineffectiveness governance that emerged in each case. Specifically, the lack of coherence of the ideological nature of the second generation reformist appeal, and the ideological heterogeneity present among both voters and leaders of second generation reformist parties, created frictions following the assumption of power. Furthermore, the adoption of second generation reformism as a fundamentally negative campaign appeal, intended to aggregate the support diverse groups based solely on opposition to the current government, left reformist leaders with little effective
mandate once they assumed power and contributed to internal friction within their governing coalitions.

Moreover, the composition of the second generation reformist vote posed its own problems. Reformist candidates attained office in part through the strong backing of a relatively narrow and privileged segment of society that was amenable to appeals centered on governance issues. They supplemented this support by attracting voters of all classes who were dissatisfied with the economic situation, promoting the idea that political change would lead to economic improvement. In the absence of the promised improvements, many of these voters, whose partisan loyalties tended to be weak, soon abandoned the new government. The second generation reformist campaigns and the electoral coalition they attracted were largely ad hoc and opportunistic; they did not represent an agenda directed to the material demands of a coherent set of social interests. Representative ties within the movement, both between leaders and their parties, and between parties and their supporters, tended to be weak and contingent.

The problems associated with the lack of a clear agenda, internal disunity, weak representative ties, and an obsolete electoral coalition were magnified by a general disadvantage faced by second generation reformist leaders: their relative inability to call on clientelistic methods and state resources. Neoliberal populist leaders, and the main opposition parties that second generation reformists faced upon taking office, were able to employ clientelistic tactics and (to a varying extent) the machinery of the state. This capacity allowed them to overcome internal divisions within their parties, and in some cases to adopt policies that differed drastically from their campaign promises, without suffering debilitating electoral consequences. Second generation reformist parties were less equipped to pursue this sort of strategy, both because they
lacked the practical capacity to do so, but also because attempting to do so would undermine their fundamental justification for seeking office.

In order to fully examine both the particular factors and general tendencies that led to reformist weakness, it is necessary to assess the post-election performance of each successful challenger in more depth. In the following sections, I detail the experience of the three second generation reformist challengers after taking office.

Argentina

Fernando de la Rúa and the Alianza took power in an atmosphere of general public optimism. One month before assuming office, the president enjoyed a favorability rating of 73% in a CEOP poll, the other major Alianza figures (Raúl Alfonsín and Chacho Álvarez), while less popular, received a higher favorability rating than any important Peronist leader. The same poll indicated that a majority of Argentines expected that the De la Rúa government would be successful in reducing unemployment and corruption. (Clarin, Nov. 12, 1999)

Despite this generally favorable public mood, the Alianza government confronted several immediate and significant challenges. The coalition’s substantial margin of victory in the presidential race had not been replicated in the legislative and subnational contests. The Alianza maintained a plurality in the Chamber of Deputies; however, their advantage was too small to ensure the passage of legislation on their own (Novaro 2002, 66) The Senate remained firmly in the hands of the PJ, due to the Peronists’ strength in rural areas and the strongly disprortionate effects of Argentina’s federal system. The picture was worse at the provincial level, with the
Alianza controlling only six provincial governments, while the PJ held fourteen, including three of the most important and powerful (Córdoba, Santa Fe, and the massive province of Buenos Aires). Several of these governors aspired to the PJ’s next presidential nomination, a fact that strengthened their inclination to resist potentially unpopular aspects of the De la Rúa administration’s policy agenda. The tendency of the Alianza to rely primarily on anti-Menem sentiment for political support had left it at a disadvantage in races where Menem was not on the ballot; as a result, the ability of opposition legislators and powerful provincial governors to obstruct reform initiatives would represent a major obstacle for the new administration. In addition to the party’s continued access to state power, Peronist leaders maintained considerable capacity to mobilize social opposition via patronage networks (Calvo and Murillo 2005) and ties to labor. Overall, despite their dismal showing in the presidential election, the Peronist opposition retained significant influence over the direction of the country and the fate of the De la Rúa government.

The internal dynamics of the Alianza coalition also presented pitfalls. The ideological divisions both between the UCR and FREPASO, as well as those within the two parties, had been temporarily subsumed to the goal of defeating Menem, and internal discontentment had been quieted by the Alianza’s political successes. Following the achievement of the coalition’s main goal, other means would have to be found to maintain unity. In fact, this temporary adhesion to a common goal had not significantly lessened the fundamental divisions within the Alianza. De la Rúa’s preference for market liberalism still placed him at odds with large sectors of his own party, as well as with the preferences of FREPASO. The independent-minded FREPASO leadership of would also face a new test, as the new party’s more ideologically fervent members would likely demand a level of influence over policy within the new coalition
that would be difficult to achieve given the smaller party’s subjugated position and De la Rúa’s inclinations to the contrary. Keeping the fragile alliance together would require intensive collaboration between De la Rúa and his coalition partners, as well as continued political victories for the Alianza.

De la Rúa’s manner of governance proved deeply unsuited for this delicate state of affairs. As a candidate, De la Rúa had campaigned (in the words of Juan E. Corradi) “in the U.S. style, as an individual rather than a party chief,” relying on sound bites, slogans, and the mass media. While this independence from his party allowed for flexibility in tailoring his campaign message to attract support from a wide range of supporters, the isolation proved to be a liability once in office, as it “deprived the president of the undivided attention and automatic loyalty of disciplined troops.” (Corradi 2003, 119-120) De la Rúa’s personal approach exacerbated this isolation; in delegating authority and seeking advice, he tended to rely on a small circle of associates rather than incorporating important figures from the coalition’s two parties. Only half of his initial cabinet slots were assigned to Alianza politicians, and FREPASO received just two ministries: Labor, headed by Alberto Flamarique, and Social Development, headed by Graciela Fernández Meijide (a considerable loss of status for the former presidential contender) (Latin American Regional Report-Southern Cone (LARR), Dec.21, 1999). Chacho Álvarez, whose presence was of central importance to the party’s anti-corruption message, was largely marginalized in the vice-presidency. Hector Schamis describes De la Rúa as “cut off from the larger political society, at odds with his own party, and surrounded by a clique of unelected, nonpartisan advisors, several of whom had no previous political experience of any kind.” (Schamis 2002, 86). De la Rúa’s own uninspiring persona, which his campaign had attempted to associate with austerity and seriousness, were a poor fit for a personalistic approach to
leadership. As a result of these conditions and his own personal characteristics, De la Rúa eventually became seen as an isolated and ineffectual leader.

Alongside its internal frictions and the challenges of a powerful opposition, the Alianza faced an unfavorable economic and social panorama. While the first half of Menem’s term had been characterized by economic growth alongside increasing inequality, by 1999 several years of recession had inflamed social tensions. The recession had also undermined the country’s fiscal position, and Menem’s efforts to win support for a third term though massive spending had added further debt. Prior to leaving office, the Menem government announced that the expected deficit was more than twice as high as previous estimates, and would exceed a $5.1 billion target previously agreed with the IMF (LARR, Nov. 6 1999). External factors exacerbated the fiscal crisis. At the same time, the strictures of the politically untouchable convertibility law hampered the performance of exports, undermining the government’s access to foreign exchange to service its debts. As creditors’ faith in Argentina’s ability to sustain its economic model weakened, Argentina’s country risk ratings and the interest rates paid on its debt climbed, further sapping the country’s fiscal resources and international confidence. Policy debates and campaign messages during the Alianza’s campaign over the past two years had centered around where and how to allocate state resources; however, the country’s precarious fiscal state ensured that the policy agenda of the new administration would have little to do with allocation of resources, and instead revolve around urgent efforts to reduce deficits and stave off insolvency (Bonvecchi 2002, 124).
Under these conditions, the Alianza government’s economic team decided that restoring international and domestic confidence in the economy was of utmost importance; the existing cycle, in which lack of confidence translated into higher debt payments and vice versa, needed to be reversed. (Bonvecchi 2002, 125) The top priorities were to increase revenue and cut back spending; at the same time, the government intended to proceed with second generation reforms that could be established without the commitment of significant fiscal resources and would be viewed favorably by the government’s international constituency. However, the policies demanded by the administration’s international constituency often contradicted the preferences of the government’s own voters.

A prominent early policy initiative involved a significant tax increase. The tax increase was intended to build private sector confidence in the new government, thus reducing the country risk and interest rates, which would eventually contribute to economic recovery; unfortunately, the measure had apparently the opposite effect on economic activity in the short term (Powell 2002, 7), and was widely unpopular, quickly becoming universally referred to by the derogatory term “impuestazo.” The tax increase was particularly burdensome for the middle class, the Alianza’s core of support. While the De la Rúa government was able to push the impuestazo through the legislature, it undermined its political position in the process (and in doing so, at least partially undermined whatever confidence might have been generated by the demonstration of fiscal austerity).

The other major issue that the Alianza addressed during the first months of the new administration was labor reform. The Alianza’s campaign platforms had referred to the need for labor reforms, a trademark priority of second generation reformist perceptions, but their rhetoric had been deliberately unclear about the exact nature of the changes that would be made. This
vagueness was unsurprising, given that actual labor reform proposals tended to focus on increases in employer flexibility in hiring and firing, a goal that was distinctly unpopular among the coalition’s own supporters. The Alianza depicted its reform measures, which included increases in the probationary period of hires and shift from sectoral to workplace bargaining, as necessary to spur increased employment in the long term; however, the specific policies were rejected by some of the coalition’s supporters, in particular from FREPASO (LARR Mar. 7, 2000); it also provoked a strong reaction from organized labor, including four general strikes by the country’s main labor union, and violent protests (Cook 2006, 94). As with the tax reform, the passage of labor reform represented both a policy success and a political setback for the government. The reform itself was not popular, and any initially noticeable social impacts were likely to be negative.

With the recession persisting or worsening and the government’s agenda doing little to assuage popular concerns, smoldering social conflicts began to ignite, most notably in a series of violent demonstrations in the country’s interior. Committed to satisfying the demands of Argentina’s creditors, the De la Rúa administration had little room for maneuver in response to these pressures. In May of 2000, at the bidding of the IMF, the government announced a new austerity package involving cuts in government salaries, pensions, and other spending. A single aspect of the austerity package – the reduction of role of the country’s deeply unpopular labor unions in provision of social programs-was welcomed by a majority in surveys, but inspired strong antagonism from the weakened but still potentially troublesome labor sector, which sponsored several strikes in response to the adjustment package. Overall, the austerity package met with widespread public condemnation, and De la Rúa’s approval rating plummeted in surveys. The government’s decision to opt for economic orthodoxy and austerity widened the
gap between the president’s team and the political parties that constituted the Alianza, as many of the coalition’s politicians advocated for adjustments in the economic model in response to the continued recession (Corrales 2002, 45; Novaro 2002); this opposition came in large part from FREPASO but also from the left wing of the UCR, led by Raúl Alfonsín. The fragile consensus on a “second generation” reform agenda that had existed during the campaign abruptly ceased to exist when the Alianza government was faced with hard choices in a context of severe monetary and fiscal restraints.

As economic policy issues steadily eroded the coalition’s public image and internal unity, the Alianza government made some efforts to attend to the issues of corruption and accountability that had been the centerpiece of the party’s campaign message. Soon after taking office, the government announced the formation of an Anti-Corruption Office entrusted with administrative oversight and the design of anti-corruption policies. While generally well regarded, the office was also viewed as largely inadequate to the scope of the task, and its efforts were not considered a major priority for the government. The De la Rúa administration also attempted to follow through on its campaign promise to pursue the investigation and punishment of corrupt figures from Menem’s administration, but did so in a primarily symbolic manner. In July 2000, the government initiated high profile cases against several prominent and supposedly “emblematic” Menem era officials, including Victor Alderete (former head of PAMI, the notoriously corrupt pensioners’ health care system) and Maria Julia Alsogaray (former minister of the environment), in July 2000. The Alianza leadership hoped that an increased emphasis on the issue of transparency would help the party weather the public disapproval generated by its economic measures.
Regardless of whether this renewed focus on transparency and accountability could have sufficed to sustain the Alianza under difficult economic circumstances, the government’s efforts to rely on the corruption issue as a source of unity and prestige were soon definitively nullified by scandal. In August of 2000, rumors surfaced in the media that the legislative success of the administration’s labor reform initiative had been obtained in part through bribes to several Peronist senators, with the president’s close associate Fernando de Santibañes (head of the national intelligence agency) mentioned as a key conspirator in the arrangement. (Morales Solá 2001). De la Rúa initially responded with pledges to fully investigate the allegations. However, the government took little substantive action, despite pressure for a more aggressive approach from Chacho Álvarez, whose reputation depended on the government’s anti-corruption credentials. When a cabinet reshuffle by De la Rúa the following month left Santibañes in his post, Álvarez resigned from the vice presidency, throwing the coalition and the government into crisis.

