

# **What Do We Know about Struggles over Neoliberal Reforms?**

The Political Economy and the Contentious Politics of Stabilization and Structural Adjustment in Latin America and beyond

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# WHAT DO WE KNOW ABOUT STRUGGLES OVER NEOLIBERAL REFORMS?

THE POLITICAL ECONOMY AND THE CONTENTIOUS POLITICS OF STABILIZATION  
AND STRUCTURAL ADJUSTMENT IN LATIN AMERICA AND BEYOND

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## Abstract

*This PRIF Working Paper reviews and discusses the scholarship on the political economy of macroeconomic stabilization and neoliberal structural adjustment, focusing on Latin American experiences during the 1980s and early 1990s. It discusses controversies, arguments and findings on a couple of key issues: the role of regime type (democratic versus authoritarian) for the adoption and implementation of economic reforms; the interplay of economic reform struggles and processes of political transformation; the relevance of international forces and factors; the role of domestic structures and actors; the dynamics of international negotiations over economic reforms; as well as the causes, characteristics and consequences of “IMF riots” and “austerity protests”. The aim of the paper is not to present a coherent set of findings but rather to give an overview of a literature that has produced a diverse range of insights, ideas and open questions that are helpful to take into consideration when studying contemporary dynamics of economic reform struggles.*

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## 1. INTRODUCTION<sup>1</sup>

With the COVID-19 pandemic, a topic has returned with full force on the agenda of academic and political debates all around the world that was already quite there well before the coronavirus began to spread: the question of how to stabilize and, at the same time, structurally transform crisis-ridden economies. In the 1980s and 1990s, this question was discussed as the quest for macroeconomic stabilization and structural adjustment. At that time, also, a relatively uniform ideological framework became hegemonic in guiding this quest: a market- and outward-oriented conception of economic development that was dubbed “neoliberalism” and had profound implications also for state-society relations and the shape of the global political economy. Whereas the United States (under Ronald Reagan) and the United Kingdom (under Margaret Thatcher) played a crucial role in this story, the debate about stabilization and structural adjustment was largely confined to what was previously called the Third and the Second World. As will be seen in this paper, Latin America was a key testing ground, later joined by Eastern Europe, but – generally speaking – all world regions sooner or later became part of the overall trend. Since then, financial crises in individual countries (e.g., Mexico 1994/1995, Argentina 2001/2002), entire regions (Southeast Asia 1997, Eurozone 2009ff) or at the global level (as with the global financial crisis of 2008/2009) have led, in different ways and shapes, to attempts to impose “austerity” – as a short-hand for orthodox macroeconomic stabilization and neoliberal structural adjustment–, but in a few cases also triggered experiments with alternative, somehow heterodox responses that go beyond, if not break with, the neoliberal orthodoxy. With the pandemic, also a highly controversial actor became, once again, very prominent that had played an important – and much discussed – role during the neoliberal reforms of 1980s and 1990s: the International Monetary Fund (IMF).

In the more recent cases, as in previous decades, economic reforms have proven far from exercises in finding and implementing technical solutions to objective problems. Rather, whether in Latin America in the 1980s, in Eastern Europe during the early 1990s, or in the Eurozone after 2009, attempts to impose austerity, reform the state and restructure the economy come with fierce political controversies and, often, with severe societal conflicts. We are, therefore, dealing here with struggles over socioeconomic reforms, which often involve fairly fundamental struggles over basic conceptions of development, the economy, the role of the state, and social and economic human rights.

Against this background, the present PRIF Working Paper reviews and discusses key arguments, findings, and publications on economic reform struggles during the 1980s and early 1990s. My focus is on experiences from Latin America – both because it is a very important region for the topic and the scholarship at hand and because it is the region I happen to know best. In addition to studies that specifically focus on Latin America, however, also broader, inter- or cross-regional comparative research is included (in which Latin America usually also features prominently). The overall aim of this working paper is to give a general overview and identify some key debates and findings that might be useful to consider when analyzing and debating current developments.

Most of the research discussed in this working paper belongs to a tradition of comparative historical studies on the political economy of economic reforms. The modern classics of this line of research include Peter Katzenstein’s *Small States in World Markets* and Peter Gourevitch’s *Politics in Hard Times*. Katzenstein (1985) analyzes industrial policy and politico-economic change in small Western European states in response to the political and economic crises of the 1930s and 1940s

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(Katzenstein 1985).<sup>2</sup> Gourevitch (1986) investigates the responses by the US, the UK, France, Germany and Sweden to the crisis of the world economy in the late 19<sup>th</sup> century, the 1930s as well as during the 1970s and 1980s (Gourevitch 1986).<sup>3</sup> At roughly the same time, a first generation of studies emerged that started to look at the ways in which countries in the Global South responded to the economic crises triggered by the second oil shock in 1979 and the steep rise in US interest rates (“Volcker shock”) between 1979 and 1981. This research, initially, tackled the interrelated issues of the implementation of IMF programs since the mid-1970s (see Haggard 1985; Remmer 1986) and responses to the debt crisis of the 1980s (see Kahler 1985; Kaufman 1985), but it quickly became broadly focused on the politics, and the political economy, of economic stabilization and adjustment (Haggard and Kaufman 1992a; Nelson 1984, 1990a). While this scholarship is of a broadly comparative nature and frequently includes case studies from other world regions, too, Latin America plays a prominent role – reflecting the fact that this region was most heavily hit by the debt crisis and experienced the most significant reform processes during the 1980s (Haggard 1995: 75–99; Remmer 1998: 13).<sup>4</sup> For the same reason, Latin American cases and experiences also loom large in comparative studies on “IMF riots” and “austerity protests”, which shift the focus from elites and routine politics to the role of the popular sectors and contentious politics in economic reform struggles. Looking back at the 1980s, Walton and Shefner (1994: 98) observe that Latin America “has provided some of the most spectacular and sustained popular protests against structural adjustment programs” and, therefore, “is the logical starting point for our analysis of debt-crisis politics and a rich source of hypotheses for comparative evaluation” (see also Auvinen 1996: 391; Walton 1989: 309). The same observation also holds for later decades (see Almeida and Jonston 2006; Eckstein and Wickham-Crowley 2003; Moosa and Moosa 2019: 89–110; Shefner et al. 2006; Woodroffe and Ellis-Jones 2000).

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- 2 More specifically, Katzenstein is interested in explaining the different (social versus liberal) types of democratic corporatism that emerged in the small Western European states (Austria, Norway and Denmark versus Switzerland, the Netherlands and Belgium) in response to the multiple crises of the 1930s and 1940s. A key insight from his study is that small states/economies, even if they are more heavily influenced by international factors than large industrial states, still respond very differently to external pressure: International factors, Katzenstein demonstrates, “affect political strategies and outcomes only indirectly: they are funneled through domestic structures that are shaped by different histories and embody different political possibilities” (Katzenstein 1985: 37).
- 3 Gourevitch’s approach is “to gain an understanding of the politics of policy choice through a ‘political sociology of political economy’ – that is, by looking at the politics of support for different economic policies in response to large changes in the international economy” (Gourevitch 1986: 19). His argument: “Economic conditions rarely operate directly on policy disputes. Other factors mediate them. Those factors include, first, the mechanisms of representation – political parties and interest group associations that try to manage the linkage of economic actors to the state. Second, politics is affected by the organization of the state itself: the system of rules (electoral laws, balance between legislature and executive, legal powers, and so on) and institutions which comprises the bureaucracy. Third, economic actors are influenced by ideology which provides models of the economy and of the economic motives of other actors. Finally, coalition politics is influenced by a country’s placement in the international state system of political-military rivalries.” (Gourevitch 1986: 21) With regard to external (economic) pressure: “[E]ven the small countries, such as Sweden, have some leeway. The international system rewards some behaviors, punishes others, yet countries do not automatically choose the actions that lead to rewards. Sometimes they tilt the other way and suffer. Meeting the demands of the system thus requires explanation. [...] Domestic politics thus matters in the shaping of responses to the international economy, even where these responses are intense. The convergence of policy behaviors toward neoclassical approaches does not disconfirm this argument: convergence despite partisan variance demonstrates the constraints that the international economy imposes, but it does so by pressing governments to worry about the same political effects. All governments seek some kind of prosperity; all governments have to worry about market confidence. As a consequence all governments accept market-induced austerity – the impact of the system on governments passes through politics. The international economy presses on individual countries, and it does so through working on domestic actors.” (Gourevitch 1986: 235)
- 4 For instance, nine of the 13 countries covered by the edited volume *Economic Crisis and Policy Choice* (Nelson 1990a) are from Latin America and the Caribbean. For an overview that covers the literature until the early 1990s, see Haggard and Kaufman (1992b: 4–5, footnote 3). When it comes to studies based on an explicitly interregional comparison, Grigore Pop-Eleches’ book *From Economic Crisis to Reform: IMF Programs in Latin America and Eastern Europe* (2009) is a key resource. Pop-Eleches analyzes and compares Latin America during the 1980s’ debt crisis with Eastern Europe and the former Soviet Union during the post-communist transformation of the 1990s (with an additional snapshot on Latin America during the 1990s). More specifically, he combines a cross-country statistical analysis with comparative case studies of four countries from each region (Argentina, Bolivia, Chile, and Peru for Latin America, and Moldova, Slovakia, Bulgaria, and Romania for Eastern Europe) (Pop-Eleches 2009: 6).

In reviewing and discussing the comparative scholarship that looks at struggles over economic stabilization and adjustment in the 1980s and early 1990s, in Latin America and beyond, I will focus on a couple of key questions that are dealt with throughout the literature: the role of regime type (democratic versus authoritarian) for the adoption and implementation of economic reforms (2.); the interplay of economic reform struggles and processes of political transformation (3.); the (contested) role and relevance of international forces and factors (4.); the domestic structures and actors that shape the adoption and implementation of economic stabilization and structural adjustment policies (5.); the interplay of all these factors during international processes of negotiation (6.); as well as the causes, characteristics and consequences of “IMF riots” and “austerity protests” (7.).

## 2. ECONOMIC REFORMS UNDER DEMOCRATIC VERSUS AUTHORITARIAN REGIMES

As regards the relevance of regime type, the comparative scholarship emerging in the 1980s quickly demonstrated that the previously held “conventional wisdom” that “authoritarianism is a necessary albeit insufficient condition for successful stabilization” was wrong (Remmer 1986: 3–4).<sup>5</sup>

Empirically, the analysis of IMF programs in Latin America (1954–1984) revealed that democratic regimes “are not more reluctant to initiate standby programs” (Remmer 1986: 8); that they do not “fall victim to stabilization policies more frequently than their authoritarian counterparts” (Remmer 1986: 8); and that they also do not underperform when it comes to the implementation and political sustainability of the programs (Remmer 1986: 11).<sup>6</sup> Based on a comparative analysis of IMF programs in seven countries,<sup>7</sup> Haggard concluded that reforms in democratic countries proved difficult indeed, resulting in different types of “democratic stalemate” (Jamaica, Mexico, and Sri Lanka), but that authoritarianism does not necessarily facilitate stabilization and adjustment reforms either: In fact, both types of low-income authoritarian regimes he looked at – personalist ones based on narrow, clientelistic elites (Haiti, Zaire) and those depending on broader networks of state patronage (Guyana, Sudan) – were found to “present daunting barriers to economic adjustment” as well (Haggard 1985: 529).<sup>8</sup>

Theoretically, the key argument points to the diversity of both democratic and authoritarian regimes (see Haggard 1990: 45; Haggard and Kaufman 1989: 232–239; Maravall 1995: 17; Nelson 1990a: 23–24; Remmer 1986: 4).<sup>9</sup> While some authoritarian regimes – such as “the ‘strong’ bureaucratic-authoritarian regimes in Latin America (Brazil post 1964, Chile post 1973) – may have facilitated the top-down imposition of adjustment programs, this does not apply to authoritarian re-

5 See also Haggard (1985: 510–511, 1990: 254–270); Haggard and Kaufman (1989: 232–239, 1992b: 32–34); Nelson (1990b: 22–24); Diamond and Plattner (1995); Geddes (1995); and Maravall (1995). Regarding the previous view, for instance, Thomas Skidmore had argued – based on evidence from Argentina, Brazil and Mexico – that “governments in competitive systems find it *extremely* difficult” to successfully implement anti-inflation measures and, if they do so, pay “very high political costs”, given the unpopular consequences that such measures have at least in the short term (1977: 181; emphasis in the original). Guillermo O’Donnell’s analysis of bureaucratic authoritarianism in Latin America implies a roughly similar logic (see Collier 1979). For the overall rationale behind the notion of an “authoritarian advantage”, see the summary in Maravall (1995: 13–15).

6 Given her finding of a generally low implementation record of IMF programs (which holds for both democratic and authoritarian regimes), Remmer (1986: 10) hypothesized “that standby arrangements have not caused more regime instability because the risky cures recommended by the IMF simply have not been administered”. Such an argument, however, could no longer be maintained later, when the capacity of democratic regime to implement even drastic stabilization and structural adjustment programs became undeniable (see below).

