I

Introduction: Party System Change in the Neoliberal Era

A political earthquake struck Venezuela when Hugo Chávez was elected president in December 1998. Chávez, a former lieutenant colonel in the Venezuelan army, launched his political career in 1992 by leading a bloody military revolt against a democratic regime that had long been considered among the most stable in Latin America. The coup attempt failed, landing Chávez in prison, but it catapulted the former paratrooper instructor into the public imagination as a symbol of rebellion against the political establishment and its mismanagement of the country’s oil wealth. Following a presidential pardon, Chávez founded a new political movement and launched a populist campaign for the presidency in frontal opposition to traditional parties and the free-market reforms they had supported for most of the past decade. Although Venezuela boasted one of the strongest and most highly institutionalized party systems in Latin America (Coppedge 1994; Mainwaring and Scully 1995: 17), the two dominant parties ultimately withdrew their own presidential candidates and threw their support to a less threatening independent figure in a desperate gambit to defeat Chávez’s “outsider” campaign. Nevertheless, Chávez won a landslide victory that not only signaled the eclipse of traditional parties, but a collapse of the collusive, patronage-ridden political order they had anchored since the founding of the democratic regime forty years before. Within a year, Chávez had bypassed congress and convoked a series of popular referendums to elect a constituent assembly, rewrite and ratify a new constitution, and refound regime institutions. For Venezuela, a new political era had dawned.

Several years later, neighboring Brazil also elected a new leftist president, former union leader Luiz Inácio “Lula” da Silva of the Workers’ Party (PT). Like Chávez, Lula had a track record of opposition to the “neoliberal” market reforms that swept across Latin America in the waning decades of the 20th century, although he had moderated his stance considerably by the time he
captured the presidency in 2002 (on his fourth bid for the office). Unlike Chávez, Lula represented a party that had become a pillar of Brazil’s political establishment, despite its origins in a militant labor movement that spearheaded popular protests against Brazil’s military dictatorship in the late 1970s (Keck 1992; Hunter 2010). Indeed, the progressive strengthening and “mainstreaming” of the PT was integral to a broader process of institutionalization of the Brazilian party system, which had long been notorious for its weakness and instability (Mainwaring 1999a). Following a tumultuous democratic transition in the mid-1980s and a traumatizing spiral of hyperinflation and economic adjustment that lasted through the mid-1990s, Brazil also appeared to have entered a new political era – unlike Venezuela, one that was characterized by relatively stable forms of electoral competition between established parties and a consolidation of the democratic regime itself.

If Venezuela provides a paradigmatic example of party system breakdown, Brazil illustrates a pattern of at least partial party system consolidation – the institutional endpoints, respectively, on the continuum that marks the divergent fates of party systems in contemporary Latin America. Since the beginning of the region’s “third wave” of democratization in the late 1970s (Huntington 1991), party systems in much of the region have been plagued by turmoil, despite the surprising durability of most of the democratic regimes in which they are embedded (Mainwaring 1999b). In many countries traditional parties have collapsed, new parties have emerged and disappeared without leaving a trace, and volatile shifts in electoral support have become commonplace. Populist “outsiders” often appeal to voters by touting their independence from traditional parties and attacking discredited political establishments. In some cases, these leaders have turned their lack of political experience – their very status as political novices, amateurs, or outsiders – into an electoral asset. Not surprisingly, many observers fear that a “crisis of representation” plagues Latin American democracies, with political parties largely failing to perform their central democratic function of representing societal interests and preferences in the formal political arena (Domínguez 1997a; Di Tella 1998; Hagopian 1998; Mainwaring, Bejarano, and Pizarro 2006).

