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Ask What Your Country Can Do For You: Social Spending and Satisfaction with Democracy in Latin America

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ASK WHAT YOUR COUNTRY CAN DO FOR YOU:
SOCIAL SPENDING AND SATISFACTION WITH DEMOCRACY
IN LATIN AMERICA

By

Kenneth Retzl

A thesis submitted in partial fulfillment
of the requirements for the

Master of Arts in Political Science

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Abstract

Past research on social policy in Latin America has primarily focused on how each countries' policies were formed, the institutional framework that bred the policies, or the economic constraints that necessitated certain reforms. Little work has been done to examine the effects those policies have had on the populace. This thesis attempts to determine if there is a relationship between social spending and satisfaction with democracy. The research takes two forms. First I present case studies of Brazil, Ecuador, and Venezuela. The second is an ordered logit hierarchical linear model utilizing survey responses from the 2005 Latinobarometer survey. In total 18 countries are analyzed. Both the case studies and the hierarchical linear model indicate that a country's overall social spending has very little effect on a citizen's satisfaction with democracy. However, citizens' satisfaction with their access to healthcare and education are major determinants of satisfaction with democracy in Latin America. This would suggest that social policy does matter to Latin Americans, but that more important than social spending is how those policies are directly impacting the lives of the citizens.

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Chapter 1: Introduction

Much of the existing literature investigating social policy in Latin America analyzes the conditions that have created the current social policy environments in each country. This literature looks at the reforms implemented in the country and the economic conditions that forced some of the reforms. Very few studies analyze how the social policies enacted by a government are affecting its citizens. This thesis attempts to analyze how social policy and their related programs impact the lives of citizens in Latin America by seeking to determine if there is a relationship between the level of social spending incurred by a country and their citizens' satisfaction with democracy. Also of interest is whether a citizen's evaluation of their access to healthcare or education impacts satisfaction with democracy. In this case, perhaps spending is not an important predictor of satisfaction with democracy, but more significant is how well a citizen believes social programs are impacting their life.

Unfortunately, there have been few, if any, studies examining the effects of social welfare spending and satisfaction with democracy. Perhaps this is due to the difficulty in analyzing the data (e.g. the effects of macro level spending on micro level attitudes), the troubles in determining what a measure of satisfaction with democracy is really measuring, or the lack of a formal theory that would hypothesize a relationship between social spending and satisfaction with democracy. Whatever the reason, many authors have discussed the importance of social spending in democracies, especially young democracies.

Przeworski (1991) concluded that popular support for democracy will only be won if it provides economic benefits to the citizens. He believed the political leaders in

new democracies are able to help increase economic gains experienced within a country. When these economic gains are then experienced by a majority of the citizens, support for the new democracy will soon follow. He also noted that these gains are hard to achieve when an economy is in transformation. This could be the case with the neoliberal reforms prevalent across Latin America in the 1980s and 1990s.

Nevertheless, what if there is a missing step in Przeworski's theory? Perhaps prior to providing economic growth, a new democracy must create an environment that encourages individual citizens to create economic opportunities. This could be completed by providing adequate healthcare benefits to protect the population against sickness and disease. It could also be done with a quality educational system that trains its citizens to be effective laborers and professionals. It could also protect its citizens against disability and unemployment. This is best reflected as social democratic theory. Social democracies attempt to look at the inequalities within a nation (such as economic, social, political, etc.) and endeavor ways in which the governmental institutions can help to alleviate those inequalities (Pettit 1987). If so, social democratic theory advises that governments should invest in the human resources of a country (through social programs) and posits the economy of a nation will not experience growth when individuals are left to perish or flourish on their own (Giddens 1998).

The impact of social democratic theory has been implied (but often not expressly stated) in previous scholarly work on satisfaction with democracy studies. In examining support for democracy in Africa, Bratton, Mattes and Gyimah-Boadi (2005) noted that in new democracies "political leaders who must account to a mass electorate are inclined to deliver welfare services, which in turn increases the stock of human capital required for

economic advancement.” Additionally, Eastern Europeans were asked what they associated with democracy. While the idea of freedom was the most common answer, social welfare benefits also received more than 10% of the responses (Simon 1996).