While the Alianza coalition survived Álvarez’ resignation in theory, the removal of FREPASO’s only significant leader within the government marked the beginning of the end for the coalition. International financial markets took note of the inauspicious political trend and the emerging potential for ungovernability, driving Argentina’s country risk rating still higher. The Alianza’s economic policies failed create the intended virtuous cycle of increasing confidence leading to easing of fiscal pressures. Instead, the immediate political backlash and social consequences of austerity created a vicious cycle with no apparent exit: fiscal austerity led to economic slowdown and political conflict, which further undermined international confidence, driving up interest rates and creating a need for further austerity.
In December 2000, the Argentine economy received a temporary respite in the form of a $15 billion loan package from the IMF, colloquially referred to as the “blindaje” (shielding). When this failed to restore confidence or revert the cycle of rising interest rates followed by rising debt, Economy minister José Luis Machinea resigned in March 2001. In his place De la Rúa named Ricardo López Murphy, a UCR economist and former defense minister with doctrinaire neoliberal views that accorded closely with the president’s own inclinations. The incoming minister immediately announced a new set of austerity measures. While the international financial establishment responded warmly to López Murphy’s nomination and his economic measures, the reaction within the Alianza was drastically negative; condemnations from within the coalition and a spate of high-profile resignations forced López Murphy’s resignation within two weeks of his nomination. Now thoroughly discredited and politically weakened, De la Rúa turned as a desperate last resort to Domingo Cavallo, the architect of convertibility and of Menem-era structural adjustment (and a rival of De la Rúa in the 1999 election).

Given substantial discretionary power over the economic agenda, Cavallo pursued a heterodox set of policies. He pressured the central bank to ease banking regulations and increase access to credit; when the central bank resisted some of these changes, its head was removed from office through an apparently politically motivated disciplinary inquiry (LARR, May 22, 2001). Cavallo also promoted subsidies for certain sectors, instituted a tax on financial transactions, and loosened the convertibility regime by adding the euro to a basket of currencies pegged against the peso. These measures failed to restore confidence, forcing another round of spending cuts in July 2001. The announcement of the new austerity plan, enacted as part of a stated “zero deficit” policy, met with an extremely unfavorable reaction from international
investors; immediately following the announcement, Argentina’s country risk rating surged from 1200 to 1600 basis points (Powell 2002, 12).

Cavallo’s efforts to simultaneously overcome recession and restore fiscal equilibrium were dealt a further blow by a hardening of attitudes within the United States Treasury and the IMF. Neither the US presidential administration of George W. Bush (and his treasury secretary Paul O’Neill), nor the newly appointed IMF leadership of Horst Kohler (and his deputy Ann Krueger) were inclined to favor bailouts for the Argentine economy. Instead, the new leadership was primarily concerned with issues of moral hazard, and viewed the Argentine crisis as an opportunity to make an example of their newfound strictness. This attitude represented a sharp contrast with the IMF’s loose treatment of Argentina during the fiscal unraveling of Menem’s second term. This shift in the international environment exacerbated the country’s political and economic problems in several ways. The government was forced to institute harsher austerity measures. Additionally, international investors took exactly the message that the IMF and US intended; the widespread conclusion that a bailout was unlikely increased the pressures on interest rates and the peso (Corrales 2002, 37). By the arrival of midterm elections in October 2001, it had become widely assumed that a default and devaluation were inevitable.

The midterm elections of 2001 both confirmed and worsened the Alianza’s crisis. With the President’s approval ratings edging into the single digits (Cheresky 2003, 44), pre-election surveys unanimously predicted defeat for the government (Morales Solá 2001, 271). At the same time, the Alianza’s main candidates were unanimously critical of De la Rúa’s economic policy (Cheresky 2003, 44). A more forceful critique of the government’s economic model was presented by the newly formed movement “Alternative for a Republic of Equals” (ARI), founded by dissident Radical deputy Elisa Carrió, whose rhetoric also emphasized the fight
against corruption. The main opposition figure, Eduardo Duhalde, now running as a
candidate for the senate, was similarly critical, although apparently amenable to the prospect of serving in a
government of national unity following the elections (Morales Solá 2001, 274). In the absence of
any possibility of a renewal of the government’s policy mandate, the outcome of the 2001
election would largely serve to set the stage for competition as to who would fill the emerging
political vacuum.

The results of the election were as disastrous for the Alianza as surveys had predicted. The governing party received only 23% of the vote in the chamber of deputies, a 20 point decline from its result in the elections two years prior; with the worst losses coming in the coastal provinces and, in particular, the City of Buenos Aires. The Alianza’s support in the capital dropped from 1.03 million votes in 1999 to 260,000 in 2001 (Cheresky 2003, 47). Having finished first in the Congressional vote in sixteen provinces in 1999, the Alianza managed to win only six in 2001. The PJ received 36% of the nationwide vote for the Chamber of Deputies, reclaiming a plurality of seats in that chamber (and forming an opposition majority with the assistance of the ARI (Ollier 2003, 180); they expanded their strong majority in the Senate. Nonetheless, the Peronists’ total also represented a decline from their 1999 performance. Overall, the vote for the two major parties declined from 71% of all votes in 1999 to 45% in 2001. Some of this vote went to smaller or provincial parties, including the ARI (which garnered a second place finish in the city of Buenos Aires (Cheresky 2003, 47); much of the decline, however, stemmed from the surge in blank and spoiled votes. Whereas 6.6% of the votes cast in the election of the Chamber of Deputies in 1999 had been blank or spoiled, in 2001 that number rose to 24%, an unprecedented figure for competitive, democratic elections in Argentina (Bassett 2003, 60). The increase in the incidence of spoiled ballots was particularly strong; the
percentage of spoiled votes rose from 1% in 1999 to 13% in 2001 (Basset 2003, 63). At the same time, the electoral abstention rate rose from 18 to 25% of eligible voters. The 2001 election, then signaled both a dramatic decline in support for the Alianza, and an overall public disgust with politicians, exemplified by the so-called voto bronca. By October of 2001, only 5% of the Argentine public expressed confidence in the country’s politicians (Murillo 2002). While the message of the election included a rebuke of all parties, its immediate practical consequence was the strengthening and emboldening of the opposition; the PJ signaled its increased intransigence by violating several parliamentary norms of cooperation, and some of the Alianza’s own candidates abandoned the party following its defeat at the polls (Ollier 2003, 180).

In the aftermath of the election, the De la Rúa government’s political isolation and weakness intensified, and domestic and international confidence in the government’s ability to find a way out of its dire fiscal straits or maintain the value of the peso continued to decline. In a desperate attempt to forestall a run on banks, the De la Rúa administration instituted a freeze on bank withdrawals. This widely hated measure, known as the “Corralito,” brought the middle class of Buenos Aires into the streets to demand De la Rúa’s resignation; at the same time, residents of poorer districts looted supermarkets (Schamis 2002, Murrillo 2002). Riots were met with police repression, leading to 30 deaths, and emergency efforts to form a government of national unity were rejected both by the PJ leadership and by leaders of the Alianza, who were rapidly abandoning De la Rúa and his government. Beset from all sides, the president and his cabinet abandoned power on December 21.

The aftermath of De la Rúa’s resignation brought both political turmoil and economic catastrophe. Following a temporary assumption of power by Ramon Puerta, a Peronist senator and president pro tempore of the Senate, the newly Peronist-dominated legislature selected
Adolfo Rodríguez Saá, governor of the tiny province of San Luis, as the new president. In his inaugural speech, Rodríguez Saá announced (to thunderous applause) that Argentina would default on its debt, while pledging to maintain peso-dollar convertibility and promising a social policy intended to address poverty and unemployment. Of these pledges, only the debt default announcement was credible, and within a week further social protests and internal division among Peronists forced Rodríguez Saá to abandon power. In his place, the Legislative Assembly settled on Duhalde, now viewed as the Peronist with the firmest base of political support and the best chance of containing the burgeoning popular unrest. Duhalde, like Rodríguez Saá, promised an economic policy that would depart from the neoliberal model and address the demands of the needy; in the short term, his first move was to eliminate the dollar-peso convertibility system. In the ensuing months, Argentina would suffer the worst economic collapse in its history, with the peso losing 70 percent of its value, unemployment rates reaching a quarter of the population, and a surge in poverty levels.

Argentina’s political and economic collapse destroyed not only the Alianza coalition, but its constituent parts. Following the collapse, FREPASO ceased to exist as a political party, and its major leaders abandoned electoral politics. The UCR, Argentina’s longest existing party, was effectively eliminated as a national party, surviving only as a regional party in areas where popular local leaders had run under the UCR label; the UCR’s candidate polled only 2% in next presidential election of 2003. Two former Alianza leaders managed to remain politically viable as national political figures: Elisa Carrió, whose ARI continued to combine economic populism with anti-corruption messages, and Ricardo López Murphy, who took up the banner of the free market. Neither of the two finished among the top two contenders in the 2003 presidential race, and combined they mustered 30% of the vote. In the years following Duhalde’s administration,
Argentina’s political space was dominated by Nestor Kirchner, whose rhetoric emphasized social justice, economic nationalism, and departure from neoliberal orthodoxy, and who cultivated a personalistic and sometimes autocratic leadership style. As the Argentine economy recovered from its dire straits and eventually rebounded strongly during Kirchner’s tenure, the public responded enthusiastically to his leadership, and alternative messages were generally marginalized. The second generation reformist option that the Alianza had embodied remained essentially absent from the electoral arena.

**Peru**

Following Fujimori’s resignation, preparations began for a new presidential election in May 2001 that would replace the interim administration. As the most prominent opposition candidate and the eventual standard-bearer of the anti-Fujimori movement, Alejandro Toledo was the early favorite; his chances seemed further enhanced by the fact that Fujimori’s anti-democratic tendencies, and the related issue of official corruption, had vaulted to the top of the political agenda in the aftermath of the scandal.

As the campaign proceeded, however, Toledo faced an unexpectedly forceful challenge from an apparently unlikely source: Alan García, former president and leader of the largely dormant APRA party. García’s economic and political mismanagement were closely associated in the public mind with the economic crisis and breakdown of internal security that Peru had experienced during the late 1980s, conditions whose alleviation had provided the basis for much of Fujimori’s popular backing; as a result, the prospect of his successful return to the presidency seemed remote. As the campaign began, García had only recently returned from an exile spurred
by charges of corruption, and displayed insignificant levels of support in opinion polls. As late as February, two months before the first round election, García barely exceeded 10% of the vote (Datum poll in Caretas, Mar. 29 2001), placing him in fourth place behind Toledo, Lourdes Flores (the candidate of the center-right alliance Unidad Nacional) and Fernando Olivera (the leader of the ostensibly anti-corruption Independent Moralizing Front, who was responsible for disclosing the videotapes that touched off the scandal that sunk Fujimori) (Latin American Weekly Report (LAWR), Feb 6 2001). Bolstered by the remnants of APRA’s party machine and traditional base of support as well as by his famous personal charisma, García rapidly rose in the polls, and eventually took second place in the April 8 first round vote, obtaining 26% of the vote to Toledo’s 37%.

In mounting his challenge, García staked an ideological position somewhat to the left of Toledo’s second generation reformist stance. García’s need to banish memories of the disastrous economic collapse of his previous administration obliged him to foreswear the sort of macroeconomic profligacy that had fueled the hyperinflation, and to commit himself to a degree of fiscal probity. However, in contrast with Toledo, his rhetoric stressed the need for a change in the economic model; during a presidential debate in May 2001, García blamed the “neoliberal model” for “the collapse of industry, the abandonment of farmlands, and the immense unemployment that we have” and pledged to “essentially change” the country’s economic orientation (El Debate 2001, 42). Beyond broad calls for a change in economic strategy, García’s rhetoric and promises focused on basic pocketbook issues, stressing concerns such as the cost of utility services and the price of medicines. This emphasis on immediate and tangible voter preoccupations, combined with García’s formidable abilities as a communicator,
proved very effective (Taylor 2005, 575-576), and as the second round approached García was approaching Toledo in the polls.