Party system fragility and instability are hardly uniform, however. Established party systems broke down in the 1990s and early 2000s in Peru, Venezuela, Colombia, Bolivia, and Ecuador, but new ones began to congeal in Brazil and El Salvador, while complex realignments occurred around both new and traditional parties in countries like Chile, Costa Rica, Mexico, and Uruguay. Indeed, elections in Colombia, Uruguay, Paraguay, and Honduras continued to be dominated through the end of the 20th century by parties with roots in 19th-century intra-oligarchic disputes that predated the onset of mass democracy. Such patterns of longevity led Charles Anderson (1967: 104) to quip that some Latin American party systems resembled “living museums” filled with historical relics. Recently, however, even these party systems have experienced major
realignments or upheavals. Why, then, are some party systems more stable and resilient than others, and why do seemingly entrenched party systems sometimes become dislodged? Under what conditions do traditionally weak or inchoate party systems begin to congeal? And what explains such divergent patterns of party system change and continuity in countries that share so much in common?

If Venezuela and Brazil are emblematic of the divergent fate of party systems in Latin America, so also do they illustrate the very different types of leftist alternatives that came to power in the region at the turn of the century, following a wrenching period of economic crisis and free market reform in the 1980s and 1990s. With varying degrees of enthusiasm and success, Latin American governments embraced the pro-market policies of the “Washington Consensus” in response to the 1980s debt crisis and the ensuing hyperinflationary spirals that signaled the collapse of state-led development in the region (Williamson 1990).

Under the tutelage (and pressure) of international financial institutions like the International Monetary Fund (IMF) and the World Bank, technocratic policymakers opened national economies to foreign trade and investment, privatized state-owned industries and social services, removed price controls, and liberalized capital and labor markets (Edwards 1995). With labor unions in decline and the political Left reeling from the crisis and eventual collapse of communism, every country in the region moved toward freer markets in the late 1980s and 1990s (see Morley, Machado, and Pettinato 1999; Lora 2001). Even historic labor-based populist parties implemented these neoliberal “structural adjustment” policies (Burgess 2004; Burgess and Levitsky 2003; Murillo 2001), which helped bring inflation under control and deepen Latin America’s integration within global circuits of finance, production, and exchange.

By the end of the 1990s, however, the political winds had begun to shift. With inflation largely tamed but liberalized economies suffering from the spillover effects of the Asian financial crisis, popular movements that politicized inequalities and market insecurities were revived in a number of countries, and a series of mass protests toppled pro-market governments in Ecuador, Argentina, and Bolivia (Silva 2009). Although Chávez’ 1998 election was initially viewed as an outlier to regional norms – an anomaly conditioned, perhaps, by the pernicious effects of oil rents on Venezuela’s political culture and institutions (Romero 1997) – it gradually became apparent that Chavismo was the leading edge of a political countercurrent against market liberalization, and a harbinger of things to come. By 2011, left-leaning presidents had been elected in ten other Latin American countries, placing two-thirds of the regional population under some form of leftist national government (Weyland, Madrid, and Hunter 2010;
Levitsky and Roberts 2011b). Even where the Left did not win national elections – as in Mexico, Colombia, Honduras, and Costa Rica – leftist alternatives emerged or strengthened in the early 2000s. Following two decades of market liberalization and the collapse of the Soviet bloc, this resurgence of leftist alternatives represented a stunning turn of political events. It was also unprecedented in its scope; never before had so many countries in Latin America entrusted the affairs of state to leftist parties or political movements.

The post-1998 turn to the left had multiple and varied causes, and it was inevitably shaped by national-level political strains, opportunities, and alignments. As Remmer (2012) demonstrates, the leftward shift was not a simple protest against economic hardships; although it began during the economic downturn at the turn of the century (Queirolo 2013), it gathered steam as economic performance improved after 2003 in the region. Neither was the “left turn” a simple backlash against market liberalization, as voters had a range of motives in supporting the left and did not reject all aspects of the neoliberal model (Baker and Greene 2011). As such, most of the new leftist governments were careful to modify but not reverse the market reforms they inherited. Nevertheless, as a regional phenomenon the “left turn” was clearly rooted in diverse struggles to establish or restore social and political protections against the economic insecurities of what Polanyi (1944) called “market society.”