The Latin American experience with social policy is a history of reform. The countries all began adopting social policies at various times throughout their history; some as early as the 1930s, and many much later than that. Some countries experienced massive reforms (like Chile – switching from a public social security system to a privatized system), while others are still primarily operating under their original framework (i.e. Ecuador). Additionally, countries have had varying levels of success with social programs. Chile’s privatization model has been imitated by several other Latin American countries (although none have gone to a completely privatized system). Also, Venezuela has seen positive results bringing in Cuban doctors to live in the same neighborhoods where they are practicing medicine – usually in underserved areas. Conversely, Brazil continues to struggle to provide adequate healthcare facilities to all their citizens, falling short in smaller towns and rural areas.

Organization of Thesis

The remainder of the thesis is organized as follows. A review of social reforms in Latin America is provided (Chapter 2). It offers a history of social policy in the area, looking both at trends of the entire region as well as the evolution of social policy in three countries (Chile, Costa Rica, and Guatemala). The following chapter (Chapter 3) provides a brief review of the existent satisfaction with democracy literature and describes more fully social democratic theory. It also provides the foundation and details for the testing and analysis that will occur in Chapters 4 and 5.

Chapter 4 provides case studies of three different countries (Brazil, Venezuela, and Ecuador). The case studies are intended to provide more information regarding the current social policy environment in each country, as well as the amount spent, and compare this to levels of satisfaction with democracy. Unfortunately, due to the small sample size, conclusions about the entire population of Latin American countries are not feasible from this analysis. The intention is to provide more specific information about select countries' social policies, information that would be unable to be obtained from a purely quantitative study.

Chapter 5 utilizes the conclusions drawn from the case study, previous satisfaction with democracy literature, and social democratic theory to complete a quantitative analysis of the affect of social spending on a citizen's satisfaction with democracy. Because of the nature of the data (i.e. both individual and country-level data), a hierarchical linear model is utilized. Overall, approximately 17,800 survey responses are included in the analysis, representing 18 different Latin American countries. The thesis concludes with Chapter 6, which provides a final review and analysis of the findings from the previous chapters.

Chapter 2: History of Welfare Reform in Latin America

Until the late twentieth century, social welfare systems in Latin American countries were poorly developed and most often only benefited a select few. Many countries did however begin to reform their welfare systems. Some did so to shift the financial burden more to the citizen due to budgetary concerns, while others did so in response to the poor performance of parties in their countries elections (trying to please their citizens). No matter what the reason for the reforms, Latin American countries have seen sweeping changes to their welfare systems. While a more comprehensive description of welfare reforms enacted in select Latin American countries follows later in this chapter, it may be beneficial to examine the more generalized welfare environment in Latin America.

Many scholars avoid defining the welfare state.¹ Esping-Anderson provided a very broad definition, stating it is any state that is involved in the “production and distribution of social well-being” (1990, 1). He continued to say that welfare states can be viewed narrowly as a system of income transfers and social services. Conversely, they can be viewed in a broader context as a system involved with employment, wages, and macro-level economic concerns (Esping-Anderson 1990, 1-2).

In Latin America, given Esping-Anderson’s definition, there are welfare states. However, it could be argued that most of the countries would be considered “social states,” or ones that provide a system of social policies, protection, and a social safety net coupled with income redistribution policies (Filgueira 2005, 9). Costa Rica, with its

¹ By defining welfare state, many scholars believe their definition would be too narrow and might omit a country that truly should be considered a welfare state. If you are so inclined, see Titmuss (1958) and Barr (1987) for a more detailed discussion of the difficulty in defining the welfare state.

democratic stability and egalitarian nature of its social benefits is the closest country Latin America has to being a social democratic welfare state (Filgueira 2005, 21).

Social Policy Prior to the Economic Crisis

Similar to the current social states across Latin American countries, systems of social protection prior to the 1980s differed greatly. In terms of social security, only six Latin American countries could claim a system that covered at least 60% of the economically active population (Argentina, Brazil, Chile, Costa Rica, Cuba and Uruguay). Six more countries had systems that covered between 30-60% of the economically active population (Columbia, Guatemala, Mexico, Panama, Peru and Venezuela). El Salvador, Paraguay and the Dominican Republic had policies that covered less than 30% of the economically active population (Mesa-Lago 1994).