7 Jamaica, Guyana, Haiti, Mexico, Sri Lanka, and Mexico.

8 “Market-oriented policies have been successfully pursued by a wide variety of different regimes: military, as in post-1973 Chile; one-party, as in post-1985 Mexico; and democratic, as in post-1985 Bolivia.” (Remmer 1998: 8)

9 As Remmer (1986: 4) has argued, the “chief question mark about the theoretical linkage between authoritarianism and stabilization” has to do “with the explanatory power of the regime variable”: “Virtually by definition the process of policy formation varies with regime type, but other influences on policy outputs and outcomes are so numerous and the phenomena embraced by broad regime categories such as ‘democracy’ so diverse that there is reason to question whether regime *per se* actually has any significant impact on the political sustainability of stabilization programs. The willingness and ability of governments to implement stabilization policies may depend instead on other factors.” (On these factors, see Section 5).

gimes in which state patronage is “a central pillar of political authority and legitimation” (Haggard 1985: 510–511).<sup>10</sup> By contrast, “the greater legitimacy and popular support typically enjoyed by democratic regimes” can be assumed to “increase the appeal of programs calling for short-term sacrifice on behalf of the nation as a whole (Remmer 1986: 3; see also Maravall 1995: 15). This should be particularly the case when predecessor governments have openly failed, when the electoral opposition is weak, and when antidemocratic forces are discredited or weak (Haggard 1985: 511). Furthermore, also in democracies, functioning corporatist structures “can guarantee mutual restraint and efficient decision making”, while mitigating “the collective-action dilemmas that characterize state-labor and labor-management relations by institutionalizing bargaining and changing the rate at which labor discounts future advantages from sustained cooperation” (Haggard 1990: 267; see also Katzenstein 1985).<sup>11</sup>

Similarly criticizing “the crude authoritarian-democratic distinction”, Joan Nelson (1990b: 24) argues that “a combination of regime type and support base may be more helpful than either variable taken separately”:

“Thus established or transitional democratic systems that depend on business (and sometimes also on military groups) may behave in some ways like similarly based authoritarian systems, although they are unlikely to be as repressive. Conversely, authoritarian regimes that draw a substantial degree of support from popular forces (including though not necessarily confined to organized labor) may respond to adjustment pressures somewhat like similarly based transitional or established democracies.” (Nelson 1990b: 24)

Over the years, the finding that democratic regimes can indeed be able to adopt and implement even far-reaching structural adjustment programs was only further confirmed (Geddes 1995: 60–63; see also Diamond and Plattner 1995; Haggard and Webb 1994a; Pop-Eleches 2009; Remmer 1998; Weyland 2002). The most notable Latin American cases include Bolivia (after 1985) and Argentina (after 1989) (Haggard and Kaufman 1995: 202–207; Nelson 1995: 46; Pop-Eleches 2009: 176–189, 266–269).<sup>12</sup> In contrast, Peru (after 1990) represents one of the very few more recent cases in the region in which a semi-authoritarian government implemented neoliberal reforms (Geddes 1995: 62; Haggard and Kaufman 1995: 207–209; Pop-Eleches 2009: 273–277).<sup>13</sup> Notably, in all three cases, far-reaching reforms were implemented in response to open economic crises which involved hyperinflation.<sup>14</sup> As Pop-Eleches (2009: 235) argues with a view to the trajectories of Argentina, Bolivia and Peru,

10 Haggard and Kaufman (1989: 235–239) distinguish between “strong” and “weak” authoritarian regimes, with “strong” regimes being characterized by stability in leadership and rules, high capacities of repression, an insulation of political decision-making from societal pressures, combined with a state-corporatist, controlled inclusion of key social groups; “weak” authoritarian regimes are, by contrast, characterized by the lack of these features, with formal government structures being permeated by “networks of patron-client, personalistic, and familial relations [...] sustained by corruption, rent-granting, nepotism, and the discretionary allocation of governmental resources” (Haggard and Kaufman 1989: 236).

11 “Allowing that variations occur within the same regime type”, Haggard (1990: 45) argues “that democracies and polities organized on the basis of clientelistic networks are less insulated than corporatist regimes and those authoritarian regimes which limit autonomous political organization and public contestation. As a result, economic policy in liberal-democratic and clientelistic systems is more likely to be explained by coalitional and rent-seeking pressures and less likely to be consistent and internally coherent.”

12 The general ability of democratic governments to implement (neoliberal) structural adjustment programs is even more obvious in the case of the post-communist transitions in Middle and Eastern Europe (Pop-Eleches 2009; see also Nelson 1995). More specifically, the comparative study by Pop-Eleches (2009: 23) “confirms that democracy was hard to reconcile with IMF-style reforms during the Latin American debt crisis but was no longer an obstacle in Latin America in the 1990s and even improved the program implementation prospects in East European countries.”

13 Weyland, in contrast, regards Peru as largely democratic even during the Fujimori era, “with the exception of a nine-month hiatus in Peru in 1992 and a renewed involution at the end of the decade” (Weyland 2002: 13).

14 As Joan Nelson (1995: 48) emphasizes with a view to Bolivia and Argentina: Whereas opposition to “painful stabilization measures” had forced elected presidents to prematurely leave office, “[e]lectorates terrified by hyperinflation acquiesced in far more draconian reforms under second-round presidents”. Analyzing Argentina and Peru, as compared to Brazil and Venezuela, Kurt Weyland (2002) argues that severe economic (hyperinflation) crises triggered bold neoliberal reforms by bringing into power new leaders who were willing to take risks in order to prevent further deterior-

“[...] successful long-term economic stabilization in a democratic context could only be achieved when a newly elected government coming to power following a period of traumatic economic crisis was able to take advantage of its political honeymoon legitimacy to break the traditional war-of-attrition between business and labor, which has fueled Latin American political and economic instability of several decades.” (See also Haggard and Kaufman 1995: 198–211; Weyland 2002)

Generally speaking, this dynamic has had the consequence that the adoption of painful economic reforms by democratically elected governments was accompanied by fairly undemocratic practices, or a substantive hollowing-out of democratic procedures (Conaghan and Malloy 1994: 209–224; Oxhorn and Ducatenzeiler 1998; Weyland 2004: 143–150; Wolff 2008: 80–121, 2009). Two specific features stand out in this regard. First, quite a few of those governments (or presidents) that turned to neoliberal reforms did so after being elected on popular, if not outright anti-neoliberal, platforms – a phenomenon that Susan Stokes (2001) has dubbed “Neoliberalism by Surprise”. The “era of economic liberalization and democracy” in Latin America was, therefore, “not always the era of economic liberalization via democracy” (Stokes 2001: 2). Second, and related to this, the very practice of adopting and implementing neoliberal reforms was similarly hardly democratic:

“With the exceptions of Chile and Mexico, Latin America’s economic reforms were launched in the political context of competitive, multiparty democracies. Nonetheless, presidents and technocratic economic cabinets were able to design and implement changes in macroeconomic rules with relatively little interference from the rest of the political system or the public sector.” (Naím 1995: 31; see also Haggard and Kaufman 1995: 183–227; Weyland 2004: 147–150)<sup>15</sup>

The overall finding is that regime type clearly matters but that there is huge variation between broadly similar regimes (whether democratic or authoritarian) and that otherwise different regimes (democratic versus authoritarian) may well have important commonalities (for instance, in terms of configurations and mechanisms of societal support/incorporation). We, therefore, have to study the characteristics and logics of political institutions (formal and informal) as well as correlations and interaction of sociopolitical forces in a much more detailed way (see Section 5).

### 3. ECONOMIC REFORMS IN CONTEXTS OF DEMOCRATIZATION AND UNSETTLED POLITICAL REGIMES

A second issue refers to the specific problems that come with the simultaneous reform of both the political system and the economic development model, that is, the challenges associated with “the twin processes of economic and political liberalization” (Haggard and Kaufman 1992d: 332; see also Nelson 1995). The basic fact that economic reforms are adopted and implemented in the context of “an unsettled regime type” (Conaghan and Malloy 1994: 6) is arguably of immediate relevance – and, according to Conaghan and Malloy (1994: 13), constitutes a key contrast between the Western European cases studied by Katzenstein and others and the Latin American experiences:

“In contrast [to Western Europe, JW], the uncertainty that permeated policy making in Latin America in the 1980s was multidimensional. Democratization and regime transition took place in the absence of any real class compromise, Keynesian or otherwise. The absence of a

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ration. Discussing neoliberal reforms in Bolivia (after 1985), Argentina (after 1989), Brazil and Peru (after 1990), Haggard and Kaufman (1995: 199) similarly summarize: “The economic and social consequences of earlier policy failures, and particularly the emergence of devastating hyperinflations, allowed incoming presidents to concentrate executive authority while at the same time substantially weakening the political hand of those social forces that had previously opposed reform.”

15 Nelson (1995: 57) distinguishes between “the rather autocratic, executive-dominated style of early economic reforms” and a pattern of “much fuller consultation and coordination between state and society” that characterizes (and, the argument goes, is effectively needed) for second-stage reforms. In the first stages of economic reforms, these rather authoritarian practices also included the use of repression of societal resistance, such as in the case of the implementation of harsh structural adjustment measures in Bolivia after 1985 (see Haggard and Kaufman 1995: 203–204; Pop-Eleches 2009: 176–189).

social pact on the distribution of material rewards was coupled with disagreements as to the parameters and operation of the new democratic regimes. Economic policy making was marked not simply by conflicts over the content of policies; it involved a deeper struggle over both the procedures, mechanisms, and style of governmental decision making and also the whole tenor of state-society relations. The tasks of economic management became interwoven with the problems of regime transition and of consolidation. The nature of politics and the character of the state itself were part of the stakes of the conflicts over economic policy in Latin America in the 1980s.” (Conaghan and Malloy 1994: 13)

Haggard and Kaufman (1992d: 332–341), who explicitly tackle this issue of economic reforms in contexts of democratization, similarly argue that the tradeoffs faced by all governments when undertaking market-oriented reforms become particularly “complex and severe” “in polities undergoing a transition to democratic governance [...] since the rules of the political game are not set” (Haggard and Kaufman 1992d: 332). How these tradeoffs play out, however, is contingent on the sequencing of economic and political reforms (Haggard and Kaufman 1992d: 332). When economic reforms are implemented under authoritarian rule to an extent that they “actually change the underlying social structure”, many of the tradeoffs are effectively minimized, as the example of Chile shows (Haggard and Kaufman 1992d: 332–336; see also Haggard 1995: 11). The predominant pattern in Latin America during the 1980s, however, was one in which the establishment of democratic institutions preceded the adoption of significant structural adjustment measures. This was a particularly difficult situation:

“Since the shift from authoritarianism to democracy raises hopes for an improvement in welfare as well as political freedom, newly elected leaders face expectations that are not conducive to the imposition of austerity. On the contrary, whereas new administrations in stable electoral systems may choose to pay the short-term costs of stabilization early in their terms, the leaders of unconsolidated democracies may turn to economic populism as a means of cementing both electoral support and, where there is a lingering threat from anti-democratic forces, broader societal support for the democratic project itself.” (Haggard and Kaufman 1989: 243)

In fact, as Haggard (1995: 77) argued elsewhere, explicitly mentioning Argentina, Bolivia, Brazil, and Peru, elected governments “produced profound policy failures in the 1980s as a result of delays in adjusting or as a result of failed ‘heterodox’ adjustment efforts” (see also Haggard and Kaufman 1995: 183–189). As mentioned above (2.), it was precisely these failures that enabled “subsequent democratic governments” to exploit the crises produced by the predecessor governments and implement adjustment reforms (Haggard 1995: 77; see also Haggard and Kaufman 1992d: 340, 1995: 198–211; Nelson 1995: 46; Pop-Eleches 2009; Weyland 2002: 6–7).<sup>16</sup>

According to Haggard and Kaufman (1992d), the general problem of economic reform after democratization is, precisely, the uncertainty that comes with political change:

“In these new regimes, the key political and economic challenge is the routinization of politics and the reduction of the high level of uncertainty associated with the transition. In the first instance, this demands the stabilization of expectations regarding the basic rules of the political game [...]. Once this context is established, the consolidation of democratic rule will also demand a downward adjustment of expectations concerning the ability of the state

<sup>16</sup> In addition, economic crises, austerity measures, and structural adjustment policies, once implemented, also contributed to facilitating further efforts at neoliberal reforms by weakening the capacity to mobilize and sustain resistance on the part of the popular sectors. The scholarship that addresses this relationship is summarized in Wolff (2020a: 115–117, with a view to organized labor) and Wolff (2020b: 177–182, with a view to marginalized groups).

to respond to distributive claims carried into the political arena, whether by the left or the right.” (Haggard and Kaufman 1992d: 340)<sup>17</sup>

Focusing on inflation and monetary stabilization, Haggard and Kaufman (1992c: 271) find that “the overall degree of institutional stability” is a key factor influencing the ability of governments to effectively reduce inflation. In addition, unsettled regimes in general and emerging democracies in particular also lack other features that facilitate the implementation of monetary stabilization measures – such as the existence of “broad catchall parties [which] mute the conflicts among contending social forces, facilitate relatively stable ruling majorities, and thus discourage abrupt swings in policy from one administration to the next” (Haggard and Kaufman 1992c: 271–272).<sup>18</sup>

#### 4. THE ROLE OF INTERNATIONAL FORCES AND FACTORS IN ECONOMIC REFORMS

The starting point of the economic reforms adopted across Latin America and beyond since the early 1980s was a situation of severe economic crisis (Pastor 1989). Measures of stabilization, by definition, respond to some kind of macroeconomic instability. Structural adjustment policies react to the crisis of an established development model. In principle, this crisis may be rather latent. However, because structural adjustment is politically costly (Geddes 1995: 60; Nelson 1990b: 4),<sup>19</sup> governments will normally refrain from adopting and implementing such policies in the absence of a manifest crisis. In countries in the Global South, which tend to be externally indebted and dependent on the inflow of foreign exchange, with structurally weak currencies and asymmetric trade and investment relations, economic crises almost always have an important international dimension (as debt and/or currency crises). They are, therefore, heavily influenced – and frequently triggered – by the dynamics of transnational (financial and/or commodities) markets as well as by the behavior of external creditors and donors (governments, International Financial Institutions [IFIs] and private actors). This external influence on domestic reform processes is an important topic of the studies under review here.