Central features of the neoliberal model remained intact in most countries, but by the end of the 1990s the era of market-based structural adjustment and orthodox, technocratic policy consensus had drawn to a close. With the momentum for deepening market liberalization broken, a new, post-adjustment political era dawned – one that was marked by a broader range of policy debate and by collective struggles to craft new forms of social citizenship that would reduce inequalities, provide safeguards against market insecurities, and expand popular participation in the democratic process.

These political struggles for more inclusive forms of social citizenship were shaped and constrained by the dynamics of partisan competition, and they left indelible marks on party systems and democratic regimes in Latin America. Indeed, the left turn produced strikingly divergent national governments, leaders, and ruling parties, as the Brazilian and Venezuelan cases readily suggest. In countries like Brazil, Chile, and Uruguay, societal claims were largely channeled by established parties of the left in ways that reinforced and aligned party systems along basic programmatic or policy divides. This pattern helped to stabilize party systems and moderate the political turn to the left at the beginning of the 2000s.


Arguably, it began much earlier at the municipal level before spreading to national-level elections starting in 1998; see Chávez and Goldfrank (2004) and Goldfrank (2011).
of the 21st century – in essence, containing the left turn within established party systems and consolidated democratic regimes. In other countries, however, societal claims were mobilized outside and against established party systems, forcing traditional parties to share the political stage with new popular contenders – or to be eclipsed by them altogether. This latter pattern was found in Venezuela, Bolivia, and Ecuador, where new populist leaders or leftist movements mobilized popular majorities through plebiscitary means that allowed them to re-found regime institutions. This pattern broke down and transformed national party systems, and it created opportunities for a more radical, extra-systemic turn to the left that included sharper breaks with the market orthodoxy of previous rulers.

What explains such diverse political trajectories in Latin America’s post-adjustment era? This book explores two primary, inter-related facets of the post-adjustment political landscape: the stability of partisan and electoral competition, and the character of the leftist alternative that emerged or strengthened in the aftermath to market liberalization. The analysis suggests that variation along these two dimensions – the dependent variables, so to speak, of this study – was heavily conditioned by political alignments during the crisis-induced transition from statist to market-oriented development models in the 1980s and 1990s. Far more than a shift in economic policies, this transition was a watershed in the political and economic development of Latin American societies. The transition wreaked havoc on labor-based modes of political representation that emerged under the statist model of development known as import substitution industrialization (ISI) in the middle of the 20th century. It also de-aligned, decomposed, or realigned national party systems in ways that heavily conditioned how societal claims against market insecurities would be channeled and processed in the post-adjustment era. As such, the transition period produced a range of political outcomes that varied widely in their durability and institutional legacies.

Divergent outcomes, I argue, were shaped by three basic causal factors or independent variables: (1) the character of national party systems during the era of state-led development; (2) the depth and duration of economic crises during the transition to neoliberalism; and (3) the political orientation of leading market reformers and their opponents in each country. This third factor largely determined whether structural adjustment would align or de-align party systems along a left–right axis of programmatic competition.

In general, party systems that had been reconfigured during the statist era by the rise of a mass-based, labor-mobilizing populist or leftist party were more prone to the destabilizing effects of social dislocations and economic crises during the transition to market liberalism. By contrast, countries that retained elitist patterns of partisan competition during the statist era experienced less severe economic crises and greater electoral stability during the transition period. Even where party systems survived the transition intact, however, they varied in their ability to channel and withstand societal pressures in the
post-adjustment era. Indeed, the longer-term resiliency of party systems depended heavily on political alignments during the process of structural adjustment. Market reforms that were led by conservative, pro-business parties or leaders, and consistently opposed by a major party of the left, aligned party systems programmatically. Such reform alignments channeled societal dissent against market orthodoxy toward moderate and institutionalized parties of the left, stabilizing partisan competition in the post-adjustment era. Alternatively, reforms that were imposed by labor-based populist or center-left parties de-aligned party systems programmatically, leaving opponents of the reform process without effective representation in established institutions. Such opposition was thus channeled into anti-systemic forms of social and electoral protest that spawned new populist or leftist movements, with highly destabilizing consequences for party systems in the post-adjustment era. In short, the politics of market reform aligned and stabilized some party systems, while de-aligning and de-stabilizing others, ultimately producing very different leftist alternatives in the post-adjustment era.