In the face of García’s surging popularity, Toledo responded by shifting away from his emphasis on democratization and integrity, in place of governance based appeals, he opted for ever-more extravagant promises. Toledo’s campaign pledged to create 400,000 new jobs in the first two years of his term and devote 30% of the national to budget to education (Caretas, Aug. 2 2001), as well as generating 7% annual economic growth. In large part thanks to the reluctant support of voters who viewed a second García presidency as the worst possible outcome, Toledo managed to fend off the former president’s challenge, winning the second round by a 53% to 47% margin.

Despite his surprisingly narrow victory, Toledo enjoyed high levels of public support immediately upon taking office, with over 60 percent of the public expressing approval. Nonetheless, the unexpected strength of García’s challenge had uncovered significant weaknesses in the president’s political position. Toledo’s shaky performance in the 2001 election campaign was in part tied to deficiencies in his public image; although a majority of the public expressed optimism at the moment of his inauguration, he was nonetheless saddled with widely held perceptions of personal untrustworthiness, and his weak showing in the first round election demonstrated that he lacked a substantial base of loyal public support.

Toledo’s legislative position was also somewhat precarious. His party, Perú Posible, obtained 45 seats in Congress, 13 short of a majority; and was obliged to seek the support of the FIM as a coalition partner (LAWR, Jun. 5 2001, Jun. 12 2001), as well as several smaller parties. While the second largest party, APRA, only had 28 seats, and thus had limited ability to obstruct
policy on its own, the lack of a stable majority in the legislature suggested that Toledo’s legislative fortunes would depend on his ability to maintain strong public support while espousing policies that met the approval of a broad range of political actors.

Upon taking office, Toledo emphasized the inclusive character of his administration, pledging to appoint “a cabinet of all bloods, all political persuasions” based on criteria of “professional solvency and moral authority.” (LAWR, Jun. 12 2002) The Peruvian news weekly Caretas characterized the eventual cabinet as being comprised of “Perú Posible partisans, liberals, ex-Marxists, and populists.” (Caretas Aug. 2 2001) The most significant appointment from a policy perspective was the naming of Pedro-Pablo Kuczynski to the economy ministry. Kuczynski was a favorite of Wall Street (and later, coeditor of a prominent book on second generation reformism). (Kuczynski and Williamson 2003) His appointment signaled the maintenance of the free market model that Fujimori had established, as well as renewed privatization efforts, and earned the approval of the international financial establishment. Unlike many other prominent liberal economists, Kuczynski had not collaborated with the Fujimori regime’s market reform efforts, making him a logical choice for a new administration that had promised policy continuity and improved governance. The other top cabinet prize, the powerful post of Prime Minister, went to another technocrat, prominent international lawyer and investment advisor Roberto Dañino. The most prominent posts reserved for members of Toledo’s own party were the ministries of health and defense, while the only leader from another party to obtain a post was the FIM’s Fernando Olivera, a divisive and confrontational leader who was awarded the ministry of justice. Other positions were filled by independents, two of whom (Fernando Rospigliosi and Nicolás Lynch, in the interior and education ministries respectively) were from the left. Overall, the cabinet clearly reflected the nature of Toledo’s electoral alliance:
it featured a wide range of ideological perspectives, but relatively few leading politicians from his own party or allied parties, and reserved the most significant posts for neoliberal technocrats with favorable international reputations. Toledo assembled his cabinet the same way he had established his party’s identity—favoring the cultivation of personal ties over the construction inter or intra-party alliances, emphasizing ideological flexibility, and placing a high priority on the maintenance of neoliberal economic model with increased attention to social concerns and government integrity.

This nonpartisan and ecumenical approach, while compatible with electoral success, rapidly proved incompatible with effective governance. Within a few months of Toledo’s July inauguration, members of the cabinet, as well as the president himself, were already making apparently contradictory statements on the government’s policy agenda (Caretas, Sept. 6 2001), and Toledo’s government clashed with its own legislative supporters on questions surrounding the taxation of electrical utilities (Caretas, Sept. 20 2001). The chief of Perú Posible’s plan of government observed in an interviews that the relative lack of partisan leaders in cabinet posts, combined with the failure to immediately produce jobs for the party’s supporters, had generated discontent within the party (Caretas, Sept. 6 2001). The nature of Perú Posible contributed to internal disunity; in the absence of a coherent program, a wide variety of viewpoints were represented within the movement, and many of the party’s members were primarily concerned with access to patronage.

The cautious economic measures proposed by the new government, representing primarily continuity with the previous administration’s policies (Soria 2002, 70-71), did little to sate public demands for social and economic improvements. Hopes that efforts to increase international confidence would lead to an immediate and substantial boost in international
investment were not realized in the short term, forcing the government to adopt a relatively strict fiscal line (Gamero 2003). At the same time, Toledo suffered from a series of personal missteps, notably an increase in the presidential salary that was widely viewed as grossly excessive, as well as several political appointments that provoked accusations of nepotism (The Economist, Dec. 11 2001). Throughout the early part of his term, Toledo was dogged by his refusal to acknowledge the paternity of a 14-year old girl who claimed to be the president’s daughter via an extramarital affair; after months of less-than-credible denials, Toledo eventually owned up to the charges in 2003 (when faced with the possibility of a court-ordered DNA test), having done considerable damage to his personal credibility in the meantime.

The government’s obvious incapacities, and the absence of immediate, concrete results, magnified Toledo’s perceived personal shortcomings in the public mind. The failure to rapidly produce the increased employment that Toledo had endlessly promised during his campaign was viewed not only as a policy failure, but as a demonstration of the president’s personal untrustworthiness. The continual squabbles and tensions within Toledo’s government fostered perceptions of feeble and ineffective presidential leadership. Those same conflicts tended to undermine Toledo’s attempts to maintain and reconcile the multiple identities that he had promoted during his campaign. While Toledo the candidate had been able to switch from business suits and technocratic professionalism to indigenous clothing and ethnic-tinged populism depending on the audience, as president his image quickly solidified as an out-of-touch, deceptive, and ineffectual politician.

By October public support for Toledo had fallen below 50%, and the government confronted a series of mobilizations in the country’s interior (Ballon 2002). By December, only a third of the public registered approval, and a majority disapproved (The Economist, Dec. 2
2001); by March, Toledo’s approval rating lay at 25%. The precipitous decline in public support, and the conflicts within the government (exacerbated by a cabinet reshuffle in which ministers from Perú Posible were removed from their posts) led to widespread speculation about whether Toledo’s government, less than six months old, would be able to survive a full term in office.

Toledo’s government responded to these concerns about governability by attempting to foster a multi-party consensus on goals and policy principles. During the first half of 2002, the Toledo administration promoted a series of talks with leaders of opposition parties in an effort to establish a declaration outlining a shared ideological vision. The negotiations culminated in the signing of a “National Accord” in July 2002, in which leaders of major parties (including the two main opposition parties, APRA and Unidad Nacional) and several important social organizations expressed their agreement with certain basic principles; among others democracy, transparency, decentralization, universal access to education and health, and the creation of a “social market economy.” Despite the political travails of the government, the essentially second generation reformist ideas described in the National Accord retained sufficient elite support to form the basis of an apparent consensus among the country’s political leadership.

Even as Toledo was promoting elite consensus, however, polarizing forces were gathering strength outside the government. The trigger that unleashed those forces was an effort by Toledo’s government to promote privatization of electricity generation in the southern city of Arequipa. Despite polls showing opposition to electricity privatization, Toledo’s administration (at the behest of the IMF) pursued the sale of two electric plants serving Arequipa and southern Peru to a Belgian firm. The response was violent: in June of 2002, anti-privatization protests in Arequipa rapidly turned to riots, and spread to other cities in the south, forcing the government to
declare a state of emergency. The government’s consternation in the face of the Arequipa uprising was heightened by the fact that Arequipa, and the southern highlands in general, had been a source of electoral strength for Toledo. At the head of the protests was Arequipa’s mayor José Manuel Guillén, an ally of Toledo during the 2000 election campaign (who had briefly served at the head of the new administration’s commission on decentralization, but resigned shortly into Toledo’s tenure). The regional movements of the south had cooperated with Toledo’s campaign in the hopes of reversing the centralizing tendencies of Fujimori’s administration, but had little loyalty toward Toledo himself. Privatization decrees from Lima were viewed as an indication that Toledo’s administration represented more of the same.

In response to the incipient crisis, Toledo’s government, now apparently weaker than ever, abandoned the privatization efforts. The following month, he drastically changed the face of his cabinet, opting for a more political team and dispensing with several technocrats. In the aftermath of the events of Arequipa and the government’s retreat, the finance minister Kuczynski’s doctrinaire neoliberalism and his ties to the United States and foreign investors, were now viewed as a liabilities; he was replaced by Javier Silva Ruete, a somewhat less orthodox economist and a trusted figure who had held the same job in the transitional government. The relatively apolitical Roberto Dañino left the office of prime Minster, and was replaced by Luis Solari, the head of Perú Posible, who immediately announced that future privatization decisions would be left up to regional governments.

By shifting toward a more economically heterodox and politically partisan cabinet, Toledo hoped to placate both his party and the public in the run-up to regional elections scheduled for the fall. The elections to name governors to each of Peru’s 25 regions were a new
institutional mechanism, replacing the system of appointed governors that prevailed during the
Fujimori administration, and were intended to bolster Toledo’s credentials as a decentralizer.
Despite representing the fulfillment of a key promise, the elections themselves further
undermined Toledo’s position, as his attempts to change course were insufficient to prevent a
drubbing in the November 2002 contest. Unimpressed by the government’s efforts to broaden its
support through the National Accord and cabinet changes, the Peruvian electorate opted for the
Perú Posible candidate in only one of the 25 regional contests. The dramatic failures of the
governing party contrasted with the continued revival of APRA and Alan García. In a departure
from the recent trends of declining support for national parties, APRA captured 12 of the
regional governments. No other party garnered more than two governorships, with ten of the
posts being won by regional parties or movements (LAWR, Nov. 19 2002). The regional
elections results of 2002 both undercut Toledo’s already precarious political position, and
bolstered his main rival. Ironically, the one significant promise that Toledo successfully made
good on – political decentralization – created the opportunity for a major blow to his already
reeling government and bolstered his main rival.

By the end of Toledo’s first year in office, the tone for the rest of his administration had
been set. During the first year as a whole, Toledo’s approval averaged 23.8% (Barr 2003, 1168),
and public perceptions of the president as untrustworthy, out of touch, and ineffective persona
were firmly cemented. The combination of Toledo’s personal discrediting, internal turmoil
within his party and cabinet, widespread popular mobilizations, and a resurgent opposition
suggested that the prospects for Toledo to successfully complete the remaining four years of his
term were dim.
Nonetheless, in spite of the fact that the obvious weaknesses of Toledo’s administration would persist throughout the remainder of his term, his tenure in office was never seriously challenged. The absence of a clear and direct threat of presidential removal can be in part tied to the weak divided nature of the opposition. The main opposition leaders both saw the subsequent presidential elections as their preferred path to power, and saw little reason to disrupt the functioning of the democratic process. The political impact of opposition social movements was similarly limited. In contrast with the movements that were generating political upheaval in Peru’s Andean neighbors, the popular mobilizations that troubled Toledo throughout his tenure were diffuse, and generally centered around sectoral or regional concerns; they showed little potential or inclination to unite into a broader movement capable of representing a clear alternative force, or posing a challenge to institutional continuity (Pizarro et al. 2004, 39).

An additional factor mitigating the government’s vulnerabilities was the performance of the economy. While the economic slowdown inherited by Toledo persisted into the first months of his administration, between 2002 and 2006 the Peruvian economy grew at an average of approximately 5% per year, a performance that was among the best in Latin America during that period and was unprecedented in recent history. The growth was driven in large part by strong revenues from raw material exports, a result both of increasing production and increasing world prices. During Toledo’s administration, the country experienced little inflation, and its fiscal situation improved, with external debt as a percentage of GDP declining from 50.6% to 45.5% between 2001 and 2004 (CEPAL 2005, 288). However, the macroeconomic gains registered by the country as a whole were felt only weakly by the majority of the public. Unemployment remained at high levels, in contradiction of Toledo’s central campaign pledge. Consumption among the poor increased, but the improvement was inadequate to make a significant and

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22 Interview with Nicolás Lynch, Feb 2004.
immediate dent in poverty rates; according to CEPAL (2005), the national rate of poverty decreased by one tenth of one percent between 2001 and 2003. Overall, the economic growth and stability achieved during Toledo’s administration generally did not translate into clear improvements in standards of living for the majority of the population (and, as such, did little to rehabilitate the image of his government). Nonetheless, the overall positive trend tended to counter any momentum towards radical political disruption.