A first finding precisely concerns the importance of the economic crisis as trigger and driver of structural economic reforms. In many ways, it was the “international debt crisis” that “forced economic adjustments on the developing world” during the 1980s (Haggard 1985: 505; see also Pastor 1989; Stallings 1992). More specifically, across Latin America, this international debt crisis was accompanied by and/or triggered severe domestic economic crises, which led governments to turn to politically costly neoliberal reforms (Haggard and Kaufman 1995; Remmer 1998; Weyland 2002). To be sure, however, the causal mechanism at work here is indirect only: An economic crisis forces the government to adopt some kind of response, while the characteristics and dynamics of the crisis at hand create positive and negative incentives that more or less forcefully influence governmental decision-making on the type of response. Research, in this sense, suggests that an economic crisis is a necessary condition for the adoption of stabilization and adjustment policies but it is neither sufficient nor does it determine the type of policies actually adopted and implemented (see Haggard and Kaufman 1992a; Nelson 1990a; Pop-Eleches 2009).<sup>20</sup>

17 Haggard also identifies a third group of Latin American countries made up of Colombia and Venezuela, which “had consolidated democracies at the time crises hit” (Haggard 1995: 77). Haggard and Kaufman (1992d) distinguish between three sequences: “Economic Reform First” (e.g., Chile under Pinochet), “Simultaneous Economic and Political Liberalization” (e.g., Mexico in the 1980s), and “Democracy First” (e.g., Argentina, Bolivia, Brazil, and Peru in the 1980s).

18 Systematically speaking, the authors identify “party fragmentation” as a crucial factor that limits governments’ abilities to control inflation (Haggard and Kaufman 1992c: 271).

19 “Adjustment, in short, is complex and controversial at a technical level and immensely conflictual at ideological and political levels.” (Nelson 1990b: 4)

20 As Haggard (1990: 3) has argued, for instance, “international shocks and pressures, and the domestic crises associated with them, have been the most powerful stimuli”, but clearly insufficient to explain policy choice at the domestic level (see also Nelson 1990c: 325–326; Stallings 1992). Almost two decades later, Pop-Eleches (2009: 21) similarly concluded that “economic crises are not sufficient to trigger reforms in the absence of governments willing and able to use these crises as catalysts for decisive economic policy changes.”

In a statistical analysis of neoliberal reforms in South America between 1980 and 1994, Karen Remmer finds that difficult economic circumstances, and high inflation rates in particular, “play an important role in the decision to embark on a program of orthodox reform” (1998: 17). Yet, just as the dynamics of economic crises themselves are shaped by psychological mechanisms, perceptions, and interpretations, their political effects are also far from deterministic.<sup>21</sup> In this sense, for instance, the comparative analysis presented in Nelson (1990a) shows that “the severity of the crisis” is a key factor explaining the adoption of economic reforms (Nelson 1990b: 19). Yet, “the scope and content of adjustment decisions” depends on interpretations, which are shaped not simply by available facts but also “by assessments of previous adjustment experiences and value judgments” (Nelson 1990b: 21). In general, “the widespread perception of the need for far-reaching reforms” is identified as a decisive factor explaining the adoption and implementation of far-reaching stabilization and structural reform packages (Nelson 1990b: 32), but the specific type of reforms adopted in response to the crisis is “strongly influenced by the intellectual lenses through which economic advisors and political leaders perceive the crisis and the available options” (Nelson 1990b: 29; see also Kahler 1990).

Pop-Eleches confirms (and specifies) these arguments about the relationship between crisis and reform. He finds that, first, “the depth of the initial economic crisis” is crucial as it helps “reduce resistance to reforms” (2009: 296). Second, his comparative study highlights “the importance of external financial need as a driver of IMF program initiation and implementation” (292). This is, third, reinforced by the fact that different types of economic crises lend themselves to different types of interpretation and domestic controversies. In Latin America during the 1980s, “the roots of the debt crisis were widely perceived as being of an external nature, which resulted in a lower willingness to bear the economic costs of adjustment policies and made it much more difficult for governments to implement reforms in a democratic context”; in Eastern Europe, in contrast, “the domestic roots of the economic crises were much less disputed, and, therefore, voters were more likely to support or at least tolerate neoliberal reforms despite their considerable short-term costs” (23).<sup>22</sup> In general, Pop-Eleches (2009: 296) finds that “the catalytic effects of economic crisis are mediated by the ideological inclinations and partisan ties of key political players” (see Section 5).

The ways in which an economic crisis is processed politically are, however, not only determined by domestic politics but also shaped by external actors who directly and/or indirectly influence domestic debates and decision-making processes. This, in particular, concerns the much-debated role of the IMF (or the IFIs more broadly speaking), but also of major creditor/donor countries (such as the US).

With a view to the role of the IFIs in Latin America during the 1980s, much debate focused on the IMF. In fact, while the IMF had played a limited role in the region during the 1970s, this changed dramatically with the debt crisis, which largely closed access to private foreign credit. As Manuel Pastor summarizes:

“By 1983, three-quarters of the Latin American countries were operating under either a Stand-by Arrangement or the Extended Fund Facility; moreover, *all* of the programs in this period were so-called ‘upper credit tranche’ arrangement involving a high degree of conditionality. As the decade proceeded, most of the remaining one-quarter of Latin America al-

21 In his study on *The Politics of Market Reforms in Fragile Democracies*, Kurt Weyland (2002) explicitly draws on psychological findings, and prospect theory in particular, in order to help explain how severe economic crises cause governments (or, rather, political leaders) to adopt bold and risky neoliberal reforms. In a nutshell, he argues that “the intersection of two conditions – the assumption of power by a new leader and the eruption of severe problems that put this leader in the domain of losses – is crucial for the initiation of drastic adjustment. Since severe problems often trigger elite renovation, the crisis factor appears as the main cause for the adoption of drastic market reform. Cognitive-psychological results thus provide a microfoundation for crisis arguments [...]” (Weyland 2002: 5).

22 Also, according to Pop-Eleches (2009: 171), “the perceived fit between the type of the crisis and the policy course advocated by the IMF” matters: “[...] whereas inflation, where the Fund’s track record is generally good, triggered IMF programs in both regions, recessions only mattered in Eastern Europe but not in Latin America, where the Fund’s emphasis on austerity measures was seen by many as hurting rather than helping economic growth.”

so fell under IMF control and the few countries that escaped direct IMF intervention were often under indirect IMF supervision.” (Pastor 1989: 90)

“In the years of the debt crisis, the Fund’s power and command over Latin America has risen dramatically. With a virtual monopoly over access to private capital flows and with almost all of Latin America operating under its programs, the IMF has presided over an era marked by continuing debt tribute coupled with stagnant growth and regressive redistribution. It is a performance that has hurt the vast majority of Latin Americans while delivering benefits to a thin strand of elites in North and South.” (Pastor 1989: 100)

While the IMF’s prominent role in Latin America throughout the decade (and beyond) is hard to dispute, comparative research in the 1980s significantly qualified the popular notion of an extensive “power and command” of the IMF over Latin American economic policy-making. By contrast, several scholars found that the power of the IMF to enforce economic reforms on poor and vulnerable countries (in Latin America and beyond) was actually much more limited and contingent on other factors than many had expected (see Haggard 1985; Kahler 1985, 1992; Nelson 1990a; Remmer 1986; Stiles 1987, 1990). In a study from 1986, for instance, Karen Remmer found that failure to implement IMF programs “has been the norm in Latin America, not the exception” and concludes:

“The power of the IMF remains a useful myth for governments seeking a scapegoat to explain difficult economic conditions associated with severe balance of payments disequilibria, but the ability of the IMF to impose programs from the outside is distinctively limited.” (Remmer 1986: 21)

Stephan Haggard, in a 1985 study of 30 adjustment programs under the IMF’s Extended Fund Facility (EFF), came to similar results<sup>23</sup> and argued that it was not so much the financial resources of the IMF (and the World Bank) per se that mattered. Rather, “the networks of transnational relations established through IMF and World Bank programs” constitute “the political bases for the power and influence of these organizations”. These networks, however, are not simply external but crucially depend on “IMF-sympathetic ‘stabilizing cadre’ within the state” (Haggard 1985: 534; see also Nelson 1990c: 330–331). According to this reading, the IMF does not so much (or, at least, not only) operate as an external actor that coerces unwilling recipient governments into complying with its conditions, but it shapes economic policy-making in recipient countries through its direct relations with like-minded technocratic elites within the countries and governments at hand (see 5.).<sup>24</sup> In a similar vein, Kendall Stiles (1990: 972) has noted “the significance of IMF ‘ideology’ in shaping the adjustment policies of nations, even if the IMF staff are not directly involved in the national policy process”, with Argentina being a case in point (see also Stiles 1987).<sup>25</sup>

23 Haggard (1985: 505–506) found that 24 of these 30 IMF programs “were renegotiated, or had payments interrupted, or were quietly allowed to lapse”, with 16 being “formally canceled by the IMF”.

24 Kahler (1992: 126) similarly emphasizes the role of a technocratic “transnational community”, which in particular consists of people “trained as economists at American or European universities”, and concludes: “Close alignment between a cadre of national economic technocrats and the IFIs seems to have been a prerequisite for agreement in this sample of cases, whether middle-income countries with highly developed bureaucratic structures or low-income state with weak authoritarian regimes.” (127). Yet, he adds, although “the presence of technocratic allies may be a necessary condition for successful influence in most developing countries” (130), “technocratic alignment” failed “when learning did not extend up (to the political principals), laterally (to the implementing agencies), and down (to a trained civil service)” (128). On a similar note, Haggard and Webb emphasize the role of “foreign advisers, but also the training of technocrats at foreign universities, government-sponsored exchange programs, and work experience in multinational corporations” (Haggard and Webb 1994b: 28) and conclude: “Over the long run, material assistance [by external actors] may be less important than training and socialization, which can change the political actors and alter the domestic debate surrounding the adjustment process.” (Haggard and Webb 1994b: 25–26; see also Conaghan and Malloy 1994: 216)

25 In her statistical analysis of neoliberal reforms in South America between 1980 and 1994, Remmer finds that “international aid” has a (weakly) positive effect on the initiation and durability of reforms, while IMF conditionality actually reduces the durability of reform programs (1998: 19, 22). Her interpretation of the latter finding is that “domestic, as opposed to IMF, program design”, which meets “local needs”, is a key condition for durable reform programs (22).

One external factor that qualifies IMF influence is related to geopolitical dynamics and the role of major powers (above all, the US). Studies have shown, for instance, that the strategic importance of recipient countries to those major Western states that have traditionally dominated decision-making at the IMF shapes negotiations with the IMF and their outcomes (see the brief summary in Caraway et al. 2012: 32).<sup>26</sup> Pop-Eleches also finds “that the IMF’s response to economic crises is driven by the changing imperatives of international financial stability and the changing interests of large IMF member countries” (2009: 3), which implies that countries are treated differently according to their economic size and their specific relevance in a given international setting. The same variation also applies to the availability of alternative international sources of funding, such as “economic or military aid, remittances, export earnings, or commercial borrowing” (Haggard 1985: 531), which reduces the leverage of the IMF:

“One would thus expect the Fund to have most leverage when conditions are desperate and other options are foreclosed.” (Haggard 1985: 533; see also Haggard and Kaufman 1989: 216–217; Kahler 1992: 111; Pastor 1989: 86)<sup>27</sup>

Looking back at stabilization and adjustment programs during the 1980s, Miles Kahler finds that “significant influence by external agencies on decisions to undertake stabilization programs [...] was limited to a small number of governments in the sample, those delicately balanced or deeply divided cases in which external agencies did seem to tilt decisions on economic program in favor of stabilization” (Kahler 1992: 98).<sup>28</sup> In a similar vein, the comparative analysis coordinated by Joan Nelson finds:

“External pressures had greatest influence on the timing and scope of adjustment decisions not with the most fragile governments nor with those that had strong ideas on their own, but with an intermediate category: governments that were divided or indecisive but had sufficient authority to take action.” (Nelson 1990c: 330)

However, external attempts to enforce stabilization measures even “failed to induce decisions from the weakest and most divided governments”, confirming that “*external agencies* were less important than domestic political forces in determining the timing and scope of adjustment decisions” (Nelson 1990c: 330; emphasis in the original). This is not to say that external actors in general and the IFIs in particular did not matter. Yet, their actual impact was contingent on the structures and dynamics of domestic politics, as Joan Nelson concludes:

“Concerted pressure from the international financial institutions, bilateral donors, and commercial banks and the providing or withholding of financial relief play prominent roles in the tales of all our cases. But the degree to which such pressures actually induced decisions that would not otherwise have been taken varied greatly.” (Nelson 1990c: 330)

“External advice and pressure often stretched internal political constraints on structural change, contributing in important ways to implementation. But domestic politics set the

26 Based on an analysis of IMF programs in 38 countries between 1997 and 2003, Dreher and Jensen (2007), for instance, show that countries that are politically aligned with the US (and other G7 countries), as measured by their voting behavior in the UN General Assembly, tend to receive IMF loans with a smaller number of conditions attached. See also Haggard and Kaufman (1989: 213–216).

27 The other way round, a crucial factor that has reinforced the power of the IMF has been the fact that the signing of, and compliance with, an IMF agreement has frequently been used and/or perceived as a precondition for further financial support (aid, credits, debt rescheduling) from third parties (Pop-Eleches 2009: 75–76).

28 Kahler (1992: 98) also notes that the impact of the IMF and the World Bank “was highest in the case of smaller countries and those with limited state capabilities, where the technocratic team was stretched to the limit”, referring to cases of Ghana, Jamaica, and Zambia. In a similar vein, Nelson (1990c: 342) concludes that “where analytic capabilities were limited, these [IMF] consultations could make a significant (if not always welcome) contribution to the fine-tuning of policies as economic trends unfolded.”

basic parameters of government efforts to carry out adjustment programs.” (Nelson 1990c: 344)<sup>29</sup>

Barbara Stallings (1992) brings the different external dimensions together by distinguishing between three types of mechanisms of international influence:

- (1) International markets, which “constitute the constraints – and opportunities – within which Third World actors must operate” (48);<sup>30</sup>
- (2) “the economic, political, and ideological ‘linkage’ between domestic groups and international actors, which makes elite (and middle class) groups in Third World countries “identify with the interests and outlook of international actors” (48, 52); and
- (3) “leverage”, that is, “the direct use of power by international actors, with a promise of reward (or a threat of punishment) for carrying out (or not) a desired policy” (55).

In sum, she argues “that international factors are crucial in explaining broad shifts in policy” and are “also useful in accounting for variation across countries”, but – again – acknowledges that for the latter purpose “domestic factors are essential too” (Stallings 1992: 43).