This study seeks to explain how Latin America’s transition to neoliberalism – a regional mode of adaptation to the pressures of market globalization – dislodged traditional party systems and placed the region on a new trajectory of political development with a number of forking paths. The causal processes that produced these forking paths are analyzed through a critical juncture framework that originated in the study of institutional economics and was then adapted for the analysis of path-dependent institutional change in political science (see in particular Collier and Collier 1991; Pierson 2000; Mahoney 2001a; Capoccia and Kelemen 2007). I employ this framework cautiously, as it is designed to explain patterns of institutional change and continuity with the advantage of considerable historical hindsight. Furthermore, the framework is most directly applicable to the analysis of political changes that originate in actor decisions and crystallize in self-reinforcing institutions. The political outcomes of neoliberal transitions in Latin America do not always provide these analytical signposts; they are recent in occurrence, only loosely structured by actor decisions, and sometimes fluid (for identifiable reasons) in their institutional forms.

Nevertheless, the critical juncture framework provides a set of conceptual and analytical tools with considerable leverage for explaining why similar types of political or economic challenges produce dissimilar outcomes across a range of cases. It is especially insightful for understanding how crises or exogenous shocks can unsettle existing institutions and force actors to make contested decisions about policy or institutional innovations that have durable (though often unintended) consequences. The framework facilitates longitudinal analysis of three sequential stages of institutional development: (1) a set of “antecedent conditions” (Collier and Collier 1991: 30) that establish an institutional baseline for comparative analysis and typically influence how a crisis or challenge unfolds; (2) the critical juncture where reproduction of the institutional baseline is severely challenged (although not necessarily precluded), and where outcomes
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are highly contingent on the strategic choices, alignments, and interaction of leading players; and (3) an aftermath period where the political alignments and institutional outcomes of the critical juncture become crystallized through self-reinforcing feedback mechanisms (Arthur 1994; Pierson 2000), or modified through the “reactive sequences” triggered by social or political resistance (see Mahoney 2001a: 10–11). These building blocks of the critical juncture approach and their application to the study of party system change in contemporary Latin America are briefly outlined in the next section; a more complete explanatory model is developed in Chapter 3.

**CRITICAL JUNCTURES AND POLITICAL CHANGE IN LATIN AMERICA**

The critical juncture framework is designed to explain contingent and varied patterns of institutional change in response to similar social, political, or economic challenges. As stated by Collier and Collier (1991: 29), a critical juncture is “a period of significant change, which typically occurs in distinct ways in different countries (or in other units of analysis) and which is hypothesized to produce distinct legacies.” The collapse of state-led development and the transition to neoliberalism, I argue, constituted such a watershed in the development of Latin American societies. The crisis-induced opening to domestic and international market forces between the mid-1970s and early 1990s did not merely reverse a half-century of inward-oriented, state-led capitalist development. More fundamentally, it altered the character and purpose of state power, the patterns of association in civil society, and the nature of state–society relations. As such, it shifted the structural moorings of national political systems and dislodged party systems that mediated between state and societal actors under the “state-centric matrix” of ISI (Cavarozzi 1994).