Rather than collapsing, Toledo’s administration settled into an ongoing pattern of stagnation and decline, with the president’s leadership becoming steadily less influential and less relevant as his term wore on. Toledo’s approval continued to be mired in the teens and twenties throughout most of his tenure, occasionally flirting with single digits. Between 2003 and 2005, his administration was preoccupied by a series of damaging scandals that received extensive media attention. Among these were accusations that Perú Posible’s party registration had been accomplished in part through fraudulent signatures on petitions; this was a particularly embarrassing allegation for Toledo, as Fujimori’s alleged use of forged signatures had been a central focus of the opposition’s 2000 campaign. Toledo frequently attempted to deflect media criticism by asserting that members of the Fujimori-Montesinos cabal were conspiring against him. Whatever the truth of these accusations, they did little to sway public perceptions: opinion surveys indicated that Peruvian voters believed that corruption had worsened under Toledo compared to the previous administration (McClintock 2006b). This perception was likely fueled in part by the aggressive approach of the press during Toledo’s tenure, in contrast with the submissive and largely compromised media under Fujimori.

Throughout the latter years of Toledo’s term, turnover within the cabinet was commonplace. In July 2003, facing calls that the president “step aside” and surrender some of
the leadership role to less discredited figures, Toledo acknowledged that drastic change was
needed, and again reshuffled the cabinet, naming six new ministers. In an effort to rehabilitate
the government’s prestige, Toledo placed Beatriz Merino, a widely respected independent
politician at the head of the new cabinet. While initially welcomed, this effort ultimately proved
futile; Merino was soon forced out of power as a result of intrigues and rivalries within the
administration, leaving Toledo’s government adrift once again.

Alongside the continued failure of the government to maintain a semblance of internal
unity, public support, or policy coherence, social protest continued to simmer, occasionally
exploding onto the national stage. The most notable explosion occurred in the town of Ilave in
April and May of 2004, in which public anger over corruption led to massive, violent protests
and the eventual lynching of a mayor. The crisis in Ilave underscored broader concerns about the
breakdown of government legitimacy and authority, and prompted the resignation of Toledo’s
interior minister Fernando Rospigliosi (following a censure by the legislature) (The Economist,
May 8 2004). Other prominent conflicts plaguing Toledo’s administration during its final years
in office included clashes with the country’s main labor union, the CGTP, and the powerful
teachers’ union, as well as with a coca growers movement that mobilized and became
increasingly defiant following the government’s decision to undertake an aerial defoliation
campaign in 2003 (Pizarro et al. 2005).

On the whole, the last years of Toledo’s term were characterized by the same trends that
had dominated throughout – internal infighting and ineffective leadership, periodically violent
social conflict and overwhelming public disenchantment with the government’s performance and
the President’s character. These negative tendencies were mitigated somewhat by the sustained
strength of the economy at the macro level, a tendency that discouraged any efforts to provoke a
political upheaval, but was insufficient to revert the public perception that the Toledo’s free-market policies had failed to make due on his campaign promises.

As a result of the plummeting fortunes of both the president and his party, Perú Posible failed to even nominate a candidate for the presidential elections of April 2006. The absence of an incumbent candidate opened the field for a variety of opposition figures to state their claim. Alan García had been viewed as the primary opposition leader during Toledo’s term. However, García’s persistently high negative ratings hindered his appeal as a candidate; consequently, the initial leaders in pre-election polls were other opposition figures (with essentially second-generation reformist messages). Valentín Paniagua, Peru’s interim president following Fujimori’s resignation, was highly regarded for his commitment to democracy and personal probity; however, he was a somewhat reluctant candidate, and steadily faded in the polls due to perceptions of weakness and a lack of dynamism. As a result, the early frontrunner was Lourdes Flores Nano of the center-right Unidad Popular. Throughout Toledo’s administration, as well as her campaign, Flores attempted to soften her image as an advocate of free-market policies and a representative of the elite, stressing her commitment to reducing poverty and her image as an honest leader, and promoting the perception that her gender made her a new voice, separate from the traditional political class. These efforts were sufficient to maintain a place at the head of electoral preferences for most of 2005.

As had become customary in recent Peruvian elections, the dynamics of the 2006 competition were shaken by the unexpected emergence of a powerful outsider. In this case, the anti-system challenge came from a new source: former military commander Ollanta Humala. Humala first came to the public’s attention as the leader, with his brother Antauro, of a failed uprising against Fujimori undertaken as the former president’s government was collapsing amid
scandals. Following the transition, Humala was pardoned. He entered politics in 2005 at the head of the Peruvian Nationalist Party, and obtained the nomination of the Union por Peru, at the time a minor left-leaning party, for the 2006 election. Humala’s campaign was nationalistic and populist; he attacked both the neoliberal economic model and the political class, depicted himself as a champion of Peru’s poor and indigenous, and cultivated ties with Venezuelan president Hugo Chávez (whose message and rise to power paralleled Humala’s). While he disassociated himself from some of the more extreme positions taken by his politically controversial family members (including Antauro, jailed for another violent uprising in 2005) the tone and content of of Humala’s message contrasted sharply with that presented by any significant political figure since the Fujimori’s conversion to economic orthodoxy.

Humala began the campaign as a marginal contender, managing only 5% of the vote in APOYO’s nationwide poll. He more than doubled his support to 11% by November in the same poll, an improvement built largely on strong support in the southern and central highlands (El Comercio, Nov. 13, 2005). During the next two months, Humala surged to 28% of the vote in APOYO’s poll, vaulting him into a statistical tie for first place with Flores (El Comercio, Dec. 16 2005). In the face of Humala’s nationalist and populist challenge, Flores struggled to banish the perception of elitism; this task was made more difficult by her ill-advised decision to select Arturo Woodman, a powerful business leader with past ties to Vladimiro Montesinos, as a running mate. As Flores’ and Paniagua’s support declined, Humala faced problems of his own, including allegations of human rights abuses during Peru’s counterinsurgency war, and unwelcome associations with his embarassing family members. As a result, some of the gains from the early front-runners’ decline accrued to Alan García, who had moved into third place.
The final APOYO poll taken before the election showed Humala in first place with 31% of the vote, Flores with 26%, and García with 23% (El Comercio, Apr. 2 2006).

The election results differed little from the pre-election surveys, with Humala taking 31% of the vote; however, Alan García eked out second place with 24%, less than a point ahead of Flores. The announcement that García had surpassed Flores’ totals to earn a place in the second round was greeted by an immediate drop in the Peruvian stock exchange, as Peru’s middle and upper classes faced the unpleasant prospect of a choice between Alan García, still reviled for his role in the economic collapse of the 1980s, and the far more frightening campaign of Humala.

Despite early polls showing a strong advantage for García, the eventual margin of the second round was only five points in García’s favor; 52.6 to 47.4%. The outcome of the second round contest laid bare Peru’s deep social and geographic divisions. Humala performed strongly in the interior and south of the country and in rural areas (winning a majority of Peru’s departments), while García dominated along the coast, both in APRA’s traditional stronghold of the north, as well as in Lima and in urban areas more generally. The regional divide was echoed by a class division; According to surveys, support came disproportionately from the lower classes, while García won among working class, middle class, and upper class voters. García’s margin was particularly strong among the upper classes; he drew upwards of 70% support in the country’s wealthiest electoral districts (including the affluent Lima neighborhoods of San Isidro and Miraflores), a result that would previously have been considered highly unlikely. García’s victory over Humala rested on his ability to create a multi class alliance that included both traditional APRA supporters as well as the significant percentage of voters who viewed a Humala victory as a worst-case scenario.

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23 In the final APOYO poll prior to the second round, García led Humala by 93%-7% among voters in the “A” segment of the electorate, and by a roughly 2-1 margin in the B and C sectors; Humala mustered an eight point lead in the D sector and equaled García’s 50% in the E sector (El Comercio, May 28 2006).
The 2006 election in Peru underscored the temporary and fragile nature of the apparent free-market consensus that had previously prevailed in Peru, and the fading relevance of the second generation reformist message that had accompanied that consensus. Despite the country’s strong overall economic performance between 2001 and 2006, the 2006 election saw the reemergence of a formidable populist challenge to the neoliberal model; and the two candidates who most exemplified the second generation reformist position (Flores and Paniagua) proved the weakest in the face of this challenge. Although support for Humala and his political movement rapidly ebbed following the election, the widespread sense of exclusion and discontentment that had made his challenge possible remained a pressing concern.

Mexico

Like the other two successful second-generation reformist challengers, Vicente Fox entered office having generated extraordinary expectations and facing enormous obstacles. During the campaign, Fox had promised to (among other things) generate annual growth rates of seven percent, dramatically increase employment, boost government spending on education and health care, make considerable progress combating both crime and corruption, resolve the conflict in Chiapas, increase tax revenues, build infrastructure in poorer regions, and to improve relations with the United States.

However, the methods by which these goals were to be attained were generally not clearly specified, with Fox’s campaign relying primarily on his personal image and generic
promises of change in order to foster public optimism. And while Fox had proposed to pursue reforms in a variety of policy areas – including tax policy, the telecommunications sector, the energy sector, and the labor market – he generally avoided describing the exact policy changes that would be adopted in each area. As a result, Fox assumed office without having built public support for specific policy measures; while his election represented a popular desire for the end of PRI rule, it offered little mandate for any sort of policy agenda that would follow the transfer of power.

The difficulties presented by the lack of a democratic momentum for a policy agenda were compounded by Fox’s weak political position. Although the Mexican presidency had been commonly viewed as an immensely powerful post during the era of PRI dominance, the transfer of power laid bare the fundamental weakness of the office. While PRI presidents had been able to amass considerable power in the context of their party’s dominance of the legislature and the state apparatus, in purely institutional terms the Mexican presidency is much weaker than in most other countries of the region (Pastor Jr. and Wise 2006, 141-142). The Mexican president has no exclusive right to introduce legislation, and lacks both veto power and decree powers (Rubio 2004, 22). The years preceding Fox’s election also saw an increase in the influence and budgetary clout of state governors, a trend which had contributed to the decline of the PRI’s hold on government and Fox’s rise to the presidency, but further weakened his position upon assuming office (Rubio 2004). The increasing autonomy of Mexico’s judiciary represented an additional check on presidential power. The institutional weakness that emerged into the light with the shift from authoritarianism was accompanied by a decrease in the symbolic stature of the presidency. Public disapproval of the abuses and failures of recent PRI presidents (in particular, Luis Echeverría, José López Portillo and Carlos Salinas) had tended to undermine the
prestige of the office as a whole (Loeaza 2006, 28), a tendency that was heightened by Fox’s own irreverent approach to his campaign and the position.

Beyond the essential weakness of the office of president, Fox faced an unfavorable political context in terms of the balance of powers between the parties. Fox had been able to gather a fairly broad base of support by appealing primarily to anti-PRI sentiment, attracting independent voters, openly seeking the “useful votes” of citizens who shared little common ideological ground with the PAN, and forming alliances with political figures outside of his party. An obvious consequence of this approach (and of Fox’s overall, career-long tendency to distance himself from his party) was a gap between the level of support for Fox in the 2000 presidential election and support for the PAN at the legislative level. Despite having defeated the PRI by five points in the presidential election, the PAN continued to trail the PRI in both chambers of the legislature, obtaining 205 seats in the chamber of deputies (compared to the PRI’s 208, out of a total of 5000) and 46 senators (compared to the PRI’s 60). (Grayson 2003, 4)

While this represented a significant improvement over the PAN’s 2000 performance, the PAN’s lack of a majority ensured that it would have to forge coalitions with other parties to pass its initiatives, while the PRI’s strong position held out the hope that it could reclaim a legislative majority in the subsequent midterm elections in the event of public disenchantment with Fox (a considerable disincentive to cooperation). Outside of the national contest, the PAN’s electoral support in 2000 failed to transcend regional divisions. In subnational elections where party organization and clientelistic links retained greater significance than mass media messages, the PRI remained strong, holding the governorship of 20 states, and controlling 1,385 municipalities containing 51% of the country’s population (Sauri 2001, 267).
The combination of Fox’s lack of a policy mandate, the inherent weakness of the executive, and the PAN’s minority status created a political environment in which committed opposition parties could easily obstruct most presidential initiatives. Under these circumstances, the president’s pursuit of a reform agenda would require deft political leadership in order to have any chance at success. Fox proved lacking in this regard, initiating his term with a series of political mistakes and questionable judgments.