This classification scheme also indicates when countries enacted their social protection policies. Other than Costa Rica, the top tier (those countries covering greater than 60% of the population) introduced their first social security policies in the 1920s and 1930s. The middle tier introduced their first social policies in the 1940s and early 1950s, with the exception of Guatemala. The grouping of countries covering the lowest proportion of the population enacted their policies even later (Mesa-Lago 1994). Table 2.1 provides a summary of Mesa-Lago's (1994) classification scheme.

After considering the structure of the social systems, there are additional explanations why social protection remained low in Latin American countries. A major reason was that funding for the programs was employment based. Employees and employers were both required to pay a portion of their earnings to the government. In the cases of self-employed individuals, most often they had to pay both the employee and

employer share of the tax. The contributions required of the self-employed were prohibitively expensive, thus evasion was widespread. Additionally, a large share of the workforce was self-employed in the informal sector and was beyond the reach of the government's policies (Huber 2005, 78). Also, several countries lacked the enforcement ability to require timely receipt of taxes for social programs.

Table 2.1 - Evolution of Social Security Schemes in Latin America

Pioneers	Intermediates	Latecomers
Argentina	Bolivia	Dominican Republic
Brazil	Columbia	El Salvador
Chile	Costa Rica	Guatemala
Cuba	Ecuador	Haiti
Uruguay	Mexico	Honduras
	Panama	Nicaragua
	Paraguay	
	Peru	
	Venezuela	

Source: Mesa-Lago 1994

The extent of social protection afforded to the population most often included a pension for old age and their survivors and health care benefits. Unemployment insurance was rare, and when available, was provided only to privileged workers. Social assistance (or aid for low-income individuals) was also poorly developed. It was most commonly only available as a small pension to the indigent population (Huber 2005, 77).

Although the beneficiaries of the programs were relatively few, as of 1980 the social security systems in Latin America faced considerable financial difficulties. First, the ratio of active to inactive participants was dwindling, thus reducing the amount of money to be paid out in benefits. Second, many companies/employers were delinquent in

their contributions; it was also not uncommon for employers to evade their contributions entirely. Third, on several occasions governments failed to meet their benefit obligations. Finally, on the expenditure side, administrative expenditures in many of the social protection systems were extremely high as employment in these and other government agencies were provided as a form of patronage (Huber 2005).

For the many problems encountered by the social protection systems in Latin America, they were greatly exacerbated by the economic crisis of the 1980s. Even without the crisis adjustments to the programs were needed. However, due to the economic climate the changes proposed and enacted altered the nature of social policy in the region.

The Economic Crisis and Social Policy

In Latin America's attempt to industrialize, many countries followed a protectionist economic policy to shield internal businesses from the competitive pressures of the global market (i.e. import-substitution industrialization). Additionally, many countries were heavily indebted due to a lack of, or insufficient, domestic savings. The early 1980s saw a global economic slowdown which decreased the demand for Latin American exports. Couple this with skyrocketing interest rates and Latin American countries were unable to make their debt payments. A regional debt crisis ensued, shaking the very nature of government spending going forward.

Most, if not all, Latin American countries were pressed to implement austerity programs to curb public spending. The primary sponsor of these cuts was the International Monetary Fund (IMF). Their programs were intended to reduce inflation and provide improvement of the internal and external economic imbalances (Cruz-Saco

Oyague 1998). Along with many other programs, social expenditures were slashed in many countries. Health, education, and welfare expenditures dropped from an average of 9.1% of GDP in 1982 to 8.3% in 1990 (Huber 2005, 79). This decline was even greater when considering GDP decreased during this period as well.

While social expenditures were decreasing from the early 1980s to 1990s, the population living in poverty was increasing. On average, Latin America had 35% of its population below the poverty line in 1980; this number increased to 39% by 1990 (CEPAL 1995). Austerity measures imposed by the IMF were having their intended effect of lowering governmental spending, but they were doing so at the detriment of the population.