Furthermore, it is important to take into consideration that the international context – and the relevant international actors, forces, and context conditions – also change over time. In terms of ideology, the turn from macroeconomic stabilization to structural adjustment reforms reflected changes in the dominant thinking within international financial and development circles (Kahler 1990).<sup>31</sup> Broadly in line with this overall evolution of internationally hegemonic development thinking, IMF policy advice and conditionality has similarly seen important changes (but also important continuities). During the 1980s and 1990s, the scope of IMF programs expanded from a narrow focus on austerity and debt repayment to an increasing emphasis on structural adjustment during the 1980s and 1990s (see Broome 2015: 148; IMF 2001: 22–27; Pop-Eleches 2009: 3). In more recent years, Broome (2015: 161) has identified a return (“back to basics”) to “a narrower focus on the promotion of fiscal consolidation”, with less emphasis on the promotion of “one-size-fits-all structural reforms”.<sup>32</sup> The specific sub type of labor-related loan conditions confirms this general trend: Prior to 1987, no labor conditions were included in IMF programs, but afterwards their number increased significantly until peaking in 1999, “when nearly 44 percent of all IMF programs included at least one labor condition” (Caraway et al. 2012: 30).<sup>33</sup> Other studies, such as

29 Haggard and Webb (1994b: 5–6) also conclude that external actors play a supportive, rather than a decisive role: “There is no evidence from the countries studied that external actors tipped the political scales in favor of reform when the domestic institutional and coalitional environment was unfavorable; there is evidence that lending in such settings postponed adjustment. Providing support to committed governments did, however, increase the domestic credibility of the reformers, both by improving overall performance and by increasing their freedom of maneuver.” See also Pop-Eleches (2009: chapters 3–4).

30 In terms of such international constraints and opportunities, the study by Pop-Eleches emphasizes the crucial differences in the international economic context that characterize the international debt crisis of the 1980s and the “financial boom of the 1990s” (2009: 285).

31 In a broader sense, Pop-Eleches (2009: 3–4) has argued that “international ideological contestation” has looked differently during the 1980s, “the final decade of the Cold War”, than during the 1990s, which had been marked by a global economic expansion and the hegemony of neoliberal thinking. The 2000s and 2010s present yet another context.

32 More precisely, in his comparison of IMF’s policy advice to national authorities during the negotiation of stand-by arrangement loans between 1985 and 2012, Broome identifies a “high degree of consistency in the IMF’s policy advice across three policy areas: (1) pro-cyclical fiscal discipline, (2) the reallocation of public spending from sector subsidies toward targeted spending on health, education, and infrastructural investment, and (3) addressing revenue shortfalls through broadening the tax system, in particular the expansion of indirect taxation on consumption.” (Broome 2015: 158). With a view to “civil service retrenchment”, he also finds “a consistently high level of frequency across three out of the four sample sets”, the exception being the years 2008–2010 (Broome 2015: 157). In contrast, since 2008, the IMF has “placed far less emphasis” on “(1) interest rate liberalization, (2) the liberalization of trade restrictions, and (3) the privatization of public enterprises, assets, and services” (Broome 2015: 159). This broadly corresponds to the stated aim of the IMF to narrow the scope of structural conditionality (IMF 2001: 30–36). A related trend, which has partially changed the ways in which the IMF (and the World Bank) and recipient governments negotiate economic reforms, concerns the debate on ownership as a necessary feature of successful reform programs (see Boughton 2003).

33 Data in this study only cover the years until 2000. It, therefore, remains to be seen whether the gradual reduction in labor-related conditions from 1999 to 2000 has continued since the turn of the century.

Hernandez (2020) for the case of Argentina (1989–2017), however, find much more continuity in the neoliberal stabilization and structural adjustment agenda as promoted by the IMF.

In sum, the insight from the studies reviewed here is that international constraints, pressures and influences play an important role in the adoption and implementation of stabilization and adjustment policies, but that they shape these policies only indirectly, mediated through domestic structures, institutions and processes (see Haggard 1990; Haggard and Kaufman 1989, 1992a; Nelson 1990a).

##### 5. DOMESTIC STRUCTURES AND ACTORS IN ECONOMIC REFORMS

There is no doubt that domestic politics matter significantly when it comes to implementing IMF-supported stabilization and adjustment programs. Already in 1985, Haggard noted that “efforts at stabilization and structural adjustment are routinely stymied by domestic political forces” (Haggard 1985: 505). With a view to IMF-supported structural adjustment programs between 1986 and 1997, an internal study by the IMF (2001) found that only 25 percent were completed without significant interruptions:

“Domestic political constraints such as political upheavals, flagging commitment from the authorities (often a consequence of difficulty in mustering political support for new policies), and opposition from domestic interest groups played a role in most of the program interruptions.” (Caraway et al. 2012: 36; referring to IMF 2001: 54–56).

Systematically speaking, the literature deals with five different dimensions of domestic politics:

- The role of political/state institutions;
- the role of state actors and political elites;
- the role of societal actors and (interest) groups, elite, and non-elite;
- the role of configurations of social forces or social structures;
- the role of ideas, ideologies, and perceptions.

Regarding (1) political institutions, a key feature emphasized by a series of studies concerns the relative autonomy of political institutions or the degree of insulation of political decision-making from societal interests (see Haggard 1990: 42–46; Haggard and Kaufman 1992a; Kaufman 1985: 477; Conaghan and Malloy 1994: 213–214). While scholars agree that insulation generally facilitates the adoption of adjustment reforms, Haggard and Kaufman (1992b) specify that “reform initiatives are more likely where and when political institutions insulate politicians and their technocratic allies from particular interest group constraints”, but that the “consolidation of reform, by contrast, involves stabilizing expectations around a new set of incentives and convincing economic agents that they cannot be reversed at the discretion of individual decision makers”, which “is most likely where governments have constructed relatively stable coalitions of political support that encompass major private sector beneficiaries, and have secured at least the acquiescence of the major political forces competing within the political system” (Haggard and Kaufman 1992b: 19–20).<sup>34</sup> The notion of “embedded autonomy” brings both arguments together: In order to successfully implement economic reforms, states need autonomy in the sense of “a coherent, self-orienting, Weberian sort of administrative structure”. But this relatively autonomous bureaucracy simultaneously has to be embedded in a “concrete network of external ties” that “allows the state to assess, monitor, and shape private responses to policy initiatives” (Evans 1992: 178–179; see also Naím 1995). Also, “sustaining and consolidating reform requires building of support” (Haggard and Webb 1994b: 15).<sup>35</sup>

<sup>34</sup> See also Haggard and Webb (1994b: 15); Maravall (1995: 19); Nelson (1995: 57); Pop-Eleches (2009: 17).

<sup>35</sup> In comparing the initiation and implementation of far-reaching neoliberal reforms in Bolivia (after 1985), Argentina (after 1989), Brazil and Peru (after 1990), for instance, the governments’ “ability to build viable bases of party and interest-group support” has been identified as “a crucial variable distinguishing the initiation and consolidation phases of reform” (Haggard and Kaufman 1995: 202). The other way round: “In the absence of such bases of support, insulated

A related institutional feature concerns the “concentration of authority” in the executive, identified by Joan M. Nelson (1990b: 31–32) as one of two key characteristics that the countries “where broad reforms were adopted and substantially implemented” share:<sup>36</sup>

“Concentrated authority directly facilitates implementation; it also heightens the credibility of programs, crucially shaping both political and economic responses.” (Nelson 1990b: 25; see also Haggard and Kaufman 1995: 163–165)<sup>37</sup>

The other way round, political regimes in which the relative autonomy of the state, the concentration of power in the executive and/or the insulation of political decision-making from societal interests is low, economic reforms are difficult to achieve. The comparative study edited by Joan Nelson (1990a) finds that in most cases in which “political institutions and coalitions limited the autonomy of chief executives, adjustment decisions were confined to stabilization plus, perhaps, piecemeal, medium-term reforms.” (Nelson 1990c: 330). With a view to authoritarian regimes, Haggard argues that the adoption and implementation of structural adjustment is less likely when political authority and legitimation depends on “state patronage” or “clientelism” (Haggard 1985: 511). In more general terms, he finds that “bureaucracies” and “administrative ‘subsystems’”, which may be “politically captured or constrained by specific clients”, present important limitations to the implementation of adjustment policies (Haggard 1985: 532). Generally speaking, when states lack “the requisite bureaucratic structures” that enable their relative autonomy, their “embeddedness” becomes a problem for the implementation of economic reforms (Evans 1992: 179).

Evans’s notion of embedded autonomy also includes the importance of administrative or bureaucratic capacities (see above). In this vein, Nelson also argues that the “[c]apacity to generate informed and objective analyses of economic problems and options” is important, as “are the instruments and institutions that permit implementation” (Nelson 1990b: 21). Empirically, she concludes that “[a]nalytic capabilities affect the scope as well as the timing of adjustment decisions” (Nelson 1990c: 327).

According to Haggard and Kaufman, the capacity of governments to effectively implement economic reforms also depends on the nature of the party system in place. More specifically, in a comparative analysis of Latin American and Asian cases, they find that the existence of a fragmented party system severely hinders the implementation of monetary stabilization measures that effectively reduce inflation (Haggard and Kaufman 1992c: 299).<sup>38</sup> In a similar vein, Haggard and Webb (1994b: 8–11) argue that the extent to which party systems are polarized and fragmented crucially shapes economic reforms (in democratic regimes) (see also Haggard and Kaufman 1995: 166–174).<sup>39</sup>

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technocratic agencies become politically isolated and programs become vulnerable to reversal.” (Haggard and Webb 1994b: 15)

36 More specifically, she talks about “an executive empowered by some combination of established political institutions and more transient circumstances with an unusual concentration of authority” (Nelson 1990b: 32; see also Nelson 1990c: 335, 347).

37 Against this conventional wisdom, Karen Remmer, in her statistical analysis of neoliberal reforms in South America between 1980 and 1994, does not confirm the hypothesis that executive strength supports the initiation and/or the duration of reform programs (Remmer 1998).

38 More precisely, Haggard and Kaufman (1992c: 299) find that “about one-third of the inflations in fragmented systems were brought down for three years, as compared to almost 70 percent of inflations in political systems where conflict was mediated by catchall parties or suppressed. In the nonfragmented settings, democracies did about as well as authoritarian regimes, each having a failure rate of roughly 30 percent. In fragmented party systems, however, democratic regimes had great difficulty stabilizing. [...] Two of the three authoritarian regimes with fragmented party systems also failed to stabilize.”

39 Empirically, Haggard and Kaufman (1995) argue that the failure of economic policies/reforms in Argentina, Bolivia, Brazil and Peru during the 1980s was particularly due to “institutional characteristics of the party systems [which] aggravated partisan conflict and underlying social divisions”: “The central challenge faced by these new democratic governments lay in the combination of fragmentation with the polarizing effects of populist and left oppositions.” (Haggard and Kaufman 1995: 197) What is more, “party competition in these polarized and/or fragmented systems also impeded efforts to negotiate agreements on policy among contenting interest groups”, including organized labor and business (Haggard and Kaufman 1995: 198).

Regarding (2) state actors and political elites, Haggard has argued that “the power, cohesion, and ideological orientation of technocrats” constitutes as “an important variable in explaining the fate of IMF programs” (Haggard 1985: 531). More specifically, “a cohesive group of sympathetic economic technocratic”, which forms “the domestic half of a transnational coalition with the Fund” (Haggard 1985: 532), is found to be “a prerequisite for program success” (Haggard 1985: 534).<sup>40</sup> The comparative study edited by Nelson (1990a) finds that the existence of a united “economic team” is crucial for both the adoption and the implementation of economic reforms (Nelson 1990c: 327, 339).<sup>41</sup>

In his *Pathways from the Periphery*, Haggard (1990: 4) has broadly argued that “[t]he strategies that states pursue and the fashion in which they are implemented hinge less on broad social-structural forces than on the politically driven choices of state elites; the tactical give-and-take and coalition building characteristic of political life”.<sup>42</sup> Haggard and Kaufman (1992b: 18) similarly emphasize the role of state actors, given that they “play a crucial mediating role between the international and the domestic arena” and have “substantial power over the policy agenda”. Nelson (1990b: 24) also highlights the important role of “leadership, tactics, and political configuration”. Emphasizing the flipside of this argument, Barbara Geddes (1995: 68) argues that “state officials” are key actors when it comes to adopting and implementing economic reforms, because “the biggest, and certainly the most articulate and politically influential, losers from the transition to a more market-oriented economy are government officials, ruling-party cadres, cronies of rulers, and the close allies of all three.”<sup>43</sup> At the highest level of politicians in charge of government, she notes “that most reforms are initiated by executives who for one reason or another are not beholden to the party, faction, or group that has previously benefited from state intervention” (Geddes 1995: 70).<sup>44</sup>

Regarding (3) the role of societal actors and (interest) groups, a key distinction is between those (elite) groups that normally directly participate in the design and adoption of economic reforms, and other social groups that are at times relevant, but mostly rather in terms of constraining, blocking or thwarting the adoption or implementation of reforms. The former include political elites, domestic (partially internationalized) economic elites/capitalist class, and a technocratic elite

40 “Staffed by large cadres of technocratic personnel and linked to international academic centers of professional training and research, such bureaucracies have acquired the degree of ‘relative autonomy’ required to set stabilization plans in motion, even in the face of high political risks and uncertain economic results.” (Kaufman 1985: 477) With a view to Bolivia, Ecuador and Peru, Conaghan and Malloy (1994: 214) similarly find that neoliberal policies during the 1980s “were dictated by a small coterie in the executive, without much in the way of consultation except for exchanges with international institutions, the IMF and the World Bank.”