An early mistake involved Fox’s attempts to address the Chiapas conflict, and indigenous rights more broadly. Having promised during the campaign that he could solve the Chiapas problem in “15 minutes” (Lawson 2004a), Fox opened dialogue with the EZLN rebels (who had responded to Fox’s election by initiating a march to Mexico City) and initiated legislative efforts to pass an indigenous rights bill. However, Fox’s conciliatory response to the Zapatista mobilization generated discontent within his own party, and the weak measure that eventually passed the legislature was forcefully rejected by the EZLN. Fox’s puzzling decision to sacrifice political capital on a futile effort to address a fairly intractable issue that had not been a major part of his campaign agenda demonstrated his early lack of savvy, and set his administration off on the wrong foot.

Subsequent initiatives fared little better. A economic policy proposal involved reforming the tax system to increase revenue levels, which Fox argued would need to increase by 2.5% of in 2002 and by 4% annually thereafter (Pastor Jr. and Wise 2006, 146), to make the country less dependent on petroleum revenues. To this end, measures were intended to broaden the tax base, eliminate loopholes, and bring the informal sector into the official economy. As Fox had promised that the additional revenues would serve as a basis for increases in spending on health care and education, tax reform constituted a central element of his second generation reformist
agenda. However, Fox was never able to convince the Mexican public of the necessity for his reform initiatives, and his proposals were by and large obstructed by the opposition majority. In particular, the opposition focused on a significant – and extraordinarily unpopular aspect - of Fox’s tax reforms: a proposal to apply value added taxes to food, medicine, and educational expenses (as part of a broader effort to reduce evasion by eliminating different rates and exemptions within the VAT) (Jaime 2004, 59). This measure, opposed by 86% of the Mexican public in a 2003 Reforma poll (Moreno 2004, 5), was seized on by the opposition to build public pressure against the president’s reform agenda as a whole. Mexico’s Congress eventually passed one of Fox’s proposals, a uniform income tax rate for the top bracket, but the rest of his major tax reform initiatives were rejected. Overall, Fox’s administration failed in its stated goal of making Mexican government finances less dependent on oil revenues: tax revenue as a percentage of GDP was the same in 2004 as in 2000 (Pastor Jr. and Wise 2006, 146).

Fox encountered similar difficulties in pursuing reforms toward the energy sector. Lack of efficiency in the state-dominated oil and electricity industries was viewed as fundamental obstacle to growth, and reforms in those areas were a central part of Fox’s agenda. In line with his general campaign promises, Fox attempted to open up two parastatal energy firms to private investment. However, this effort provoked considerable resistance both from unions in the firms and from a PRI-led legislative opposition, as well as from public opinion (Rubio 2004, 59; Pastor Jr. and Wise 2006, 147), and eventually failed. In the oil sector, efforts to introduce private involvement in certain costly aspects of oil production faltered before united opposition of the PRI and PRD. Fox’s reform efforts in the energy sector faced particularly daunting obstacles: entrenched interests intent on preserving the status quo, united legislative opposition, constitutional impediments (in the case of the oil sector), and widespread negative public opinion
rooted in a traditional ideological link between state control of energy generation and national sovereignty. Fox’s efforts to overcome these hurdles by mobilizing public opinion against his legislative opponents proved completely inadequate.

Fox’s political travails were accompanied by internal conflicts within his party and his government. The PAN leadership had been willing to set aside their longstanding suspicion of Fox’s rebelliousness during the campaign, endorsing the candidate’s depiction of the election as a nonpartisan plebiscite against the PRI. However, the division between Fox and his party’s traditional wing (headed by senator and former presidential candidate Diego Fernández de Cevallos, Fox’s longtime rival) reemerged following the election. Party president Luis Felipe Bravo Mena stated soon after the 2000 victory that while the PAN would not impinge on the President’s duties, it would also not “allow [Fox] to interfere or attempt to take charge of the business of the party.” (Crespo 2004, 24). For his part, Fox snubbed the PAN when appointing his cabinet, at one point declaring:

The PAN knows it needs to respect the right, the authority of the president of the Republic to select his cabinet. They must respect those decisions! At the end of the day it is Vicente Fox who is governing, not the PAN! When things go wrong or mistakes are made, it is Vicente Fox, not the PAN! When the right choices are made, it is Vicente Fox, not the PAN! (Crespo 2004, 25)

Fox’s initial cabinet included only four members of the PAN. Two of these party members were placed in relatively minor posts, one was selected fill a position that had been declined by the PRD (which rejected Fox’s overtures to serve in the cabinet), and one (Interior Minister Santiago Creel) was a close ally who had only joined the party recently. Two members of Fox’s campaign joined the PAN subsequent to being named to the cabinet; the rest of the posts were filled by independents (most notably Jorge Castañeda as foreign minister) or by members of the PRI (Crespo 2004, 25-26). The lack of traditional PAN politicians underscored
the reemerging division between Fox and his party, a division that led to legislative conflict
during the early years of Fox’s presidency (most notably in regard to the previously mentioned
indigenous rights initiative) (Starr 2002, 61). The diverse and independent cabinet that Fox had
named also lacked cohesion, being plagued with internal squabbles and conflicting agendas
(Starr 2002, 59-60; Erikson 2006, 17). By the midpoint of Fox’s term, several key ministers had
resigned (including the leftists Aguilar Zinser and Castañeda, the latter pursuing an abortive
presidential campaign).

On some issues, Fox’s administration did make headway in advancing a second
generation reform agenda; the government could claim some success on issues of poverty. Fox’s
primary anti-poverty policy involved the continuation and expansion of a well-regarded program,
named Progresa, that had been initiated under Zedillo, and combined targeted subsidies with
requirements of school attendance and health checkups. Progresa was widely viewed as an
improvement over previous PRI anti-poverty efforts in that it was designed to be independent of
political influence, and had registered some notable successes under the previous administration.
Fox’s maintained the main aspects of the program, renamed it “Oportunidades,” and extended it
from rural areas to urban ones. Although the government acknowledged that Oportunidades
covered only two out five poor people, it and similar programs were nonetheless cited as one
factor in a slight but noticeable decline in poverty rates that was observed between 2000 and

Beyond this incremental progress on social issues, the maintenance of economic stability
during the Fox administration can also be considered an accomplishment, given that it
represented a break from the established pattern of periodic financial crises. Despite these
advances, the Mexican public showed little inclination to credit the Fox administration for
modest improvements in welfare; instead, public judgments focused on the tepid performance of the overall economy during the early years of Fox’s term, and the apparent weakness of the president’s leadership.

During the first few years of Fox’s term, disappointment and disillusionment in his leadership quickly became widespread. This disappointment was a result not only of Fox’s difficulties in governing effectively, but also of economic performance that fell well short of campaign promises. Instead of enjoying the 7 percent annual growth rates that Fox had forecast, Mexico fell into recession, suffering a net loss of 2.1 million jobs and averaging annual GDP growth of less than one percent during the first three years of Fox’s term (Baer 2004). Employment in manufacturing was particularly hard hit (Pastor Jr. and Wise 2006, 151). In part, this poor performance could be ascribed to a negative external context. The onset of recession in the United States diminished demand for Mexican exports, with employment in the maquila sector dropping by 22 percent between October 2000 and July 2003. At the same time, increased competition from China further undermined Mexico’s manufactured export performance (Pastor Jr. and Wise 2006, 150). While Fox’s administration could not be blamed for Mexico’s recession during the early years of his term, the immense gap between the expectations and promises of his campaign and the post-election reality heightened dissatisfaction with his weak and ineffectual leadership.

Fox retained relatively high approval ratings- although his approval rating sagged to 47% by May 2002 (Lawson 2004a, 140) it never went well below 50%, and later recovered to roughly 60%. Voters tended to give Fox the benefit of the doubt in personal judgments, considering him to be overall well-intentioned and his government to be relatively clean. Fox’s tendency to appeal directly to the public via the media, while complicating relations with his party and being
largely ineffective in building legislative support for his agenda, helped bolster his personal image. (Loaeza 2006, *The Economist* Jul. 1 2006). On the other hand, public views of Fox’s capacity to govern were far less forgiving; surveys show that public evaluation of his leadership qualities and effectiveness dropped throughout his first three years in office. According to a yearly survey by Consulta Mitofsky, 69% of the public rated Fox’s leadership ability as good in November 2000; just one year later, that number had fallen to 39%, and by November 2003 only 28% of the public gave Fox’s leadership a good rating. A nearly identical decline was observed in ratings of Fox’s problem solving ability, and while 60% of the public had rated Fox’s level of experience positively when he assumed office, his clumsy and apparently naive governing style reduced that percentage to 23% by 2003. When Fox took office in 2000, 46% of the public agreed with the statement “The President is in charge.” By 2003, only 29% believed that Fox was in charge, while 60% believed that he wasn’t. (Loaeza 2006, 20).

The combination of a divided party and government, perceptions of presidential weakness and ineffectiveness, and economic stagnation took a predictable toll on Fox and the PAN in the July 2003 midterm elections. Fox and the PAN hoped to pin the blame for the political stalemate on the legislative opposition (running under the slogan “Remove the brake on change”) (Grayson 2003, 3). Instead, the Mexican electorate opted to punish the party controlling the executive. The PAN managed only 30.6% of the vote, and its representation in the Chamber of Deputies fell from 205 seats to 151, a decline from 41 to 30 percent of the seats. The PRI rebounded, capturing 222 seats in alliance with the Mexican Green Party (an opportunistic party that had run as part of Fox’s alliance in 2000, but abandoned the PAN after
not receiving any cabinet posts for its members). The biggest gains were made by the PRD, which surged to from 54 to 95 seats in the legislature (Grayson 2003, 4)

Surveys showed that the PAN had retained the support of only some of the social groups that had underpinned their 2000 victory, and only by lesser margins. According to Reforma polls from the two legislative elections, in 2003 the PAN won 38% of university educated voters compared to 24% for the PRI; this represented a 12% decline in PAN’s margin from the 2000. Similarly, in 2003 the PAN bested the PRI by 23 points (48%–25%) among urban, middle class voters, a group the PAN had won by 34% three years earlier. On the other hand, the PAN’s 46-30% margin among urban residents as a whole in 2000 became a 36-32% loss in that group in 2003. Perhaps most significantly, independent voters, who had supported the PAN by 46 to 21% in 2000, opted for the PRI over the PAN by a 30-28 margin in 2003 – a clear indication of the impermanent nature of the diverse anti-PRI coalition that Fox had assembled. (Grayson 2003, 6).

The PAN was further hurt by low turnout; abstention in the 2003 elections reached 58%, an all-time high. Public apathy and disenchantment generally favored the PRI, whose hard core of support still exceeded that of the other two parties, and which proved better able to mobilize its supporters in the off-year election (Crespo 2004).

The 2003 election results further dimmed prospects for breaking Mexico’s political stalemate. The electoral resurgence of the PRI (and, to a lesser extent, the PRD) raised the hurdles to achieving legislative majorities, and the upcoming presidential election (which all three parties viewed as potentially winnable) made cooperation unlikely. Divisions with the PRD were heightened by political maneuvering; in particular, conflicts developed from a controversial government effort to strip the PRD’s clear favorite, Mexico City mayor Andrés Manuel López Obrador, of his immunity from prosecution for alleged abuses of his authority.
As a result, the second half of Fox’s term was characterized essentially by a continuation of the political stalemate that had prevailed during the first three years of the sexenio.

Fox responded to this challenge by pursuing some rapprochement with his own party, adding PAN ministers to three cabinet slots that had previously been held by independents. However, the upcoming election also mitigated against intra-party unity, as the contest for the party’s presidential nomination predictably brought the party’s fractures to the fore. The most prominent possible candidates for the post were allies of Fox; Santiago Creel, the interior minister, led in opinion polls, and the possible nomination of the president’s wife Marta Sahagun was the subject of widespread and vigorous speculation. The more traditional and partisan wing of the party viewed the nomination contest as an opportunity to reassert its dominance. This effort coalesced around the candidacy of the energy minister Felipe Calderón, who resigned from his post in May 2004 after having been publicly criticized by Fox for promoting his presidential ambitions (*The Economist*, Jun. 5 2004).