As a result of the deep cuts necessitated by the IMF and other external creditors, several countries experienced mass protests. These protests were termed “IMF riots” (Walton 2001, 309). In Panama, demonstrators spray painted “IMF get out” on the marble walls of the legislature. Protestors in Peru staged a twenty mile march from Lima’s shantytowns to the national palace. Some protests even turned violent. During the week of Easter in 1984, Dominican Republic protestors rioted due to price increases in food, medicines, and other imported goods. The riots resulted in approximately sixty deaths, many more injured, and more than 1,000 arrests (Walton 2001, 318).

The increasing poverty levels and protests experienced within Latin America caused many international financial institutions to begin focusing less on neoliberal economic reforms within countries and instead focus on social policy reform. This was called “adjustment with a human face” (Huber 2005, 91). This was done less for humanistic reasons but more to protect the economic reforms from social protest. And

based on the experience of East Asian countries and their recent economic successes, these international financial institutions began promoting investments in education (as this was viewed as important to the long-term growth strategy of countries) (Huber 2005, 91-92).

Economic growth returned to the region in the 1990s. Because of this, social expenditures again rose significantly when compared to the major cuts from the 1980s. However, due to the decrease in social spending in the previous decade (from neoliberal economic reforms), many countries had to restructure their social programs.

Social Policy Classification in Latin America

There are several different classification schemes researchers have offered to describe the nature of different Latin American countries social policies. Huber (2005) proposed a system based on who administers the social programs; her classification proposal is broken down into three categories. The first, the Chilean Model, emphasizes individualization and privatization of social programs. Chile, Mexico and Bolivia have systems that would fall into this category. The second is a model that stresses unification and universalization of programs and views the state as being responsible for the welfare of the population. Costa Rica, Brazil and Uruguay follow this system. The third is a mix of the first two models, incorporating both a private and a public dimension. Peru, Columbia and Argentina have chosen to follow this path (Huber 2005, 83-84).

Another way to view the social policies of Latin American countries is to group them together based on the extent of social policies enacted. As noted at the beginning of this chapter, Mesa-Lago (1994) attempted to differentiate between pioneer countries, intermediate countries and latecomers. He further went on to show that the pioneer

countries went on to have near universalistic social protections, intermediate countries developed social policies that are continuing to expand coverage and quality of services, and latecomers have social policies with low coverage rates and limited services.

Some do not agree with Mesa-Lago's classification scheme that incorporates both coverage of population and expenditure. They argue that instead of examining how much is spent, a much better analysis would be to look at how it is spent to benefit the population (Esping Anderson 1994). The notion of how much is spent is particularly important in Latin America where some countries spend as much as 18% of gross domestic product (GDP) annually, while others only spend approximately 8% of GDP (Filgueira 2005, 12).

Filgueira appreciates the parsimonious nature of Mesa-Lago's classification system, however, disagrees with the grouping of countries by the development of social policy (a continuum basis) and instead argues for a greater focus on the typology of social states (2005, 11-12). Filgueira contends there were three types of social states in Latin America from the 1930s to 1970s. The first was a "stratified universal" system. This type of social policy environment included a vast majority of the population under a social security and basic health services system (hence "universalistic"). However, the quality and availability of services depended on the class of citizen, i.e. state employees, professionals, military personnel, urban/rural workers, unemployed, etc (the "stratified" portion). This style of social policy was found in Argentina, Uruguay, Chile and Costa Rica (Filgueira 2005, 13-14).

Other countries preferred a dual system. In this type of social policy environment there was nearly universal development of primary education and health coverage, but

social security was stratified based on the territory a citizen lived in. Some areas of the state had well-developed and inclusionary social protections while others had exclusionary systems that excluded a majority of the populace. Examples of this type of policy environment could be found in Mexico and Brazil (Filgueira 2005, 23-24).

Finally, some countries enacted an exclusionary system. As the name implies, under this type of social policy environment, a vast majority of the population was not provided social protections. Most often elites in the government created policies that provided social privileges to specific groups that already enjoyed a privileged status. Countries with exclusionary social systems in the 1970s included Bolivia, Ecuador, Nicaragua, El Salvador, Guatemala and Honduras (Filgueira 2005, 30-31).