41 With a view to technical capacities, again, a crucial difference applies to different phases or types of economic reforms (stabilization versus structural adjustment): “Many longer-term structural reforms are more complex administratively, and require coordinated action by more agencies than do most of the elements of short-run stabilization programs. Therefore, not only central economic staff able to fine-tune ongoing policies, but also the scope of central government authority and the depth of managerial talent in the public sector become crucial to implementation.” (Nelson 1990c: 340)

42 “I see political coalitions not as given by social structure or international constraints but as the constructs of political leadership and organization.” (Haggard 1990: 4)

43 See also Nelson (1990c: 357): “The strong ‘minimal state’ thrust of orthodox reform strategy in the 1980s directly confronts an array of vested individual and institutional interests in existing arrangements within the very governments urged to implement reforms.” As she emphasizes this is partly but not only an issue of corruption: “In many countries, most higher civil servants hold extensive interests, personally or through their families, in private enterprises benefiting from existing arrangements; these holdings are fully legal, but constitute a major conflict of interest. Still more obviously, public employees at all levels see their jobs at stake in efforts to trim the public rolls or rationalize or privatize parastatals. Their unions are among the most powerful in the country” (Nelson 1990c: 357). The research presented in Haggard and Webb (1994a) similarly confirms “the crucial role played by bureaucratic organizations in both initiating and consolidating reform efforts (Haggard and Webb 1994b: 13). The “Reform of Bureaucracies” (Haggard and Webb 1994b: 13–15), which includes insulating bureaucratic (or technocratic) units in charge of economic reforms and improving their technical capabilities, is, therefore, both a key element and a precondition of structural economic reforms.

44 This observation is based on a comparative study on eleven countries (Argentina, Brazil, Greece, Mexico, Nigeria, Senegal, Spain, Turkey, Uruguay, Venezuela, and Zambia). Again, this is in line with the findings reported by Nelson (1990c: 357): “At the highest levels of the state machinery, political leaders often also have vested political [...] interests in existing administrative arrangements, which further constrain state capacity to implement reforms.”

within the state bureaucracy. The latter include organized labor but also other interest groups representing the middle classes and urban or rural popular sectors.

In their comparative historical study of the turn to neoliberal economic reforms in Bolivia, Ecuador and Peru, Conaghan and Malloy identify “three (sometimes overlapping) sets of actors” that “struggle to acquire and maintain control over the agenda in economic policy”: “the domestic capitalist class, the political class, and a cadre of technocratic elites who manage the policy-making bureaucracies inside the executive branch of government” (1994: 16). Organized labor and other popular sector groups, by contrast, “were systematically marginalized from significant participation in economic policy making”:

“Labor and other lower-class groups were relegated to a largely reactive role; they vigorously protested austerity programs but were unsuccessful in staving off neoliberal experimentation. As such, labor occupies the wings of our analyses while capitalists, technocrats, and politicians hold center stage.” (Conaghan and Malloy 1994: 17)

Kaufman (1985: 478) emphasizes “the foundations of the sociopolitical cleavages mobilized within civil society” and, more specifically, the role and power of “big business” versus “the ‘popular sectors’”:

“Major sectors of ‘big business’ – not only the old agro-exporting elites but also large foreign and domestic industrial and financial groups – are usually at the center of the support coalitions that form around technocratic initiatives. Even when such groups quietly seek to evade austerity for themselves, they most often adopt positions of open support or benevolent neutrality toward stabilization programs in general. Conversely, although the other side often includes smaller businesses, military nationalists, and intellectuals, the principal opposition comes from the ‘popular sectors’ incorporated into the political system initially during the 1930s and 1940s: blue-collar unions, allied white-collar organizations, and mass-based political parties. Even popularly oriented governments typically encounter resistance from such groups when they sponsor stabilization packages.” (Kaufman 1985: 478)<sup>45</sup>

With a view to “major interest groups” that shape adjustment policies as political forces, Nelson (1990b: 32) similarly concludes: “Two groups emerge as powerful actors: business interests and the state machinery itself. Organized labor and agricultural interests play much less important roles.”<sup>46</sup>

The assumption that economic elites, or the domestic business community, generally support market-oriented economic reforms is, however, overly simplistic (see Haggard and Webb 1994b: 18–20; Sullivan 1995). Theoretically, we should expect different segments of the business community to hold different policy preferences vis-à-vis neoliberal economic reforms. As mentioned above, Kaufman (1985: 478) distinguishes between “‘big business’ – not only the old agro-exporting elites but also large foreign and domestic industrial and financial groups”, which are usually supportive, and “smaller businesses”, which are often part of the opposition. More specifically, scholars have differentiated between export-oriented sectors (which tend to gain from reforms) and sectors that depend on protectionist and import-substitution policies (which tend to lose) (see Haggard and Webb 1994b: 19; Nelson 1990c: 352; Sullivan 1995: 183). A further key distinction, introduced by Jeffrey Frieden (1988), is between liquid asset holders (which tend to win) and fixed-asset holders: “smaller import-substituting manufacturers, enterprises with large fixed investments, companies tied closely to state-owner enterprise” (which tend to lose) (Nelson 1990c: 352).<sup>47</sup> As Haggard and Kaufman summarize:

45 The consequence: “Governments depending mainly on labor and popular support are more likely to adopt heterodox programs; those relying on business and financial support to favor neoorthodox prescriptions.” (Nelson 1990b: 25)

46 In general terms, Nelson (1990c: 341) finds that in cases of far-reaching structural reforms, “the groups benefiting from the policies and programs of the previous regimes were disempowered under the new governments”.

47 “The structure of business interests determines their policy preferences, but the nature and channels of their political activities are shaped by their relationships with political authorities” (Nelson 1990c: 353). In contrast to other social

“Liquid asset holders, export-oriented industries, financial interests, and larger industrial and commercial firms with access to external credit markets are more likely to benefit from traditional stabilization and structural adjustment measures. Even where they are not politically organized, liquid asset holders can exert pressure on decision makers through the threat of capital flight. [...] Firms with investments in specific assets, import-substituting industries, [...] and companies dependent on government contracts and credit are more likely to be threatened by devaluation, budget cuts, restrictions on domestic credit, and reforms that reduce protection and government support. [...] In countries where such firms are prominent and can mobilize political resources through peak organizations, parties, and the media, they will challenge the imposition of fiscal and monetary austerity. Unable to flee or circumvent the adverse consequences of stabilization, they stay and fight.” (Haggard and Kaufman 1989: 222)<sup>48</sup>

Empirically, Karen Remmer’s statistical analysis of neoliberal reforms in South America between 1980 and 1994 suggests that “high level of exports relative to GDP” seem to increase the probability of reform initiation (1998: 18), which lends some support to the expectation that “*the relative economic weight of private-sector exporting interests*” should increase the probability that orthodox reforms are adopted (Remmer 1998: 10; emphasis in the original). Comparative case studies confirm that business elites have played diverse roles. In Brazil, in the early 1980s, for instance, “Sao Paulo’s influential industrialists, who had come to rely heavily on parastatal orders and inputs” responded to the turn to fiscal austerity by joining the opposition to the military government (Frieden 1988: 7). In the case of Chile under Pinochet, by contrast, “class concerns” (“fear of the Left”) rather than “sectoral concerns” took precedence and business, including industrialists, refrained from joining the opposition to the government in the context of the economic crisis of the early 1980s (Frieden 1988: 9).<sup>49</sup> With a view to the democratically elected governments in Argentina, Bolivia, Brazil, and Peru during the 1980s, Haggard and Kaufman (1995: 198) observe that “the absence of business support” contributed to the failure of governmental adjustment efforts:

“The private sector strongly resisted measures that might have alleviated the fiscal crisis, including particularly tax reform, and continued to press particularistic claims on the government.” (Haggard and Kaufman 1995: 198)

In Ecuador and Peru, where democratically elected governments during the 1980s attempted to impose stabilization and structural adjustment programs, divisions within the business community and resistance against specific reform measures (e.g. trade liberalization) on the part of key economic groups contributed to the failure of these neoliberal experiments. By contrast, in Bolivia, where the industrial sector was much weaker (and divided), unified business support facilitated the implementation of far-reaching stabilization and structural adjustment policies under the 1985 “New Economic Policy” (Conaghan and Malloy 1994).<sup>50</sup> In Argentina under President Menem and Mexico under President Salinas, neoliberal governments deliberately built “a new strategic relationship with the most diversified, concentrated, and internationally competitive sectors of business”, while weakening ties to “domestically oriented industrialists and nondiversified, single-sector firms” (Gibson 1997: 356).

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sectors, however, business interests also influence policy-making through the mere (anticipated) effect on their private investment decisions (Nelson 1990c: 351–354). On business power in Latin America, see Fairfield (2015) and Wolff (2016).

48 Regarding agricultural interest groups and rural areas in general, Joan Nelson concludes: “Rural interests are usually politically weak, and rural approval may not translate into effective political support for adjustment.” (Nelson 1990c: 355; see also the – more complex – assessment by Haggard and Kaufman 1989: 228–232).

49 Argentina, Mexico and Venezuela (in the early 1980s) are in-between cases in terms of capital-labor relations, sectoral patterns of cooperation and conflict and the extent of market-based economic policies, according to Frieden (1988: 9–15).

50 But in the case of Bolivia after 1985, as Pop-Eleches (2009: 186) argues, the fact that the technocrats in charge of economic policy-making “largely ignored” the demands from domestic business actors, which took issue with “the reduction of tariffs and private-sector credits”, also contributed to the successful implementation of the economic reforms.

The relative strength of the different economic sectors, however, is not fixed, but itself shaped by the very impact of economic crises and reforms on private business (Haggard and Kaufman 1989: 224). For instance, in Argentina, the “deregulation of financial markets [implemented by the military regime after the 1976 coup] induced large firms in the industrial sector to invest in financial activities” (Haggard and Kaufman 1989: 224). Also, the diversity of business positions vis-à-vis specific adjustment measures notwithstanding, at the general level of economic (development) ideologies, business elites across Latin America since the 1970s have gradually converged around and actively promoted a market- and outwards-oriented, neoliberal alternative to the previously hegemonic (statist, developmentalist) conception of economic development. As Conaghan and Malloy conclude with a view to Bolivia, Ecuador, and Peru, “business interest groups laid the groundwork for the development of domestic neoliberal coalitions with their antistatist campaigns” (1994: 216).<sup>51</sup>

With a view to organized labor, opposition to stabilization and adjustment reforms is certainly rather the norm than the exception. This, in particular, concerns the urban working class – as opposed to “rural workers and smallholders and underemployed informal sector workers”, who tend to be “difficult to mobilize politically” and may actually benefit from stabilization and structural adjustment policies (Kaufmann and Haggard 1989: 224).<sup>52</sup> During the 1980s, workers in the public sector as well as in the urban private sector (where they tended to be “concentrated in protected industries”) were immediately threatened by austerity, devaluation, import liberalization, and privatization, while being relatively well-organized (Kaufmann and Haggard 1989: 225; see also Nelson 1992).<sup>53</sup> Still, while it was “widely assumed that organized labor is the most likely interest group to derail adjustment efforts, whether from within or outside the governing coalition” (Nelson 1990b: 25), research suggests that “even strong unions do not necessarily or automatically oppose adjustment measures” (Nelson 1992: 249).<sup>54</sup> As Haggard and Kaufman have argued, we should expect “a non-monotonic relation between the political strength or organized labor and the challenges they are likely to pose to stabilization and adjustment initiatives” (1989: 225):

“Where strategic labor sectors are weak and penetrated, the burdens of stabilization policies are easy to impose, although the economic program, and the government itself, may encounter long-term costs in terms of losses of legitimacy. [...] On the other hand, labor may acquiesce to restraint within the context of a stabilization program in situations where it is represented by powerful peak associations with secure positions in the political process. [...] The most immediate political challenges to stabilization are likely to emerge in intermediate situations, where unions or informal sector workers possess sufficient resources for

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51 “Young technocrats were enlisted into the campaign by business interest groups; they translated the antistatist mood into more systematic technical critiques of public policies. Many of the same business leaders and technocrats, in turn, gave voice to their concerns inside political parties, either as leaders or as independent advisors of the parties.” (Conaghan and Malloy 1994: 216)

52 This is, of course, related to the fact that it is the “urban, formal-sector working class” that “suffered significant losses during adjustment episodes in all countries for which data are available” (Geddes 1995: 65). Joan Nelson (1992: 232) also notes that “the urban working classes and middle strata [...] remain better off than the poor (though the gap has narrowed), and are less at immediate risk of hunger and disease. But compared to their precrisis standards of living, they have suffered still larger relative drops. [...] And in contrast to the very poor, urban working classes and middle strata can exercise considerably political pressure on governments, through strikes, protests, and voting.”

53 With a view to “many developing countries”, Haggard and Kaufman (1989: 245) note that “public employees constitute an extremely powerful political force”, whose interests are directly challenged by many stabilization and structural adjustment policies, “including fiscal and wage restraint, and the privatization of state-owned enterprises”. These public employees, in addition, cannot only overtly resist reforms by mobilizing on the streets, but – given that they form the bureaucracy in charge of implementing reforms – they can also undermine reform efforts from within the state (Haggard and Kaufman 1989: 245–248).

54 “Their responses are shaped by calculations of both short- and longer-run costs and benefits, reflecting both their appraisal of economic prospects and their ties with and confidence in the political institutions that affect their likely shares in future benefits.” (Nelson 1992: 249)

defensive mobilization but are still vulnerable to periodic repression and lack secure access to decision making or clear rights to organize.” (Haggard and Kaufman 1989: 225–226)<sup>55</sup>

In a more dynamic sense, the question of labor resistance is also shaped by the question of whether governments attempting to implement stabilization and adjustment programs are willing and capable of negotiating “social pacts, including understandings concerning wage and price policy and other issues of macroeconomic policy”, or, at least, of making concessions to and reaching agreements with key labor unions in order to divide and weaken labor opposition (Haggard and Kaufman 1989: 226).