Despite its ongoing political struggles, the Fox administration’s picture was brightened by improving economic conditions. After having gradually risen from .03% in 2001 to 1.44% in 2003, Mexico’s annual rate of growth surged to 4.36% in 2004 (*OECD Country Statistical Profiles, 2006*)\(^{24}\). At the same time, extreme poverty rates began to decrease throughout the country, a decline fueled by the eventual economic growth, but also by the gradual impact of the anti-poverty programs that Fox had inherited and expanded (*The Economist*, Jul. 1 2006) Public economic improvement buoyed Fox’s political standing; by the beginning of 2006, a *Reforma* survey showed receiving a favorable rating for his management of the economy from 50% of the electorate against only 22% disapproval, a 13% increase in approval over two years earlier. Fox

received a similarly positive evaluation on the question of poverty, attaining 56% approval and 22% disapproval. Support on the poverty issue had reached its nadir in 2002, when only 30% approved, and steadily increased in subsequent years. Satisfaction with Fox’s performance on the issue of unemployment also increased, although it remained slightly negative. In January 2006, 34% of the electorate approved of Fox’s handling of the unemployment problem, while 37% disapproved (a 14% increase in approval and 16% decrease in disapproval over the previous year (Reforma, Jan 3 2006, Jan. 9 2005). Mexico’s economic upturn apparently had little to do with Fox’s policies (as with economic recoveries throughout much of Latin America, increasing commodity prices were a major factor, with improved US economic performance also playing a role), and had relatively little impact on unemployment rate (OECD Country Statistical Profiles, 2006); all the same, increased public optimism buoyed the PAN’s chances in the run up to the 2006 presidential election.

Somewhat unexpectedly, the PAN’s presidential nomination fell to the former energy minister Felipe Calderón, who soundly defeated the most prominent candidate, interior minister Santiago Creel, in the party’s three regional primaries in 2005. The surprising victory of Calderón could be in part traced to disappointment with Fox among PAN supporters, a sentiment that hampered Creel’s appeal. Calderón’s young age (he was 43 years old in 2006) and perceived honesty and competence helped enable him to benefit from the sources of Fox’s continued personal popularity. At the same time, his independence from the president and his ties to the party’s traditional wing allowed him to disassociate himself from negative perceptions of the current administration and bolstered his promise that his government would succeed where Fox’s had failed in governing effectively. (The Economist, Oct. 22 2005). Calderón’s campaign rhetoric reflected this dichotomy: he credited Fox for preserving economic stability and fiscal
prudence and for making some progress against poverty, and promised to adhere to the market oriented economic policies that had been adopted over the previous two decades (Klesner 2007, 27). Similarly, Calderón praised Fox for his role in leading Mexico’s democratic transition. At the same time, he acknowledged Fox’s ineffectiveness in the face of legislative opposition, and promised to be more effective in creating coalitions, including incorporation of other parties in his cabinet (Business Mexico Dec/Jan 2005, 26-29). Calderón’s emergence as the PAN candidate helped revitalize the party’s prospects for the 2006 elections, as his better known rival Creel had consistently trailed in the polls to the PRD’s presumptive nominee, López Obrador.

One of the PRD’s original founders, López Obrador had been elected to the mayor’s office in Mexico City in 2000, a post that made him the foremost opposition figure to Fox’s administration. López Obrador took advantage of this position more effectively than the previous PRD nominee, Cuauhtémoc Cárdenas, building immense popularity within the capital city through forceful leadership, personal charisma, and popular social and infrastructure programs. At the same time, he adopted a combative posture toward the national government; and his tenure as mayor was universally viewed as prelude to an eventual president campaign in 2006. Having attacked Fox during the campaign for representing continuity with the neoliberal policies and social unrepresentativeness of the contemporary PRI, López Obrador sought to emphasize the contrasts between his leadership and the Fox administration, attacking the free market economic model, and pointing to his policy successes in Mexico City as evidence that he, unlike the president, was capable of and committed to concrete accomplishments for the benefit of ordinary Mexicans.
López Obrador’s obvious potential as a political threat to both the PRI and the PAN led to a confrontation in 2004, with the national government attempting to strip the Mexico City mayor of his immunity to prosecution for allegedly exceeding his legal authority in minor dispute over construction of a road. After the legislative vote to eliminate his immunity, López Obrador defiantly mobilized supporters against the campaign, which he (plausibly, given the partisan nature of the vote) attacked as politically motivated. In the face of large public demonstrations, Fox’s government backed down, leaving the path clear for López Obrador’s campaign, and cementing his position as front-runner. While enjoying widespread popularity and a powerful base of support in Mexico City, the PRD candidate suffered from several vulnerabilities. His party remained in third place in electoral loyalties, his autocratic and mobilizational tendencies were a source of concern for the Mexican public, and were emphasized by Calderón in a relentlessly negative campaign, and his administration in Mexico City had made little progress against crime, an issue that Calderón stressed intensely. Finally, Mexico’s gradual economic improvement slightly weakened López Obrador’s appeal as a defender of the poor.

The PRI, despite its strong position in the legislature, eventually became an afterthought in the presidential contest. After defeating his rivals in a bitter internal struggle, Roberto Madrazo (a former Tabasco governor and party insider) began the contest in second place in polls, behind López Obrador. Madrazo proved to be a weak candidate, and was weighed down by scandals, an uninspiring campaign, and his image as a representative of the old, largely discredited, PRI. Having peaked in February, he fell to a clear third place by the late months of the campaign, and was essentially discounted as a contender by the time of the election. (Estrada and Poiré 2007, 760)
The 2006 election was fiercely contested between Calderón and López Obrador. The PRD candidate, who had led in the polls for several years, fell behind in Calderón in April 2006 following the PAN candidate’s surge and his own ill-advised decision to skip the first presidential debate. However, López Obrador regained a narrow lead in most polls by June, which he held until the election. The closeness of the margin suggested that the result would likely come down to turnout, and raised the specter of a contentious post-election battle over a disputed outcome.

The election results bore out these fears. After an inconclusive election-night quick count found both of the leading candidates within the statistical margin of error, both López Obrador and Calderón claimed victory (Schedler 2007, 90). The intensely scrutinized full count of the votes that followed several days later showed Calderón with 36.7% of the valid vote to López Obrador’s 36.1. A postelection survey showed that the bases of PAN support were similar to that of past elections, with Calderón taking a disproportionate share of the vote from better educated and high income sectors, as well as urban voters. López Obrador drew support roughly equally from all educational and socioeconomic levels, and also had a primarily urban electorate. The PRI, reduced to a distant third with 22.7% of the presidential vote, continued to draw disproportionately strong support from poor voters and the rural sector. Among those who identified themselves as Fox voters in 2000, 28% cast a vote for López Obrador in the 2006 election (Mexico Panel study July 2006, Klesner 2007, 31 ); in contrast, Calderón received only 9% of the vote from those who had favored the PRD in 2000.

Following the announcement of the official outcome, López Obrador immediately protested the results, complaining of both election day fraud and government interference during the campaign. López Obrador pursued his claims through both legal and extra-systemic means,
with the PRD filing an official complaint and demanding a nationwide recount, and the candidate
calling his supporters into the streets. While the electoral dispute was being examined in the
courts, a series of mobilizations of PRD supporters roiled the country, particularly in the capital,
where hundreds of thousands of protesters packed Mexico City’s main square, and López
Obrador’s supporters established a protracted blockade of some of the city’s major
thoroughfares. When Mexico’s electoral tribunal conceded the PRD only a limited recount that
barely altered the totals, López Obrador broadened his attacks, claiming that the country’s
institutions were invalid, and declaring himself the legitimate president. The increasingly radical
(and occasionally absurd) nature of López Obrador’s pronouncements, along with negative
publicity from the protests, sapped the challenger’s support; in surveys, a strong majority of the
Mexican public expressed confidence in the election result, and Calderón led voters’ post-
election preferences by a wide margin. However, despite his intransigent stance, López Obrador
retained the support and loyalty of close to a third of the Mexican public at the time of
Calderón’s inauguration. The continued political division represented the most immediate and
urgent challenge for the incoming president.

The Common Difficulties and Divergent Outcomes of Second Generation Reformist
Opposition

In each of the three cases examined here, an opposition that had attained striking electoral
success through a second generation reformist message came to be viewed as a failure in
government. In Argentina, the failure was most clear and dramatic, leading to a complete
collapse of both the government and the economy, and the extinction of the political party that
had carried the second generation reformist banner. In Peru, Toledo managed to complete his term while maintaining a stable and growing economy; however, the President experienced a rapid and lasting decline in public support, and his leadership was overwhelmingly rejected by society; as in Argentina, the second generation reformist electoral movement had virtually ceased to exist by the next presidential election. In Mexico, Fox maintained his personal popularity until the end and turned over the office to a successor from his own party, but was widely viewed as a failure in policy terms; faced with resolute congressional opposition, he was unable to advance much of a substantive agenda.

In each case, an indication of the political failure of second generation reformists was the fact that political consensus on the maintenance of the neoliberal model that had prevailed at the end of the 1990s did not survive until the next presidential election. In Argentina, the advent and eventual hegemony of a more traditional strain of Peronism can be clearly linked to the economic and political collapse that occurred under the watch of a second generation reformist leadership. However, the emergence of politically influential challenges to the free market model is more difficult to explain in Peru and Mexico, countries where macroeconomic performance under second generation reformists was generally better than that of the previous five years.

These three unsuccessful outcomes - collapse in Argentina, deterioration in Peru, and stalemate in Mexico – resulted from numerous factors, many of which were particular to the individual country and circumstance. However, certain general patterns can be observed among the three cases. Many of the problems and pitfalls experienced by second-generation reformists were commonly shared, and can be linked to the commonly shared origin and nature of their electoral strategy and electoral coalition, as outlined in this study. The political strategy and
bases of public support that brought electoral success for a second generation reformist campaigns were to a great extent incompatible with effective governance and policy-making.

In the concluding section, I examine the sources of the reformist weakness that emerged in all three cases. The differing outcomes of the De la Rúa, Toledo, and Fox administrations can be understood in large part as resulting from these shared governance challenges, in combination with the varied influences of the different party systems and economic contexts present in each case.

**Independent Leaders, Independent Voters**

All three of the second generation reformist challenges were characterized by a pattern of weak links between leaders and their parties, as well as between opposition politicians and the electorate. In Peru, this weakness was a consequence of the overall political environment, where virtually all political representation was weakly institutionalized and personalistic; In Argentina and Mexico, where parties were stronger overall, this independence was associated with deliberate campaign strategies of the opposition.

In each of the three cases, the relative weakness of the ties between leaders, parties, and voters was linked to the successful adoption of a second generation reformist message. In Argentina, the alliance between the UCR and FREPASO was made possible in large part by the political independence of the main leaders of each party, and their ensuing ability to formulate a unified campaign message that glossed over the ideological differences among their parties’ internal factions and supporters. In Peru, Toledo’s Perú Posible movement was personalistic and
amorphous even in comparison to the other parties in Peru’s highly inchoate post-liberalization party system. Toledo’s campaign emphasized flexibility and pragmatism in general, and was built largely around the candidate’s personal profile; this independence from discredited political parties and direct appeal to unaffiliated voters allowed him to quickly take on the mantle of the anti-Fujimori opposition following the successive declines of Andrade and Castañeda. In Mexico, Fox’s independent campaign (and independent funding) allowed him to buck pressures from the traditional wing of his own party, put forth a message that emphasized the PAN’s commitment to democratization while de-emphasizing less popular elements of the party’s identity and rhetoric, and cultivate support from anti-PRI voters and political figures from a wide range of ideological persuasions. In each case, the opposition relied to a great extent on voters whose political loyalties had been shaken by the crisis of corporatism and the shift to a free market model, and who had not been included in the neoliberal populist coalition; the loyalties of these voters tended to be contingent and potentially volatile.