Interestingly, Filgueira's (2005) classification system is very similar to Mesa-Lago's (1994) when countries are inserted into the appropriate designation. But, Filgueira admits his arrangement of social states only applies prior to the 1970s and contends that two new types of social states are becoming prevalent in Latin America: a social state based on neoliberal economic policy and an egalitarian exclusionary basic protection social state (what he terms as an "embryonic Social Democratic Latin-American State") (2005, 10).

In this thesis, I incorporate Mesa-Lago's (1994) classification of social policy into its analysis. This is done because it provides both for the legacy of coverage and expenditure in Latin American countries. While many Latin American systems of social protection do not resemble their predecessor programs, feelings toward democracy may still be influenced by the populations experience with these past social policies.

To this point there has been a high level overview of the history of social programs in Latin America. What follows is a more specific study of the reforms experienced within individual countries in Latin America. So as not to become consumed by individual country specifics, only three countries are included below: Chile, Costa Rica and Guatemala. No scientific method was utilized to select these cases other than the legacy of their social protection programs (based on Mesa-Lago 1994) and the level of reforms implemented (specifically Chile).²

Chile

Technically, Chile was not the first country in Latin America to reform its social programs. Cuba enacted reforms in the 1960s and early 1970s; however, because Cuban reforms were due to the adoption of communism and not due to societal/economic pressures encountered by other Latin American countries, it is outside the scope of this work. After Cuba, Chile was the first country to enact social reforms in the region. Chile's reform began in 1979 and was based on neoliberal economic theory, replacing a public system with a private welfare program (Mesa-Lago 1997, 497).

From the beginning of the twentieth century until the 1970s, Chile's spending on social programs (specifically education, health care and retirement programs) gradually expanded, but many of the programs did not provide special benefits for the poor (Raczynski 2000). It was thought that any program instituted would help all citizens, including those living in poverty, so there was no need to target them specifically with social programs.

² If interested in further individual country social policy reforms see Mesa-Lago 1997, Cruz-Saco and Mesa-Lago 1998, Haggard and Kaufman 2008, Mesa-Lago 2009.

The growth of Chile's social programs over the decades was not equality-based, as differing groups obtained benefits at various times. Organized labor first saw an expansion of coverage, followed by the urban middle-class, the urban lower-income groups and finally, the rural population. What resulted was a stratified social system that had similar, but differing quality, benefits and different eligibility requirements (Raczynski 2000). This was due primarily to political pressure from various labor movements that necessitated extending benefits at different times through Chile's history: organized unions threatened strikes that could paralyze the economy, white collar workers received protection after the election 1920 and the victory of a reformist candidate (who directed his campaign toward the labor and middle-class voters), and civil servants began to receive benefits during times of unrest when it was essential to keep the government operating (Mesa-Lago 1978, 30-33).

As Chile's social policies grew, so too did public spending dedicated for social programs. Fiscal deficits grew (not only due to social spending - but it was a significant portion of the annual budget). In 1972 and 1973, the fiscal deficit reached 30% of the country's annual GDP (Raczynski 2000). Due to a myriad of factors, but including the fiscal situation of the country, a military coup occurred in the fall of 1973, led by General Augusto Pinochet.

The policies the Pinochet government pursued were heavily influenced by neoliberal philosophy. In short, the size of government would be reduced and the market would assume a larger role in the allocation of resources. In terms of social programs, there were significant reductions and a focus on privatization of benefits. Specifically, the pension system for the elderly/retired was transformed into an individualized system

administered by the private sector. A private healthcare system, known as ISAPRE, was set up for the upper class (Raczynski 2000). The poor and middle classes were still served by a public health system, but the hospitals and clinics experienced declines in the quality of services as well as a deterioration of the facilities due to inadequate funding; all this occurring as their health fees increased when citizens received care. This was due to the departure of the upper class from the public system, specifically their mandatory contributions to the public healthcare system (Raczynski 2000).