This variation notwithstanding, the success of labor opposition to the economic reforms of the 1980s and early 1990s in Latin America and beyond has relatively uniformly been limited. Nelson (1992: 249), for instance, concludes that unions “are seldom strong enough to threaten entire adjustment programs, although they can certainly raise the costs to the government of specific measures”. At times, unions “may win limited concessions”, but it is only in cases in which “union opposition combines with much broader protest, most commonly from the urban popular sectors but sometimes also from business” that adjustment programs “have indeed been drastically modified or abandoned” (Nelson 1990c: 350). In a similar vein, Barbara Geddes (1995: 65) summarizes that, generally speaking, “the urban working class has not been able to defend its interests, even in fully democratic countries governed by parties elected with working-class support”.<sup>56</sup> This also holds for countries – such as Argentina – “with strong, autonomous, well-organized working classes” and in which the working class was “an important constituency of the ruling party” (Geddes 1995: 65). In various cases, organized labor has been able to mobilize significant strikes and demonstrations; in some (including in Uruguay and Brazil), such popular opposition succeeded in blocking specific reform measures such as “privatization and cuts in spending”; in many countries, “various elements of the standard package have been slowed down or abandoned, but the wholesale abandonment of the policies has been rare” (Geddes 1995: 66).<sup>57</sup> Reiterating Nelson’s finding, Geddes concludes “that organized labor by itself is not powerful enough to hinder adjustment or protect itself from bearing substantial costs. It needs the support of the rest of the urban sector” (Geddes 1995: 67).<sup>58</sup>

On a different note, Haggard and Webb (1994b: 17) observe that, in the cases of “successful adjustment” by democratic governments, organized labor was normally somehow integrated into the

55 In Latin America, the military regimes of Argentina, Brazil, Chile, and Uruguay during the 1970s are examples of the first configuration, Mexico and Venezuela during the 1980s represent the second type, and Argentina, Bolivia, Brazil and Uruguay during the 1980s correspond to the third pattern (see Haggard and Kaufman 1989: 225–226). Comparing Mexico (incorporation of organized labor by the governing party) and Argentina (organized labor associated to the main opposition party) during the early 1980s, Kahles (1985) makes a roughly similar argument, as does Gibson (1997) in his comparison of Mexico under Salinas (1988–1994) and Argentina under Menem (since 1989).

56 Geddes (1995), here, refers to a sample of eleven countries (Argentina, Brazil, Greece, Mexico, Nigeria, Senegal, Spain, Turkey, Uruguay, Venezuela, and Zambia).

57 Yet, organized labor may still significantly shape the content of structural adjustment reforms, as a study that combines two case studies (on South Korea and Bolivia) with a large-N study covering IMF programs from 1980 to 2000 in 120 countries worldwide suggests (Caraway et al. 2012). The authors find “that democratic countries with stronger domestic labor receive less intrusive labor-related conditions in their IMF loan programs”. Based on this evidence, they suggest that “that governments concerned about workers’ opposition to labor-related loan conditions [successfully] negotiate with the IMF to minimize labor conditionality” (Caraway et al. 2012: 27). Theoretically in line with the logic of Putnam’s two-level game (Putnam 1988; see also Evans et al. 1993), they argue that governments use the (expected) opposition to reforms by powerful labor organizations “as bargaining chips” in the negotiations with the IMF (Caraway et al. 2012: 28). The finding, however, only holds for democratic regimes, confirming the causal role of regime type in terms of enabling and constraining domestic dynamics: “Democratically elected governments will negotiate with the IMF on behalf of powerful domestic labor even during times of crises [...]” (Caraway et al. 2012: 28–29).

58 In the case of Argentina, hyperinflation and its flipside – the successful reduction in inflation rates through drastic monetary stabilization measures – were key in guaranteeing widespread popular support for President Carlos Menem (Geddes 1995: 67).

political system, through its relations with the government and/or political parties, “in ways that provide the basis for compromise, social pacts, and enhanced credibility”.<sup>59</sup>

“By contrast, where labor had weak links with the government, but strong ties with class-based leftist or populist parties or movements [...] reform proved more difficult.” (Haggard and Webb 1994b: 18)

If the role of organized labor is, thus, already limited, the rest of the popular sectors (informal urban sectors, rural workers and peasants) are generally considered to be mostly marginal to the processes of adopting and implementing neoliberal reforms. The only exception concerns their disruptive potential, as exemplified in the so-called “IMF riots” (see Section 7).<sup>60</sup> In contrast, Frances Fox Piven and Lorraine Minnite (2015) emphasize the role of the “politics of the poor” in the struggles over economic reforms. Empirically focusing on experiences from Latin America, they argue that poor peoples’ protests against the IMF and neoliberal reforms since the 1980s had in fact a significant policy impact: Even if they did not succeed in preventing the implementation of the reforms as such, they forced governments across the region to introduce income support (or cash transfer) programs, “with the approval of the IMF and the World Bank” (Piven and Minnite 2015: 153).<sup>61</sup> This dynamic, which points to the relevance of contentious politics (see Section 7), has resulted from “three-way contests pitting the IMF and its structural adjustment policies against national governments who in turn were besieged by increasingly unruly protestors and the electoral upsets they threatened” (Piven and Minnite 2015: 155–156). Piven and Minnite (2015: 158) also highlight the enabling role of the political context, arguing that “these remarkable achievements” of the politics of the poor in Latin America were possible thanks to “an institutional context that, however imperfectly, still allowed for a measure of democratic accountability through electoral-representative institutions.” This, again, points to the relevance of regime type as an enabling (and constraining) factor for the adoption and implementation of economic reforms.

A different argument on the role of the informal and poor sectors of society has been made with a view to Latin America’s “populist” or “neopopulist” presidents that implemented harsh stabilization and structural adjustment programs (most notably, Carlos Menem in Argentina and Alberto Fujimori in Peru). Here, the political appeal to the “unorganized, largely poor people in the informal sector” (Weyland 1996: 10), which was materially sustained by the successful fight against hyperinflation and, in part, by targeted anti-poverty measures, constituted a key ingredient in the construction of electorally successful and relatively durable pro-neoliberal coalitions (see also Gibson 1997; Weyland 2002).

Regarding (4) the role of configurations of social forces or social structures, scholars mostly agree that social structures are relevant when it comes to economic reforms. Yet, just as in the cases of international pressures and political regime type (see above), socio-structural characteristics enable and constrain, but do not determine, specific coalitions that underpin regimes, governments or specific policies (see Haggard 1990: 3–4). As Remmer (1986: 3) has argued, for instance, “the capacity of popular sector groups to sabotage stabilization measures” is clearly conditioned by the “level of industrial development and structure of trade unionism”. In a later study (Remmer 1998), she found that economic structure – and namely the share of exports relative to GDP – also mat-

59 But see Haggard and Kaufman (1995: 203–204) and Pop-Eleches (2009: 176–189) for brief accounts of the crackdown on labor unions in Bolivia that permitted the enforcement of far-reaching neoliberal reforms in Bolivia under Paz Estenssoro after 1985. In the case of Argentina (after 1985), indeed, president Menem used the Peronist ties with organized labor to prevent “general strikes or other broad forms of union protest” (Haggard and Kaufman 1995: 206).

60 “The urban informal sector has constituted a powerful constraint on policy reform in a number of countries because of the threat of rioting, but in general, those segments of the labor force that are presumed to benefit most from structural adjustment measures, including rural workers and smallholders and underemployed informal sector workers, are difficult to mobilize politically.” (Haggard and Kaufman 1989: 224; see also Nelson 1992)

61 For the specific issue of energy subsidy reforms, an IMF study highlights as a key lesson learnt (from the protest-driven failure of reform attempts): “Well-targeted measures to mitigate the impact of energy price increases on the poor are critical for building public support for subsidy reforms.” (Alleynes et al. 2013b: 36).

ters because it affects the political weight of export-oriented (pro-neoliberal) business interests. Still, as Haggard (1990: 3) has argued, the “undeniable” influence of (configurations of) social forces on economic policy-making “is always mediated by institutional setting”.<sup>62</sup> This mediated influence was already discussed above (in the section on societal actors and (interest) groups).

Regarding (5) ideational factors, scholars emphasize the role of ideas, ideologies, perceptions and learning processes. As already mentioned, for instance, Nelson (1990b) has argued that it is not an economic crisis per se that matters, but “interpretations and assessments” of this crisis (Nelson 1990b: 21) as well as the related “perception of the need for far-reaching reforms” (Nelson 1990b: 32). The policies that are adopted in response to such a crisis, which are in part based on the lessons that are drawn from the failure of previous policies, are similarly not the simple result of “objective” facts but defined and evaluated through the lenses of particular ideological frameworks. In this sense, for instance, Haggard has emphasized the role of “economic ideologies” that are available, at a given point in time, to those state elites that decide on economic policies (Haggard 1990: 46) – ideologies, which “originate among professional economists and policy analysts and are transmitted internationally through international organizations, bilateral aid missions, and the training of professional economists and domestically through universities, research centers, and think tanks” (Haggard 1990: 46–47). In this sense, as already noted above, Kendall Stiles (1990: 972) has observed that “the IMF ‘ideology’” has been very influential in shaping adjustment policies during the 1980s even when the IMF itself was not directly involved.

The study by Teri Caraway and colleagues (2012) also lends support to the role of government ideology: Leftist governments (in democratic countries) are more likely to come with less intrusive labor-market reform conditions, when compared with right/center governments, and the extent to which labor power reduces labor-related conditionality is also stronger under leftist governments (Caraway et al. 2012: 51).

Karen Remmer, in her statistical analysis of neoliberal reforms in South America between 1980 and 1994, finds that the extent of “electoral support for leftist presidential candidates” comes with a lower probability that orthodox reforms will be initiated (1998: 18). Comparing Argentina, Chile and Mexico, Victoria Murillo (2002) points to the role of the “political bias” of privatizing governments, which is determined by partisan beliefs (more or less nationalist and state-interventionist) and partisan constituencies (populist versus right-wing/military), as a key factor explaining variation in the implementation of privatization reforms.

In his comparative study, Grigore Pop-Eleches (2009: 22) finds “that partisan politics do matter but that their salience and temporal evolution vary by region”:

“[I]n Latin America the ideologically polarized reactions to the IMF interventions in the 1980s were followed by a significant decline in partisanship during the 1990s and renewed polarization since 2001. Meanwhile, ideology played a relatively modest role in Eastern Europe in the 1990s [...]. [I]f there exist alternative ideologically based crisis interpretations and solutions (such as during the Latin American debt crisis) then partisan differences are exacerbated by economic crises.” (Pop-Eleches 2009: 22)

The key question here concerns the ideological lenses through which economic crisis, its causes and potential solutions are perceived and interpreted and whether respective perceptions and interpretations contribute to ideological convergence across partisan divides or rather exacerbate polarization.<sup>63</sup> In sum, Pop-Eleches (2009: 234) emphasizes “the complex interactions between

62 “In some developing countries political elites have inherited or built organizational structures that significantly constrain the ability of societal actors to achieve their political and economic objectives.” (Haggard 1990: 3)

63 “In Latin America left and right parties had similar reform inclinations during periods of relative economic stability (low inflation, solid growth) but experienced policy divergence in reaction to inflationary and recessionary crises, which made right-leaning governments more likely to initiate reforms but had not impact on the left. By contrast, Eastern Europe experienced *crisis-driven partisan policy convergence* [...]” (Pop-Eleches 2009: 170)

economic crises, ideological preferences, domestic power relations, and institutional constraints shaping the trajectory of IMF program initiation and implementation”.

## 6. CHARACTERISTICS, DETERMINANTS AND DYNAMICS OF NEGOTIATION PROCESSES

Generally speaking, the existing scholarship reviewed so far suggests that the actual negotiation of the reform policies (in a narrow sense) was very much concentrated in the executive branch of government, with participation from international experts and domestic technocrats from within and without the state apparatus. The key negotiation “partners” were the external donors and creditors (IFIs, bilateral donors and commercial banks). If discussed at all, parliaments are primarily mentioned as potential stumbling blocks that constrain or entirely thwart executive reform initiatives. Societal actors such as, most notably, labor and business organizations do play a role, but rather as actors that, from outside the policy process, mobilize to defend certain specific interests or lobby for some particular demand, without being systematically included in the design or implementation of the economic reforms (see Haggard and Kaufman 1992a; Nelson 1990a). For the cases of Argentina and Brazil during the 1980s, for instance, Kaufman summarizes that “legislatures had little technical staff support, lacked clearly defined decision-making procedures, and were uncertain of their role vis-à-vis the executive branch”, while “[o]rganized labor and business groups also had a minimal input into executive decision making, in part as a result of their own internal divisions and in part because government officials were reluctant to ‘tie their own hands’ by widening the circle of participants in the decision-making process” (Kaufman 1990: 75).

The scholarship that explicitly deals with the international negotiation of stabilization and structural adjustment reforms – and which mainly focuses on the negotiation of IMF programs – generally confirms this overall finding (see Kahler 1993; Stiles 1987, 1990). The key notion, here, is Putnam’s two-level game, that is, an analytical perspective that sees the government (or the chief of government) of a given country simultaneously negotiating with an external actor (say, the IMF) and dealing with domestic politics at home (that is, being pressured by domestic groups and institutions, trying to construct coalitions to secure support etc.) (see Putnam 1988; Evans et al. 1993). This two-level configuration of international negotiations puts governments in a privileged position. On the one hand, “[c]entral executives have a special role in mediating domestic and international pressures precisely because they are directly exposed to both spheres” (Putnam 1988: 432). On the other, they can use both domestic constraints in order to manipulate international negotiations and international pressures in order to manipulate domestic constraints (see Evans et al. 1993).<sup>64</sup> This is far from saying that governments will simply have their way, but that they have significant agency and are, at times, able to shape both the process of negotiations and the substance of the agreements in ways that are surprising given the highly asymmetric (power) structure of the negotiations at hand (see Stiles 1987, 1990).<sup>65</sup> Vis-à-vis the IMF, this room for maneuver obviously is also shaped by the geopolitical logics and the international economic and political weight and role of the country at hand, as has been mentioned in Section 4 (see also Pop-Eleches: 105–145). Domestically, the question whether IMF pressure will help or harm governments in their attempt to justify and enforce unpopular reform policies will depend, in particular, on the issues of perception, ideology and partisan politics discussed in Section 5.<sup>66</sup> In sum, therefore, governments that negotiate painful reforms with the IMF are – on the one hand – in the privileged position of being able to play external and domestic actors off against each other. On the other

64 An example of the former was already mentioned in footnote 57 in Section 5: As Caraway et al. (2012: 28) argue in line with the logic of a two-level game, governments use the (expected) opposition to reforms by powerful labor organizations “as bargaining chips” in the negotiations with the IMF.