Furthermore, like their neoliberal populist predecessors, second generation reformist candidates tended to distance themselves from partisan activists and structures, pursuing campaigns that centered on the personal characteristics of leaders, and formulating policy agendas and campaign messages relatively independently of the party’s organizational base. Overall, the weak ties between reformist leaders and their voters and party organizations allowed second generation reformist candidates considerable flexibility in crafting an opportunistic message that could appeal a heterogeneous and loosely affiliated support base, and adjust to the electoral weaknesses and liabilities of neoliberal populist incumbents.

This independence, while essential to the electoral success of the second generation reformist campaigns, universally became a severe liability once the reformist
challengers assumed office. Lacking a strong base of loyal followers, second generation reformist leaders found their public support to be both volatile and of limited political utility. Having relied on promises that political change would bring about improved social and economic outcomes, reformist leaders discovered that many of their voters had little patience when the promised improvements failed to materialize in the short term. The weak and contingent public support for second generation reformists undermined their efforts to maintain internal partisan unity or secure legislative assent for their agenda by mobilizing public opinion; even during periods in which reformist presidents maintained respectable approval ratings, dissenting factions within their own party felt little need to maintain unanimity regarding the leadership’s proposals, and their partisan opponents saw little incentive to refrain from obstruction.

**Ideological Heterogeneity and Negative Campaigns**

The second generation reformist opposition campaigns in Argentina, Peru and Mexico were notable for the degree of ideological diversity present among both leaders and supporters. Given the composition of attitudes among potential opposition supporters, this broad appeal was viewed as necessary to overcome the electoral challenge represented by the persistence of a neoliberal populist incumbent coalition. As such, the opposition candidates in each case deliberately promoted a wide-ranging message at the expense of internal coherency and consensus.

In each case, the second generation reformist appeals that had temporarily bridged ideological differences proved inadequate to maintain a unified coalition following the election.
The manner in which policy differences reemerged varied among the three countries, and this variation had significant consequences for the eventual fate of second generation reformist leaders. In Argentina, behind the Alianza’s reformist facade lay a substantive divide over economic policy priorities that split the two parties of the coalition, and divided the UCR internally. The conflict between domestic demands for welfare-oriented social policies in response to persistent recession, and international demands for austerity, turned these splits into open conflicts. The resulting cycle of political turmoil and declining confidence eventually wrecked both the economy and the coalition. In Peru, the lack of consensus with the governing party represented more an overall incoherence than fractures along clearly defined ideological divisions; overall, the lack of partisan cohesion contributed to Toledo’s perceived ineffectiveness and eventual irrelevance. In Mexico, the anti-PRI support that Fox had attracted from the left, and from potential PRD voters in particular, effectively ceased following his assumption of office. While a majority of the public welcomed the PRI’s defeat, much of the specific policy agenda that Fox attempted to implement (such as reforms to the tax system) had minimal support outside his own party. While Fox maintained personal popularity, he was unable to sustain the political loyalty of some of his 2000 supporters; as a result, in the 2003 and 2006 elections, the PAN’s vote was reduced to little more than its partisan base (although the decline in support for the PRI meant that even this reduced appeal was sufficient to retain the presidency, if only barely). In each case, the ideological vagueness and diversity that second generation reformist politicians intentionally cultivated during their campaign proved a major hindrance to effective governance following the election.

A closely related problem was the essentially negative character of the second generation reformist campaigns. Rather than espousing a clear future course of action, the campaign
rhetoric of second generation reformists was defined in large part by rejection of the least popular aspects of the incumbent administration. In Argentina, the Alianza settled on corruption as its primary campaign theme in part because the issue was Menem’s clearest and most consistent weakness; furthermore, disgust with corruption provided a way to link the unpopular president to Duhalde (despite Duhalde’s attempts to differentiate himself with a more leftist economic message). The specific goals and policies of the eventual Alianza administration assumed secondary importance to their attacks on the most discredited aspects of Menemism. In Peru, Toledo attained his stature as the head of the opposition and the standard bearer for redemocratization largely as a result of being the clearest available alternative to Fujimori following the regime’s dismantling of the campaigns of Andrade and Castañeda; his personal qualities and policy preferences became almost irrelevant as the campaign evolved into little more than a public judgment on Fujimori’s leadership. Similarly, in Mexico, Fox explicitly depicted his campaign as representing almost nothing beyond “change,” going as far as to state that his mission would be completed upon winning the election; his strategy involved deliberately reducing the campaign to a plebiscite on continued PRI rule. While this intensive focus on public discontent with the incumbent, and the corresponding emphasis on the governance issues that were the incumbent’s greatest weakness, proved extremely effective as a campaign strategy, it also left the opposition with little of a mandate upon the assumption of office.
An Obsolete Coalition

The second generation reformist electoral coalition, and the campaign message that united its diverse supporters, were a product of specific characteristics of the neoliberal populist political strategy. The opposition’s initial inroads occurred primarily among middle class, urban voters who were effectively excluded from the neoliberal populist model and whose economic fortunes had tended to decline relative to other groups, but whose social status and ideological inclinations made many of them unlikely to be receptive to critiques that focused on the “neoliberal” aspect of that model (especially within the context of the overall economic recovery of the early to mid-1990s). This group was sizable in Argentina and Mexico, and significantly less so in Peru; in none of the three countries was it sufficient to produce an election plurality. As a result, the eventual success of second generation reformists depended on the attraction of voters from a variety of social classes, whose concerns went beyond the governance and democracy related issues stressed by reformist campaigns. To attract this support (while maintaining their core electorate), second generation reformists relied on extravagant promises of improved economic performance and standards of living, asserting that an improvement in the quality of leadership would bring about improved results.

This particular configuration of social support patterns and programmatic messages, then, did not represent an effort to craft a programmatic agenda to meet the objective and enduring needs of a cohesive support coalition. Rather, it arose from an opportunistic cobbling together of the voters that were politically available, and the general messages that were politically convenient, at a specific political conjuncture. In each case, the decline or disappearance of the
neoliberal populist leadership following the election undermined the apparent consensus that had formed around free market economics.

Following the defeat of the incumbent, the general motivation for opposition unity was removed. The second generation reformist administrations’ need to move from generalities to specific policies rapidly brought to the surface the contradictory social interests present within their own coalition. The failure of the second generation reformists to rapidly make good on their promises of economic improvements cost the opposition the loyalty of economically deprived voters who had placed their hopes on “change.” At the same time, lower class voters who had previously been loyal to a leader or party that had espoused market reform reentered the political arena without their prior political attachment. As a consequence of these trends, reformist leaders had little ability to mobilize mass backing in support of their agenda.

**Clientelism and State Resources**

The general weaknesses identified above can be linked to a common condition faced by second generation reformist leaders – the inability to employ clientelistic methods or state resources with anywhere near the effectiveness of the leaders they had removed from power. Some of the challenges faced by second generation reformist leaders were not unprecedented: neoliberal populist leaders also had to govern at the head of fractious parties, to overcome temporary public disenchantment, and to implement policies that differed (sometimes drastically) from those that their voters might have preferred at the time. Clientelism and state resources were essential parts of the solution these difficulties; they allowed leaders to compensate strategically significant voters, to cultivate new support bases to replace groups that
had found themselves on the losing end of market reforms, and to establish sources of power entirely separate from the electoral and political arena.

This option was largely unavailable to second generation reformist candidates. The tight control of the levers of the state enjoyed by the PRI and by Fujimori was not remotely replicable by the parties that replaced them. In Argentina, the UCR had something of a clientelistic machine of its own in certain provinces. However, studies have shown (for example, Valdez 2004, Calvo and Murrillo 2005) that the scope and effectiveness of patronage as employed by other Argentine parties does not come close to approaching the clientelistic capacity of the PJ. Second generation reformists were unable to pursue a clientelistic approach in part because they lacked the capacity to do so, but also because any attempt to develop such a capacity would violate the fundamental justifications for their taking power in the first place: integrity and accountability of governance (and in Peru, decentralization). The practical impact of this can be seen in the political impact of allegations of bribery of senators by the Argentine Alianza. Similar allegations directed toward Menem in the first years of his term would have raised few eyebrows; with a second generation reformist government in power, the scandal led to severe divisions within the government, the resignation of the vice president, and a massive political crisis that was viewed as a turning point in the overall collapse of the Alianza. Differing levels of access to clientelism and state resources deprived the reformist challengers of a political resource; it also strengthened their main opponents, as can be seen in the results of subsequent subnational elections following reformist presidential victories.
Conclusion

The link between a neoliberal populist background and a second generation reformist alternative, as well as the essentially ephemeral nature of that reformist alternative, are further substantiated by subsequent political developments in each country. In each case, the decline or disappearance of the neoliberal populist leadership and its characteristic associated social coalition was accompanied by the reemergence of political contestation over the basic features of the free market model. In Argentina, the dominance of leftist and nationalistic economic ideology post-2001 can be clearly linked to the Alianza’s disastrous economic failures. The persistence of recession throughout the Alianza’s administration, and the ensuing economic catastrophe and social devastation, thoroughly discredited both the free market economic policies of Menem and the second generation reformist approach that had followed. The hegemonic leadership and economically nationalistic messages of Duhalde and Kirchner filled the resulting political vacuum.

However, even in Peru and Mexico, where the macro-level economic performance under second generation reformists represented an improvement over previous years, the political consensus on the free market model that had prevailed among the major competitors in 2000 was replaced by renewed ideological polarization by the time of the next election. In Peru, signs of this diminishing elite consensus had begun to emerge as early as 2001, with the unexpectedly strong presidential challenge of Alan García, a candidate whose image was inextricably linked with heterodoxy and hyperinflation. The violent anti-privatization demonstrations that compelled Toledo to change course and remove his finance minister soon provided a forceful demonstration of the temporary and superficial nature of the previous concordance on neoliberal
economics. This increased polarization was most dramatically signaled by the rapid rise to prominence and near presidential victory of Ollanta Humala in the 2006 elections. The spectre of a Humala victory, made possible by the failure of the major second generation reformist candidates to qualify for the second round, led Peru’s middle and upper classes to turn to Alan García, their former *bête noir*. Whereas in 2000 Peruvian voters chose among candidates committed to neoliberalism, in 2006 the Peruvian establishment was obliged to opt for a center-leftist to defeat a radical populist. An examination of the sources of Humala’s support suggests that it was the disappearance of Fujimorism, and the associated clientelistic machine, that made available the poor and rural voters who were central to his support. In the absence of a neoliberal populist leader, the free market consensus dissolved, and second generation reformism became an unviable alternative.

A similar, although more muted, pattern can be seen in Mexico; in this case, the neoliberal populist party declined, but did not disappear. The PRI, while greatly diminished, retained 17% of the vote, and its vote continued to be concentrated within poor and rural communities. The continued electoral weight of the PRI’s ties to the rural poor, while insufficient to sustain the party’s competitiveness in presidential elections, nonetheless inhibited the emergence of a populist alternative based in the lower classes. Thus, while the 2006 Mexican election saw a renewal of polarization on economic policy issues, neither the main candidate of the left or the right was able to extend its reach beyond roughly 35% of the electorate. In the end, the pro-market appeals of Calderón won the day by a slim margin, based on continued strong support among more affluent voters (Klesner 2007). However, it seems unlikely that the PAN’s strategy and support base would have been adequate to fend off a more populist challenge and
retain the presidency in the absence of the PRI’s diversion of poor voters away from López Obrador.

Thus, subsequent elections and political developments in Argentina, Peru, and Mexico tend to support the contention that the prevailing elite consensus on the free market model, and the ensuing opposition reliance on second-generation reformist messages, can be traced to the presence of a neoliberal populist incumbent. In the absence of neoliberal populist leadership, political polarization over the neoliberal economic model returned (irrespective of the varying economic performance among the three countries), and the political appeal and relevance of second-generation reformism faded dramatically.
Chapter 8: Conclusion

The emergence and success of second generation reformist opposition in Argentina, Peru, and Mexico is best understood in the context of the prior patterns of political representation and leadership strategy that accompanied economic liberalization. The successful application of a neoliberal populist approach to market reform led to the appearance of an opposition that depended on receiving strong majorities among more affluent, educated, and urban constituencies, and who appealed to those constituencies through an emphasis on governance. This explanation provides broader insights into issues of political competition in Latin America in the era of “reform fatigue.”

