

The International Monetary Fund, Party System Institutionalization, and Protest in Latin America

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ABSTRACT

Extant studies have documented a positive correlation between country participation in International Monetary Fund–sponsored programs and collective protests in Latin America. However, anecdotal evidence indicates that there is a great deal of variation in the number of protests in recipient countries across the region. This article provides a theoretical argument that explains how the fund interacts with the level of party system institutionalization to affect the level of protest. The main prediction is that the level of protest decreases in recipient countries when the level of party system institutionalization is high. Empirical results from a sample of 16 Latin American democracies observed from 1982 to 2007 provide strong statistical and substantive support for the main hypothesis.

The International Monetary Fund has played a substantial role in the economic, political, and social life of Latin American countries since the 1950s. Not only has it been associated with the provision of loans and economic restructuring in the aftermath of the severe economic and financial crises that have plagued the region since 1982, but it also sponsors the Highly Indebted Poor Countries (HIPC) initiative, which plays a key role in relieving smaller countries from their debt obligations (Pagliari and Momani, 2008).¹ While the fund has been successful in reducing the vulnerability of Latin American countries to macroeconomic crises, it has also been blamed for inducing low rates of economic growth and poor living standards, which have fueled resentment and major outbreaks of political unrest in the region (Almeida 2014).

For example, in February 1989, thousands of Venezuelan citizens protested the implementation of the economic reforms mandated by the IMF and the resulting increase in the prices of gasoline and public transportation. In response, the government of President Carlos Andrés Pérez cracked down on the protesters with widespread repression, killing hundreds of people and initiating an era of political instability in the country. Likewise, on August 3, 2000 in Bogotá, 15,000 workers took to the streets to protest the IMF-imposed austerity measures required under the

terms of the \$2.7 billion IMF loan approved in December 1999. Over the past three decades, Latin America has experienced an increase in the frequency and intensity of massive demonstrations and protest activity against IMF-mandated policies and their consequences (Auyero 2001; Stahler-Sholk et al. 2008; Ponticelli and Voth 2011; Almeida 2014).²

The frequency and salience of social movements against the fund and its policies have increasingly motivated scholars to analyze the relationship between the IMF and protest. While some scholars suggest that fund-mandated policies fuel protest by creating discontent in politically powerful groups (Brown 2009; Cleary 2007; Almeida 2007), others have used economic deprivation (Galtung 1964; Gurr 1970, 1986) or political dependence theories (Frank 1980; González Souza 1994) to explain the effects of contentious collective action across the developing world, including Latin America.³

These studies are insightful, but tend to paint the link between globalization and mass protest with a broad brush. This is because there is substantial variation in the level of protest activity in Latin American countries. On average, countries like Peru, Ecuador, Bolivia, and Brazil experienced 5.5 major protests a year during the 1978–2005 period (Rice 2012), while other countries, such as Uruguay, Chile, and Costa Rica, only experienced fewer than 2 mass protests per year over the same period (Rice 2012). This variation thus leads to the central question of this article: when do IMF programs lead to higher levels of protest activity in Latin America?

Extant studies suggest that there is a link between the quality of political institutions and the use of contentious collective action (i.e., protest) to express political demands (see, e.g., Przeworski 2009; Scartascini and Tommasi 2009; Arce 2010; Machado et al. 2011). Building on these studies, as well as on those that analyze the relationship between the fund and protest in developing countries, this article develops a theoretical argument that provides an answer to the central question posited above. Yet this article parts ways with both bodies of literature by analyzing how the IMF actually interacts with a key domestic institutional variable—the party system—to influence the level of protest activity in Latin America. The main prediction emerging from the theory is that the interactive effect of IMF programs and the level of party system institutionalization will be negative. The causal story leading to this prediction is as follows.

To begin with, we argue that the reduction in social and economic rights caused by IMF programs and their conditionalities has important negative socioeconomic consequences that, in turn, lead to dissent (see, e.g., Abouharb and Cingranelli 2006, 2007; Brown 2009; Cleary 2007). Participation in IMF programs, however, is not a sufficient condition for mass protests in Latin America. Indeed, following extant studies on the quality of domestic political institutions and protest, we argue that highly institutionalized party systems allow political agents not only to channel their discontent and demands through electoral and legislative arenas, but also effectively to influence the state's response to such demands, thereby lowering their incentives to use popular mobilization or protest as a defense mechanism against the negative socioeconomic effects of the fund.

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