65 For the case of Argentina, Stiles (1987) suggests that the elected government was fairly successful in shaping the content of the IMF program, even if in the end policies were adopted that largely corresponded to IMF recipes.

66 When, for instance, IMF programs are perceived as “thinly disguised impositions of Western economic interests by significant portions of the elite and the population” (Pop-Eleches 2009: 172), governments can hardly expect that references to IMF pressure will help them domestically.

hand, however, they are in the particularly difficult position that they have “to walk a fine line between domestic priorities and the requirements of IMF conditionality” (Pop-Eleches 2009: 134).<sup>67</sup>

Furthermore, this scholarship also confirms that it would be misleading to view governments as unitary actors. This is not only the case because individual members of government may represent and/or respond to different ideological views, partisan positions and/or societal interests that exist in the country at hand. What is more, as Kahler has argued,

“[...] By far the most significant coalition-building by the IMF is the construction of transnational alliances with technocrats in government ministries that share IMF policy preferences, typically the finance ministry and the central bank. These ministries, responsible for macroeconomic and budgetary oversight, are often in agreement with the prescriptions of the IMF, whose programs provide them with valuable ammunition. The career paths of these technocrats have also predisposed them toward transnational alignment with the IFIs, since many have spent time as staff members at one of them. The Fund and the Bank also attempt to *create* such interlocutors and allies in the longer run through programs of technical assistance [...]” (Kahler 1993: 377)<sup>68</sup>

The notion of a negotiation game with different, neatly distinguishable levels and actors is, therefore, overly simplistic, even when focusing on the official part of the negotiations that take place between IMF staff and a specific government. When broadening the perspective and looking at the diverse set of negotiation processes that surround the design, the initiation and the implementation of economic reform, we have to include the whole range of context conditions and structures, actors and dynamics that have been discussed in the previous sections.

#### 7. “IMF RIOTS” AND “AUSTERITY PROTESTS”

Given the fact that IMF-supported stabilization and adjustment programs brought (and continue to produce) immediately tangible social hardships for the popular sectors in general and organized labor in particular,<sup>69</sup> it comes with little surprise that they frequently provoked (and continue to provoke) significant resistance “from below” (see Moosa and Moosa 2019: 89–110; Nelson 1992: 245–253; Walton 1989; Walton and Ragin 1990; Walton and Seddon 1994).<sup>70</sup>

“Since the mid-1970s, an international wave of price riots, strikes, and political demonstrations has swept across the developing world in a pattern at once historically unprecedented and reminiscent of classical food riots best documented in European social history. Modern

67 More specifically, “governments have to strike a delicate balance between their own economic and ideological agenda, the demands of IMF conditionality, and the domestic political and institutional feasibility of neoliberal reform blueprints” (Pop-Eleches 2009: 135).

68 However, the IMF itself is also not a unitary actor either but characterized by its own “domestic politics” (see Kahler 1993: 365–369). See also Pop-Eleches (2009: 105–134), which, inter alia, includes brief case studies on Argentina, Bolivia, Peru and Chile.

69 See, for instance, Walton and Ragin (1990: 877): “The urban poor and the working class are affected by a combination of subsidy cuts, real wage reductions, and price increases stemming from devaluations and the elimination of public services. A reduced share of national income for labor and greater income inequality are frequently documented ill effects. Domestic price increases may benefit rural producers, depending on their size and their degree of dependence on imports. The middle classes are hurt, especially public employees who face the elimination of their jobs. Consumer prices rise, and shopkeepers’ sales volume suffers from diminished demand.”

70 “The term ‘IMF riots’ was coined to describe waves of protests witnessed by developing countries throughout the 1980s and 1990s, when many of them were in crisis and had to resort to borrowing from the IMF.” (Moosa and Moosa 2019: 89) As John Walton already emphasized in 1989, the notion of “IMF riots” oversimplifies more complex stories because “the IMF was not the only exponent of austerity, and protest was directed at additional institutions both within and outside the realm of public policy”: “The IMF had a heavy hand in global policy making, but it also provided a convenient symbol that exaggerated its responsibility.” Strong external pressures notwithstanding, “austerity policies were not unilaterally dictated or imposed by the IMF, the banks, or by the U.S. government”. In addition, “the protests took other forms in addition to riots” (Walton 1989: 309). Instead of “IMF riots”, Walton and Seddon (1994), for instance, talk about “food riots” and “austerity protests”.

protests, however, are fundamentally a product of the international political economy.”  
(Walton and Seddon 1994: 23)

While Walton and Seddon, in this quote, talk about “food riots”, the overarching concept is “austerity protests”, which are defined as “large-scale collective actions including political demonstrations, general strikes, and riots, which are animated by grievances over state policies of economic liberalization implemented in response to the debt crisis and market reforms urged by international agencies” (1994: 39).

Key questions that are addressed by this scholarship and will be discussed in this section include:

- (1) (When) Do IMF programs and/or austerity measures provoke protest?
- (2) Which features and dynamics characterize anti-IMF/austerity protests?
- (3) What are the consequences of anti-IMF/austerity protests?<sup>71</sup>

Regarding the question of (1) IMF programs and austerity measures as causes of protest, Joan Nelson summarized in 1992 that most stabilization and adjustment programs “have been accompanied by some strike action” (Nelson 1992: 245). In addition, “increased prices (reduced or removed subsidies) for foods, utilities, gasoline, or bus fares” frequently triggered urban protests, but large protests have been “a comparatively rare response” (Nelson 1992: 249–250). In 1990, Walton and Ragin observed that “a wave of austerity protest has occurred in 26 of the approximately 80 debtor countries” (Walton and Ragin 1990: 877); in 1994, this share had risen to “39 of the approximately 80 debtor countries” (Walton and Seddon 1994: 42).

This variation raises the question of when or under which circumstances adjustment measures provoke (large-scale) urban protest. In 1992, Nelson noted that there was still “almost no systematic analysis of the factors determining occurrence versus nonoccurrence of protests” (Nelson 1992: 250).<sup>72</sup> An exception is John Walton and Charles Ragin’s study of protests in debtor countries between 1975 and 1986, which analyzed 26 protest and 34 non-protest countries (Walton and Ragin 1992).<sup>73</sup> This study found that the key conditions explaining the occurrence and the severity of austerity protests are “overurbanization” and the involvement of the IMF (“IMF pressure”). In the statistical analysis, additionally, the “severity of debt” and two “hardship variables” (inflation and high consumer prices) significantly correlate with the presence of protest (Walton and Ragin 1992: 883–884).<sup>74</sup> Their qualitative analysis of ten countries that combine the “highest scores on both protest severity and overurbanization”<sup>75</sup> shows that these cases are characterized by “a high degree of urban social organization, particularly in working class communities” (886). In these cases, “the particularly explosive combination” therefore lies “in the depredations of austerity poli-

71 The scholarship on “anti-IMF”, “austerity” or “anti-neoliberal” protests is, of course, very extensive – in particular, when it comes to individual cases. In the context of this working paper, I can only discuss a rather small selection of comparative studies that fit with the overall topic at hand.

72 Based on available evidence, she instead speculates that “at least five sets of factors” may be at work here, including the “short-term economic impact of adjustment measures”, the “degree to which degree much of the public is convinced that the economy is in dire straits and strong policies are required to restore stability and growth”, “confidence in the government’s plan or competence to manage the economy”, “the legitimacy and popularity of the government or, conversely, linkage with other grievances” as well as “government tactics” (Nelson 1992: 250–251). In general, looking broadly at strikes, protests, and electoral behavior, she highlights specifically one “broad principle” that seems to sustain “political acquiescence” of the popular sectors in spite of harmful measures: “confidence – more precisely, the belief that the government in power has the will and capacity to cope with current economic difficulties and to lay the basis for resumed growth” (Nelson 1992: 258).

73 The “protest debtor countries” include several Latin American countries but also, e.g., Egypt and Tunisia.

74 A study on austerity protests in Argentina and Mexico between 1990 and 1990 comes to roughly similar results (Shefner et al. 2006).

75 These countries include Egypt and Tunisia as well as Peru, Chile, Bolivia, Brazil, Dominican Republic, and Argentina. Recapitulating this analysis, Walton and Seddon (1994: 44–45) summarize: “If the countries that have had austerity protests are rank-ordered on both protest severity and overurbanization, the top ten cases are: Peru, Chile, Bolivia, Tunisia, Morocco, Egypt, Brazil, Dominican Republic, Argentina, and Zambia. We suggest that the mechanism linking overurbanization and protest is a well-developed organizational infrastructure capable of mobilizing political action. The research literature shows a high degree of urban social organization, particularly in working-class communities, in these countries.”

cies visited upon the urban poor who are already organized and oriented to political action” (887). In sum, the authors conclude:

“Countries with large, poor urban populations experience protests when governments impose policies with regressive social class consequences in the interest of servicing foreign debts.” (Walton and Ragin 1992: 887)<sup>76</sup>

In *Free Markets and Food Riots*, John Walton and David Seddon expand this analysis of “the relationship between widespread popular unrest in the cities of the developing world [...] and the process of economic and social transformation – associated with a renewed emphasis on liberalization and the promotion of ‘free markets’ – that has taken place on a global scale over the last two decades” (1994: 3). The key argument developed in this book is that popular protest should be understood “as a more general social and political response to the systematic undermining of previous economic and social structures and of an earlier moral order, in the name of ‘adjustment’” (Walton and Seddon 1994: 3). When it comes to explaining “the origins, timing, and changing forms of food riots”, the authors identify four general theoretical approaches, which they regard as complementary: “rational response, moral economy, community, and state and market” (30). In sum, they argue:

“The key links between international demands, state action, and protest include: an ‘overurbanized’ or large urban population not absorbed in formal sector and industrial employment and so more likely to experience the pains of austerity; cities that are socially and politically organized in a strong civil society (e.g. in unions, political groups, community associations, churches); and a moral economy that provides ideological legitimation for popular protest based on the social pact previously negotiated by developmental regimes.” (Walton and Seddon 1994: 54)<sup>77</sup>

An additional analysis focused on Latin America confirms that “IMF conditionality, hardship, urbanization, and unionization” best predict the emergence of austerity protests (Walton and Shefner 1994: 115), suggesting “that international interventions in Latin American societies in the form of austerity programs combine with domestic structures that make vulnerable large numbers of people who are already organized in urban communities” (118).<sup>78</sup>

In a large-N study covering 70 developing countries in 1981–1989, Juha Auvinen (1996) has systematically investigated the effects of IMF-supported stabilization and adjustment programs on the extent of political protest (demonstrations, riots and strikes).<sup>79</sup> Theoretically, he distinguishes between two causal mechanisms: IMF intervention can (a) cause political protest by provoking an “instant reaction” on the part of those negatively affected by the austerity measures (“trigger effect”) and/or it can (b) cause protest if the measures adopted have negative consequences on economic performance (“economic effect”). The latter mechanism can, however, also have the opposite effect of reducing protest, if an IMF intervention improves economic performance (Auvinen

76 Based on a qualitative comparison of austerity protests in Latin America since the mid-1970s, Walton had previously developed the following “working hypothesis: the incidence of austerity protest is associated with a combination of hardship and the potential for mobilization (i.e., urbanization and unionization), but not with conventional political and economic variables [i.e., regime type or level of economic development, JW].” (Walton 1989: 315)

77 “State and market theory applies to these developments and provides an explanation for the timing and form of the new cross-national wave of austerity protest. Moral economy gives meaning to the abrogation of the social pact established between developmentalist regimes and rapidly urbanizing populations. Structural adjustment eliminates precisely those resources that support patron-client arrangements in which the political loyalty of the masses is negotiated for subsistence guarantees. Community theories, finally, capture the link between hyperurbanization, urban social organization, and the civil society that carries on, and reinterprets, traditional moral economy. Each of the theories provides a key ingredient, but all of them need to be reformulated in a new synthesis. Popular protest is fashioned in civil society by groups struggling, on the one hand, to mobilize on the basis of culturally defined rights. State and culture provide the general elements of a theory of collective action.” (Walton and Seddon 1994: 54)

78 For the MENA region, see Walton and Seddon (1994: 171–214).

79 Auvinen (1996: 379–381) also briefly summarizes the state of research on anti-IMF/austerity protests, which had so far failed to provide conclusive evidence on the association between IMF intervention and political protest.

1996: 381–382). Empirically, Auvinen finds that IMF programs matter for political conflict, but not in a straightforward and uniform manner. On the one hand, his statistical analysis suggests that IMF-supported stabilization and adjustment programs provoke protest (1) in countries with very few or a long history of IMF agreements, (2) in countries with relatively high levels of urbanization and economic development and (3) in countries with democratic (or only moderately authoritarian) political regimes.<sup>80</sup> On the other hand, the finding that the relative amount of IMF credit (in percentage of GNP) is negatively associated with political protest suggests that the Fund “may have helped governments stave off protest by bringing them additional resources to implement the necessary economic reforms” (Auvinen 1996: 391).

Comparing 17 Latin American countries between 1980 and 2007, Béjar and Ortiz (2013) have examined the relationship between IMF programs and contentious collective action (riots, demonstrations, and strikes). Inter alia, they find “that the likelihood of contentious collective action increases by a substantial 38% when Latin American countries sign agreements with the IMF, even when controlling for all other factors” (505). Given that this effect of signing an IMF agreement remains significant even when controlling for the adoption of austerity measures, the authors conclude that it is not so much the (expected) grievances that drive contentious action, but the perception that the government is “selling out” the country to international agents (508). In addition, however, economic growth also appears to (negatively) affect contentious collective action (505). In another paper based on a roughly similar sample (16 Latin American democracies between 1982 and 2007), Béjar and Moraes (2016) find that IMF programs do not *per se* provoke protest but that this effect is mediated by the party system. More specifically, their statistical analysis confirms “that the level of protest [provoked by IMF programs] decreases in recipient countries when the level of party system institutionalization is high” (Béjar and Moraes 2016: 26).