An initial contribution from this comparative study of Argentina, Peru, and Mexico at the end of the 1990s is the extension of previous research into the phenomenon of populism and neopopulism in the free market era. The combination of populist politics and market economics, with the associated pattern of “policy switches” attracted substantial scholarly attention during the 1990s. While researchers have examined the origins of the neoliberal populist approach, its implications for the success market reform and the reshaping of political representation, and the sustainability of neopopulist leadership, little systematic attention has been devoted to the longer term consequences of this trend. This study provides an indication of those consequences: the emergence of political consensus (albeit a fragile and potentially temporary one) on the desirability of
the free market reform and the elevation of good governance and democracy to the top of
the political agenda. Conversely, countries in which the neoliberal populist approach was
tried and failed, in particular Venezuela and Bolivia, did not experience this ideological
narrowing; in fact, those two countries were associated with an increasing political
polarization around economic issues during the reform fatigue period. And in the three
countries examined here, the removal of a neoliberal populist incumbent led to the
disappearance of the previous free market consensus.

The question of whether and under what circumstances a political opposition will
propose second generation reformism as an alternative is particularly notable in relation
to prominent international debates regarding the appropriate responses to disappointing
results of market reform. The second generation reformist perspective accorded closely
with efforts to modify the Washington Consensus that had emerged among market reform
advocates in response to Latin America’s post-liberalization economic lethargy. Perhaps
more than anywhere else in Latin America, the major opposition parties in Argentina,
Peru, and Mexico reacted to economic discontent in a manner consistent with the
preferences of the international economic establishment.

However, the conclusion of this study is that the adoption of second generation
reformism did not represent a genuine and durable social consensus on the free market in
the three countries in which it occurred, nor did it suggest any sort of region-wide
attitudinal shift that paralleled shifts in the evolving economic orthodoxy on market
reform. Second generation reformist opposition was an opportunistic and ad hoc
rhetorical strategy adopted in response to the opportunities and constraints associated
with a narrow set of political circumstances at a particular moment in time. In the absence
of those circumstances – the presence of a successful neoliberal populist incumbent party during a period of economic discontentment – second generation reformism was not likely to be a viable opposition approach. Previous studies of the second generation of economic reform have addressed the issue in primarily technical terms, with little attention to the politics of promoting second generation reforms in the context of electoral democracy; what attention has been paid to the politics has tended to be speculative or theoretical. This study of the experiences of actual second generation reformist opposition parties allows additional insight into the (very limited) conditions under which those policies appear to have been a viable basis for partisan identity and political campaigns.

The political viability of second generation reformism has two components: the ability of second generation reformist parties and candidates to win elections, and their ability to successfully pursue a reformist policy agenda once in office. In this regard, the comparison of Argentina, Peru, and Mexico is also instructive. In each case, to some extent, the victorious reformist challengers faced similar obstacles to effective leadership: the weakness and contingent nature of ties between leaders and their parties as well as between parties and their supporters, ideological disunity within the opposition, the lack of a clear policy agenda or mandate, and an electoral coalition that became largely obsolete once the neoliberal populist incumbent was removed from power. Many of these governance difficulties can be tied to the origin and nature of second generation reformism as a political strategy, as well as to the political environment inherited from neoliberal populist predecessors. In practice, the outcomes of second generation reformist
administrations varied greatly, ranging from political and economic breakdown in Argentina to incapacitation in Peru to political stalemate in Mexico. Nonetheless, the commonly shared difficulties of the three reformist challengers point to a general conclusion: the political conditions that were central to the effectiveness of second generation reformism as an electoral strategy directly contributed to the ineffectiveness of reformists upon assuming office.

This conclusion further develops a general point raised in Chapter 2 of this manuscript: a purely technocratic conception of policy reforms as occurring in clear sequential stages is likely to be inappropriate or misleading, insofar as it fails to take into account crucial political considerations. In these three cases, the turn toward second generation reformism in the political debate was a direct consequence of the neoliberal populist method by which the first generation of reforms were implemented. Yet, the political effects of that same initial market reform strategy worked against the possibility of moving beyond second generation reformist rhetoric to the enacting of a reformist policy agenda. The neoliberal populists’ reliance on clientelism and state resources, and their tendency toward discretionary and often autocratic excercise of executive power, ensured that those same leaders were not likely to pursue good governance as a major goal. When reformist challengers emerged, the prevailing patterns of political representation led to an electoral coalition that was characterized by a narrow social base, isolated leadership, ideological disunity, and weak voter loyalties.

As a result, once in power the newly elected challengers found themselves unable to sustain a strong public mandate or to overcome obstructions to their policy agenda from opposition parties and organized social interests. In the post-liberalization political
environment, a capacity to effectively govern was associated with an ability to draw on clientelistic resources and to exercise untrammeled executive power; leaders’ inclination to govern democratically and to adopt second generation reformist policies tended to be inversely correlated with their ability to govern at all.

Discussing the prospects for the implementation of second generation reformist measures, Roberto Patricio Korzeniewicz and William Smith point to a debate about the role of social mobilization in pursuing those policies:

[An] issue of contention involves the relationships among democracy, economic growth, and social mobilization. While a broad consensus holds that states have an important regulatory role to play in attacking corruption and rent seeking and ensuring competition and market transparency, some argue that social mobilization is pivotal to achieving these objectives, while others are wary about the potential uncertainty that might be inherent in such mobilizations. For many political parties, social movements, and NGO’s, active social mobilization and the strengthening of the capacity for collective action of subordinate or excluded groups or excluded groups are crucial to promoting future democratization. (Korzeniewicz and Smith 2000, 38-39).

Korzeniewicz and Smith go on to note that an emphasis on social mobilization in support of a reformist agenda might be opposed by economic elites and policy makers concerned about the potential destabilizing effects of social mobilization, and that the inclusion of previously marginal groups might provoke resistance from organized interests and privileged social sectors.

The would-be reformist challenges in Argentina, Peru, and Mexico were distinctly lacking in organized social mobilization in support of their policy agenda, and their experience in government points to the weaknesses associated with that absence. The
adoption of second generation reformism was largely a top-down affair, in which independent leaders formulated and adjusted their campaign message to adapt to the immediate electoral circumstances. While the general emphasis on governance issues accorded with the attitudinal tendencies of the middle class vote, little effort was made to construct a detailed policy program that would address the material interests of political supporters; in fact, the second generation reformists avoided policy specifics as much as possible, in part to avoid alienating sectors of their heterogeneous support base. Far from promoting the mobilization and incorporation of marginal groups, second generation reformist opposition campaigns were disproportionately oriented toward relatively privileged sectors.

In Argentina, Peru, and Mexico at the end of the 1990s, this essentially elite-centered, top-down, and ad hoc approach to second generation reformism was probably the only realistic approach. The construction of a reformist movement built around on the mobilization of the excluded, a difficult and uncertain prospect under any circumstances, would be clearly impractical in an environment where the popular sectors remained loyal to a neoliberal populist party. Nonetheless, the limitations of an approach to second generation reformism along the lines of the countries examined here are clear; the experience of Argentina, Peru, and Mexico suggests that the absence of organized social mobilization behind a reformist agenda tends to prevent that agenda from moving beyond the realm of election slogans.

In the current economic and political environment in Latin America, some of the issues raised by this study no longer seem immediately relevant. Perceptions of an
emerging region-wide consensus on the free market model have been replaced by increasingly prominent examples of anti-neoliberal backlash and debates over the resurgence of the Latin American left. The era of “reform fatigue” has generally given way to strong economic growth in the region, driven in large part by high prices for commodities; the revenues from this commodity boom have promoted an increasingly activist role for government in some countries. Nonetheless, given that the current boom (like all previous ones) must eventually come to an end, the experiences of Latin America’s would-be reformists retain important lessons for future efforts to promote sustainable economic growth, equitable distribution, and institutional reform in the context of democratic competition. While this study has explored and illuminated the origins and limits of the second generation reformist movements that emerged from the set of circumstances present in Argentina, Peru, and Mexico at the end of the 1990s, the broader question of how to make a reformist electoral strategy compatible with successful reformist government remains largely open.
APPENDIX: DETAILS ON PUBLIC OPINION AND ELECTORAL DATA

I. Public opinion data

     For Argentina, the primary poll consulted was an April 1999 nationwide survey conducted by Estudio Graciela Romer, and obtained via the Latin American poll archive of the Roper Center at the University of Connecticut; results include only those who expressed a preference for a candidate. No polls from closer to the October election were publicly available in digital form; however, the election results obtained in the April Römer poll were within one point of the eventual presidential vote. Other poll data cited in the text was obtained in the form of cross-tabs provided by Catterberg & Asociados, or from newspaper articles.

     For Peru, the poll results for vote choice by socioeconomic level within Lima are drawn from APOYO’s survey following the first round election, and assess vote choice in the second round. This poll is available via the Roper Center; its results are also presented in the April 2000 Informe de Opinión. Due to the difficulties involved in reaching poor respondents, the sample over-represents wealthier respondents somewhat, a fact that APOYO adjusts for by weighting the results. The percentages given are for the raw, unweighted sample. APOYO’s actual estimates of the population percentage in each category are: A-4%, B-15%, C-32%, D-36%, E – 12%.

     The nationwide survey data on vote choice is drawn from the Comparative Study of Electoral Systems project (CSES), conducted by Datum International in Peru; the dataset
is publicly available. The CSES poll was conducted immediately following the first round election; respondents were asked which candidate they voted for, and the results include only those who reported casting a valid vote. The obstacles to obtaining a representative sample in Peru are greatly magnified outside of Lima; as such the sample of the CSES poll is disproportionately urban, educated, and affluent compared to the Peruvian population. Perhaps as a result, Toledo finishes only one point behind Fujimori in the survey. Accordingly, the results of the poll may require some skepticism, although the patterns of vote choice by education and residence comport with similar tendencies in Lima-based surveys and in the geographic distribution of vote totals.

Additional nationwide poll data cited in the text was obtained in the form of cross-tabs that were generously provided by Datum International. Other results were drawn from newspapers; I accessed many of these via the no longer operating “Peru Elections 2000” website of Queen’s University in Kingston, Ontario.

For Mexico, sources of data on vote choice were the exit poll conducted by Reforma, published in the that newspaper and cited in Klesner (2001), and the Mexico Panel Study of 2000, for which data is publicly available (as of July 2007) at:

http://web.mit.edu/polisci/faculty/C.Lawson.html

The vote choice results from the panel study are drawn from the wave initially following the election (in which the winner’s margin of victory was slightly exaggerated,
as is common in post-election surveys). Results include only those who reported casting a
valid vote. I additionally consulted the exit poll of Mitofsky International (data available
via the Roper Center), as well as survey data obtained in digital form from CIDE, Mexico
City.

II. Electoral and Demographic Data

For Argentina, data for poverty (defined in terms of percentage of the population
with unsatisfied basic needs), illiteracy, and population density were drawn from the
national census of 2001, available online via the website of the national statistics
institute:


Census data for population density within the city of Buenos Aires was not provided
according to electoral district; as a result, I obtained this data from the website of the
government of Buenos Aires:

http://www.buenosaires.gov.ar/areas/hacienda/sis_estadistico/anu_estadistico/01/web01/c
117.htm, accessed July 2007

Electoral data by district was generously provided by Andy Tow, proprietor of the
online Argentine electoral atlas at www.towsa.com/andy/index.html, and by the Ministry
of the Interior. District-by-district vote totals for 1999 were not available for the province of San Luis. As result, San Luis is excluded from the calculations in Tables 6.2 to 6.4. For the correlations in Table 6.5, I used unofficial percentages from the initial vote tabulation conducted by the private company Indra Sistemas S.A. for San Luis (data provided by Andy Tow); nationwide, these percentages typically differed by less than one percent from the final, official tallies.

In addition, due to irregularities in the data, votes are missing from the district-by-district votes in some provinces (evidenced by the total number of votes in districts being lower than the official total for the entire province). In most cases, this appears to be due to the district tally only including voters whose gender was recorded as male or female, and excluding those whose gender was not reported. The total number of missing votes (aside from the absent province of San Luis) is 36,227.

For Peru, data for rural/urban population and illiteracy come from FONCODES, and are based on the 1993 census. Data for illiteracy were unavailable for 25 districts with a combined population of approximately 450,000. Data for poverty are drawn from the 2000 poverty map of the Ministry of Economy and Finance, more information about which can be found at:

Electoral results come from the National Office of Election Processes (ONPE); voting data was not available for nine districts with a combined population of approximately 285,000. Both the demographic and electoral data were provided by Gregory Schmidt, whose assistance was invaluable for this project.
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