Institutional discontinuities were more abrupt and dramatic in some countries than others, however, depending in part on the antecedent conditions established by historical patterns of party system development following the onset of mass politics in the early 20th century. In contrast to Western Europe, where industrialization and the rise of the working class spawned class cleavages and labor-based social democratic parties that “standardized” party systems (Bartolini 2000: 10), the onset of mass politics in Latin America differentiated party systems according to alternative logics of lower-class political incorporation. In some countries, party systems were reconﬁgured by the rise of a mass-based, labor-mobilizing populist or leftist party with organic linkages to workers (and sometimes peasant) movements during the statist era. In others, elite-controlled parties remained electorally dominant and incorporated lower classes primarily through vertical patron–client linkages. These “elitist” and “labor-mobilizing” (LM) party systems were embedded in distinct developmental matrices or “varieties of capitalism” (Hall and Soskice 2001), with more
extensive lower-class organization and more ambitious state-led development typically being associated with the LM cases.

These characteristics created a formidable and highly destabilizing set of adjustment burdens for LM party systems during the transition to neoliberalism – in particular, the political costs of severe and often prolonged economic crises, the social dislocations attendant to market restructuring, the discrediting of statist policies and interventionist practices that historically provided parties with programmatic linkages to labor and popular constituencies, and the demise of mass-based organizational models in both civil and political society. Economic crises and market reforms weakened labor unions and created more fragmented and pluralistic civil societies that were increasingly detached from traditional party organizations (Oxhorn 1998; Roberts 2002; Collier and Chambers-Ju 2012). Not surprisingly, these adjustment burdens were associated with greater electoral volatility and major electoral realignments in the LM cases.

Antecedent structural and institutional conditions thus weighed heavily on the political dynamics of neoliberal critical junctures. The categorical distinction between elitist and LM party systems, however, provides only a blunt first cut at a theoretical explanation of party system stability and change in late 20th-century Latin America. As we will see, significant variation existed within each category as well, as individual party systems adapted, realigned, or decomposed in response to more contingent and short-term dynamics of national critical junctures and the reactive sequences that followed in their wake.

In particular, the resiliency of party systems in the post-adjustment era – when societal resistance to market orthodoxy often intensified – was conditioned by the leadership of the market reform process and its effects on the programmatic alignment of partisan competition. As Stokes (2001a) demonstrates, neoliberal reforms in Latin America were often adopted “by surprise” – that is, by presidents and parties that had campaigned against them or promised to protect citizens from economic hardships and insecurities. Indeed, one of the great paradoxes of the neoliberal era was that market reforms were often imposed by populist figures or labor-based and center-left parties that were historic architects of state-led development. Such “bait and switch” (Drake 1991) patterns of reform may have made structural adjustment more politically viable in the short term, but they tended to de-align party systems programmatically, weaken party “brands,” and detach parties from traditional core constituencies (see Lupu 2011; Morgan 2011; Seawright 2012). They eroded business and middle-class support for conservative parties – whose platforms had been co-opted by the right-wing shift of more popular-based rivals – while weakening the programmatic linkages between these latter parties and their lower-class constituencies.

Not surprisingly, bait-and-switch reforms were tailor-made for the “outflanking” of established party systems on the left by populist outsiders or new political movements that articulated societal dissent from neoliberal orthodoxy.
As such, de-aligned party systems were not a stable competitive equilibrium, especially in the post-adjustment period; they were susceptible to powerful reactive sequences that produced legacies of electoral volatility, realignment or even collapse. Conversely, where market reforms were adopted by conservative parties or leaders with a major party of the left in opposition, critical junctures aligned party systems programmatically and channeled societal discontent into institutionalized outlets of representation. The institutional legacies of these latter critical junctures moderated reactive sequences in the aftermath period and produced more stable patterns of partisan and electoral competition.

These divergent outcomes were an example of “structured contingency” (Karl 1997: 10), whereby political actors make meaningful choices within socio-economic and institutional constraints that delimit the range of viable options and shape the potential payoffs of strategic decisions. Economic crises and market constraints foreclosed certain policy options and undermined historic patterns of political mobilization, but leaders still made crucial strategic choices that conditioned final outcomes – for example, choices to implement or delay market reforms, and to work within or outside of established party organizations. Ultimately, however, patterns of party system change hinged on aggregate micro-level decisions by voters, who determined whether leaders’ policy and institutional choices would be rewarded or punished electorally. Indeed, citizens and social actors influenced outcomes through various types of political mobilization, inside and out of the electoral arena. The complex and contingent political realignments produced by neoliberal critical junctures, then, were not straightforward crystallizations of strategic choices or institutional innovations adopted by political leaders; societal resistance and reactive sequences produced myriad unintended consequences that pushed institutional development (and sometimes decay) along unforeseen paths (Pierson 2004: 115–119).