In terms of (2) the characteristics and dynamics of austerity protests, Walton and Shefner (1994) identify a series of common (or typical) features that characterize the experiences from Latin America since the mid-1970s:

“Typically, austerity protests were precipitated by drastic, overnight price hikes resulting from the termination of public subsidies on basic goods and services, proclaimed by the government as regrettably necessary reforms urged by the IMF and international lenders as conditions for new and renegotiated loans.” (Walton and Shefner 1994: 106)

“The protests took place predominantly in cities, and spread through national urban networks, reflecting the locus of austerity reforms. [...] Although protest typically multiplies through a network of cities, it usually begins in the capital where mobilization is easier and government targets are at hand. [...] The spread of protest demonstrations is often rapid and spontaneous as news of violence in the capital reaches provincial cities.” (108)

“The spatial distribution of protest mirrors the location of aggrieved groups: the urban poor whose subsidized food and transportation are eliminated, industrial workers and civil servants who lose jobs in state budget cuts, university students whose educational subsidies are cut.” (108–109)<sup>81</sup>

80 “From low to middle levels of authoritarianism, the extent of political protest is higher when Fund-supported conditional policies are implemented than when they are not. Subsequently the extent of protest decreases much faster under the Fund’s intervention and, at high levels of political authoritarianism, political protest is less extensive in the presence of IMF intervention than without. Severely repressive regimes seem to have succeeded better than democratic regimes in keeping at bay political protest during Fund programmes.” (Auvinen 1996: 392)

81 “Conversely, one of the objectives of structural adjustment is to stimulate agricultural production and export through higher prices. Instances of rural protest are exceptional and where they occur prove the rule owing to their connection with the closure of state-owned companies, as in the case of marches by Bolivian miners.” (Walton and Shefner 1994: 109)

“Protests appeared in three distinct forms: strike, demonstration, and riot. [...] Under the heading of form we should emphasize that austerity protests are bloody affairs, particularly when they lead to riot.” (109)

“The targets of political demonstrations and riot violence reflect a good deal about the moral economy of the Latin crowd. Marches and rallies congregate in the major thoroughfares and public plazas. Targets symbolize agents of austerity policy and the international economy: government buildings, the treasury and national palace, the legislature. [...] When protests take the form of violent direct action, crowds focus on their immediate grievances and local communities. Looting is aimed at supermarkets, clothing and furniture stores, gasoline stations, and banks.” (110–111)

“Participants are characteristically drawn from a limited set of social categories. They are mainly the urban poor: slum dwellers, participants in the informal economy, and the unemployed. But the working class and labor organizations also play a key role. The class composition of protestors widens with participants motivated by public-service cuts: students, teachers, health-care workers, and other government employees. In some instances, other middle-class consumers (e.g. of petroleum) and shopkeepers join demonstrations. And occasionally, professional groups ally with broad movements for reform.” (111)<sup>82</sup>

From a broader empirical perspective, Walton and Seddon (1994: 42) similarly conclude that “[a]usterity protests are overwhelmingly urban actions”:

“Participants usually include a cross-section of the urban poor (shantytown dwellers, unemployed youth, street vendors) and working class (unions). In most instances, these low-income groups are allied with other affected segments of the population: students in Liberia, teachers in Guatemala, public employees in Bolivia, shopkeepers in the Dominican Republic, and professional groups from physicians to pilots in Sudan. Middle-class consumers have supported demonstrations in Chile and business organizations were part of the opposition in the Philippines. Church groups and Christian base-community organizations have coordinated protests in a number of Latin American countries. Once mass discontent is made evident by these coalitions, political parties may take up the anti-austerity cause in successful bids for national office (e.g. Peru, Dominican Republic).” (Walton and Seddon 1994: 43–44; see also Walton and Ragin 1990: 877)

In terms of social classes, Joan Nelson (1992) has emphasized that it is usually not the very poor that engage in resistance, but mainly the relatively privileged segments of the popular sectors (the urban working and middle classes), which are better off than the very poor but suffer larger relative losses from economic crises, austerity and adjustment measures.

When it comes to (3) the consequences of austerity protests, it is important to distinguish between different dimensions: Protests, on the one hand, may have specific effects on the (non-)implementation of the very economic reforms but they, on the other, can also have broader consequences for social conflict, economic and political development in the country at hand.

Touching upon both dimensions, Walton and Shefner (1994) summarize the experiences from Latin America until the early 1990s:

“The effects of protest are varied and combined with other domestic currents, ranging from negligible impacts on stalwart regimes (e.g. Chile) to collapse (e.g. Haiti), electoral succession (e.g. Peru), and hastened return to democratic rule (e.g. Argentina, Brazil). In many instances popular movements have exerted pressure on states to temporize adjustment programs and demand more favorable debt-relief arrangements from multilateral agencies

82 Furthermore, Walton and Shefner note that the church “has played an active part in political demonstrations and local mobilization” and that occasionally “political parties have organized and directed protests for their own aims” (1994: 112).

such as the International Monetary Fund. The IMF, banks, and advanced-country governments, in turn, have been forced to weigh the trade-offs between stringent repayment schedules and political instability in friendly debtor countries.” (Walton and Shefner 1994: 99–100)

Looking more systematically at the effects of austerity protests in Latin America, Walton and Shefner note that, first, “a number of protests have had no appreciable effect – at least no effect on ameliorating hardship”, either because protests were simply repressed (as in Chile under Pinochet) or because limited concessions were temporarily granted to calm protests (Walton and Shefner 1994: 129). In a second set of cases, protests effectively “reduced the overall scope of the austerity package”, by forcing governments “to compensate for cost-of-living increases with higher wages (e.g. Jamaica, Ecuador), public works and employment stimulation (Chile, Brazil), and price freezes (Guatemala)” (129). In a few cases (such as Haiti, Brazil, and Argentina), third, “austerity protests contributed directly and indirectly to regime shifts” (130; see also Walton 1989: 320–326).

In terms of the specific consequences of protests on the implementation of economic reforms, an internal IMF review that analyzed the completion rate of IMF-supported structural adjustment programs between 1986 and 1997 found that 51 programs (three quarters) were characterized by “significant interruptions”, with 1/6 of these interruptions stemming “from severe political upheavals that called into question the authority of the government to negotiate or provide a credible commitment to a program” (IMF 2001: 55).<sup>83</sup> This implies that in most of the cases, mass protests were not a key cause seriously obstructing the implementation of IMF programs. Focusing on the role of organized labor, Joan Nelson comes to a roughly similar conclusion:

“Among the urban popular classes, unionized labor is usually best-organized to defend its interests, and strikes are widely assumed to be the most likely cause of the erosion or abandonment of adjustment programs. Most stabilization and adjustment programs have been accompanied by some strike action. Yet there are very few instances where union pressure alone derailed adjustment efforts, although labor combined with other elements of the urban popular sectors has done so in some instances.” (Nelson 1992: 245)

The problem, according to Nelson (1992), is that “unions in developing countries are not strong” (246) and, in addition, they “tend to be fragmented and often poorly led” (247). Organized labor, therefore, “has usually not been powerful enough to prevent falling wages and growing unemployment, nor to forestall a shrinking factor share of national income” (247). As already mentioned in Section 5, Nelson concludes that unions “are seldom strong enough to threaten entire adjustment programs, although they can certainly raise the costs to the government of specific measures” (249). In line with this last point, the above-mentioned study by Teri Caraway et al. (2012), which includes protest as a key mechanism of organized labor’s political influence, finds that powerful labor organizations have an impact on negotiations with the IMF in the sense that they tend to reduce the amount of labor-related conditions.<sup>84</sup>

Another potential consequence concerns the adoption of compensatory measures in response to protest, e.g. in the area of social policy. According to Piven and Minnite (2015), for instance, the spread of social (cash transfer) programs across Latin America can be understood as a consequence (or an achievement) of poor peoples’ protests against IMF programs and neoliberal re-

83 A particularly contested type of reform, which has frequently triggered successful protests, concerns energy subsidies, as a comprehensive IMF study on the topic notes: “The adjustment of prices for subsidized energy has often led to widespread public protests by those who benefit from subsidies and to either a complete or partial reversal of price increases” (Alleyné et al. 2013a: 3).

84 The case study on South Korea, for instance, emphasizes labor unions’ “commitment to mass mobilization throughout the negotiations”, which included the mobilization of “120,000 workers in sixteen major cities”, “a two-month sit-in strike at Hyundai Motors, a subway worker walkout, and massive mobilizations by finance industry workers in response to layoffs” (Caraway et al. 2012: 39). In Bolivia, in contrast, organized labor had lost much of its traditional strength when the IMF, in the late 1980s, began pushing for labor market reforms and, therefore, proved “incapable of mounting a viable resistance to the reforms proposed by the IMF” (Caraway et al. 2012: 41).

forms in the region (see 5.). These achievements, the authors argue, were based on the political opportunity structure offered by democratic regimes:

“In capitalist democracies, elite vulnerability is filtered through electoral-representative arrangements, which is why movements that threaten the stability of electoral and governing coalitions have sometimes succeeded in winning state concessions against the predations of capitalists.” (Piven and Cloward 2015: 159)

More generally, this can be said of social programs and social emergency funds that emerged as an increasingly common response to (anticipated) popular protests during the 1980s. A case in point is Bolivia’s Emergency Social Fund (ESF), a demand-based social fund introduced in 1986 (in the context of the drastic stabilization and structural adjustment program initiated in 1985). According to Carol Graham, the ESF “substantially advanced both the political sustainability of economic reform and the alleviation of poverty” in Bolivia and became the model “for the implementation of safety nets in several countries during the 1980s and 1990s” (Graham 1995: 214, 212).

## 8. CONCLUSIONS

This PRIF Working Paper has reviewed key publications that shed light on the political economy and the contentious politics of neoliberal reforms. The focus has been on stabilization and structural adjustment programs of the 1980s and early 1990s as they were implemented across Latin America, but also in other world regions. The discussion, while far from a systematic literature review, has revealed a series of important findings. The question of whether and in what way the contemporary dynamics – since the global financial crisis of 2008/2009 or in the context and aftermath of the COVID-19 pandemic – resemble or differ from these not-so-distant experiences, is beyond the scope of this paper. However, the diverse empirical findings and theoretical insights reported here are certainly helpful to take into account when analyzing current attempts to stabilize and reform crisis-ridden economies around the globe. In this spirit, I want to conclude this paper with a few selected and pointed take-away messages:

- The rough and dichotomous distinction between democratic and authoritarian regimes is not particularly useful when trying to explain the adoption and implementation of structural economic reforms. The characteristics of political regimes certainly enable, shape and constrain struggles over economic reforms. However, both democracies and non-democracies are internally so diverse (and so many countries are somewhere in-between these two contentious categories) that more fine-grained and specific conceptual tools are needed (see Section 2).
- A crucial issue that remains as relevant today as it was 30–40 years ago concerns the interrelationship and the interplay of economic reforms and processes of political (regime) change. One key feature, in this regard, concerns the question of sequencing of political and economic reforms. Also, both types of reform processes can take the form of a short-term, radical break or of a more gradual change process. In Latin America during the 1980s and early 1990s, some of the most far-reaching neoliberal adjustment programs were implemented by elected governments as a kind of “shock therapy” in response to severe financial crises (see Section 3).
- The contentious adoption and implementation of economic reforms in general, and of neoliberal reforms in particular, cannot be understood through a narrow look at the national level. External actors – international organizations such as the IMF, foreign governments but also private creditors or investors – are very much part of the story and participate in many ways in the negotiation of economic reforms. In addition, transnational economic flows and the structure of the global political economy imply severe constraints and incentives that shape economic reforms and reform struggles. Neither external actors nor international structural constraints, however, determine economic reforms. Their influence is only indirect, operating through the filters established by domestic institutions, hegemonic discourses, and actor configurations (see Section 4).

- Even if countries embark on (neoliberal) economic reforms under immense external pressure, domestic structures and actors still play a key role in shaping the fate and characteristics of economic reforms. Whereas regime type and economic and social structures constrain and enable the domestic politics of economic reform in a rather general sense, understanding variation in policy choice and implementation requires the inclusion of a broad range of institutional, actor-centered and ideational factors. As regards key domestic actors, the actual negotiation of economic reforms is mostly an elite-centered affair. Non-elite groups and popular-sector organizations such as organized labor in particular, are far from irrelevant; but their role is mostly reactive or defensive and consists in attempts to constrain, block or thwart austerity measures and neoliberal reforms (see Section 5).
- Neoliberal reforms are not imposed by anyone – not by the IMF, not by an individual government. In contrast, they emerge from and are continuously shaped by negotiation processes, which simultaneously take place at different levels. In these negotiations, national governments play a key role and have significant leeway to manipulate and influence these “two-level games”. At the same time, however, they have to navigate between often contradictory external and domestic demands (see Section 6).
- Throughout the 1980s and early 1990s, in Latin America and beyond, austerity measures, macroeconomic stabilization programs, and neoliberal reforms provoked significant resistance, in particular on the part of popular sectors which had to bear the bulk of the social costs of structural adjustment. Depending on circumstances and dynamics, popular protests did have a whole series of consequences. But, generally speaking, resistance failed to prevent the implementation of economic reforms that, by and large, followed the neoliberal recipe (see Section 7). This, however, does not tell us that resistance to neoliberal reforms is always and necessarily doomed to failure. Certainly, the very notion that there is no alternative to neoliberal reforms is part and parcel of the “success story” of neoliberalism during the 1980s and 1990s. But the attempt to challenge such a hegemonic – and historically contingent – notion is precisely what protests against neoliberal reforms are all about.

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