NEOLIBERAL CRITICAL JUNCTURES IN HISTORICAL PERSPECTIVE

When viewed as a region-wide process of socioeconomic and political transformation, the neoliberal critical juncture spanned the quarter of a century that lay between the overthrow of Salvador Allende in Chile in 1973 and the election of Hugo Chávez in Venezuela in 1998. The military coup that aborted Allende’s democratic transition to socialism brought into power the Pinochet dictatorship, which shortly thereafter (in 1975) launched Latin America’s first great experiment in neoliberal reform. The election of Chávez, on the other hand, symbolized the shattering of the technocratic consensus for market liberalization and the intensification of the social and political resistance that would drive the reactive sequences of the post-adjustment era.

Critical junctures in individual countries, however, were compressed into shorter time periods of acute economic crisis and orthodox market reform. With the exception of Chile, where structural adjustment occurred under military rule in the second half of the 1970s (Foxley 1983; Schamis 1991; Silva
critical junctures began to unfold when an exogenous shock – the 1982 debt crisis – bankrupted developmentalist states and forced economic adjustment to the top of the political agenda. With heterodox adjustment measures unable to contain inflationary pressures, the stage was set for the adoption of orthodox market reforms – the truly decisive stage of the critical juncture in each country. The momentum for reform peaked in the late 1980s through the mid-1990s – the heyday of the Washington Consensus – when every country in the region liberalized markets. Critical junctures ended in each country, and the post-adjustment era began, when the major attempt(s) at market restructuring had been subjected to electoral contestation, giving voters an opportunity to ratify or reject the new economic model. In some countries, such as Argentina, Bolivia, and Peru, this electoral contestation occurred after a single administration adopted comprehensive market reforms in a context of acute economic crisis. In other countries, including Ecuador, Brazil, and Venezuela, major neoliberal reforms were gradually implemented (or attempted) by several different administrations, extending the period of electoral contestation and delaying the endpoint of the critical juncture. As such, the timing and duration of national critical junctures varied, depending in part on leadership dynamics and political agency.

In many respects, the critical junctures analyzed in this book were the obverse of those in the early 20th century studied by Collier and Collier (1991). Early 20th-century critical junctures were driven by the political incorporation of labor movements as socioeconomic modernization undermined oligarchic domination and placed the “social question” on the political agenda. These critical junctures ushered in a new era of mass politics that augmented the developmental, regulatory, and social welfare roles of state institutions. States became the focal point for a diverse array of societal claims, and in some countries organized labor became a core constituency of new mass parties and a pivotal actor in governing coalitions.

Conversely, the late 20th-century critical junctures analyzed in this book revolved around the political exclusion or marginalization of labor movements, the retrenchment of states’ social and economic functions, and the demise or adaptation to market principles of historic labor-based populist and leftist parties. Whereas labor-incorporating critical junctures inaugurated an era of economic nationalism in Latin America, neoliberal critical junctures were

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4 Argentina and Uruguay also implemented market reforms under military rule in the 1970s, but major adjustment measures were left on the agenda of their democratic successors in the 1980s. As such, their critical junctures occurred following the onset of the debt crisis – under the watch of democratic party organizations – as in the rest of Latin America outside of Chile.

5 Ruth Berins Collier (1992) makes a similar point in other work that contrasts the politics of labor incorporation in Mexico after the revolution with the politics of market reform in the 1980s. As she states, “If the logic of the earlier critical juncture was conducive to the formation of a state–labor alliance, the logic of the potential new critical juncture points to the disarticulation of that alliance” (1992: 156).