The privatization of the pension system in Chile prohibited new employees (who had never contributed to the new system) from joining. Instead, the public pension system was replaced by a mandatory individually funded system that was administered by competing private companies. The state continued to play a role in the new system; however, it was mostly a supervisory and regulatory role. Those who had contributed to the public system were offered the choice to continue to be covered under the old system or transition to the private one. Due to a significant publicity campaign as well as lower contributions to the private system, many individuals switched to the private pension system (Mesa-Lago and Muller 2002, 691).

In 1990, General Pinochet relinquished power and democratic elections were held. The newly elected leaders decided to continue the social policy reforms enacted under the Pinochet regime. This was done due to the popularity of the pension system, the cost saving measures achieved from the reforms, as well as the new government's desire to maintain investor confidence (Mesa-Lago and Muller 2002, 691). To date, no other Latin American country has adopted the extent of privatized reforms Chile enacted (Mesa-Lago 1997); however, several countries have modeled some of their reforms from

the privatized approach introduced by Chile. To this day, Chile continues to have a privatized pension system and a mixed public/private healthcare system in place.

Costa Rica

Social policy in Costa Rica has a long history and one that is short on reforms. The reforms enacted have ensured an even better quality of social protections for the population, even while being confronted by declining state revenues. The country is thought to be the closest example of a “universalistic egalitarian social state” in the region (Filgueira 2005, 21).

The first major social security fund in Costa Rica found its origin in 1941, under the Calderon administration. The Costa Rica Social Security Fund (CCSS) operated sickness, maternity and pension programs and was initially limited to the only those who were salaried urban workers. In 1960, only 15% of the total population (25% of the economically active population) was covered under CCSS (Mesa-Lago 1994, 95). In 1961, a constitutional amendment was adopted that required universal pension coverage and health protection within ten years. This goal was not achieved. But coverage under CCSS doubled, covering over 50% of the economically active population (Haggard and Kaufman 2008, 92).

Another reform was approved in the early 1970s. The modification increased the salary caps on social insurance contributions and increased the employer share of contributions. Perhaps the most beneficial aspect of the reform was the expansion of primary healthcare units in rural areas (Haggard and Kaufman 2008, 92). In 1970, healthcare coverage was available to 38% of the total population; in 1979 that increased to 84% due to the reforms earlier in the decade (Mesa-Lago 1994, 96).

The economic crisis that destabilized the region in the 1980s also affected Costa Rica. Fortunately for Costa Ricans, their social programs were not cut as drastically as some of the others in Latin America. The reforms Costa Rica introduced in the late 1980s and early 1990s were not intended to structurally change the social programs already in place but were proposed to reduce the expenditures of CCSS (Mesa-Lago 1997, 507).

In 1996, CCSS' board of directors approved several new amendments to the country's social security program. These included an increase in the retirement age, a tighter pension formula, and a higher insured contribution. Unfortunately, the government or CCSS did not discuss these proposed changes with the various social organizations in Costa Rica. Once these restructurings were made public, citizens occupied CCSS' offices and achieved their goal of suspending the reform (Mesa-Lago and Muller 2002, 703).

The topic of pension reform was not over in the country. The government and CCSS realized the need to discuss any proposed changes to the system with citizens and the various social organizations. In 2000, after obtaining the input of the necessary individuals and groups, Costa Rica approved a reform to their pension system. Major items of the reform included a tighter pension formula, higher contribution rates, and the addition of social assistance pensions designed to cover the uninsured poor above 70 years of age; an increase in the retirement age was not included (Mesa-Lago and Muller 2002, 704).

The Costa Rican experience with social policy reform was much more minor than nearly all other countries in Latin America. Many researchers believe this was due to the country's long, uninterrupted experience with democracy (Mesa-Lago 1994, Mesa-

Lago and Muller 2002, Filgueira 2005). Other significant factors that encouraged the development of social policy in the country include the absence of armed forces (no defense expenditures), a culturally integrated population, and a fairly prosperous rural sector in comparison to other Latin American countries (Mesa-Lago 1994, 97). While the reforms in Chile received much attention due to the transition to a largely private social policy environment, Costa Rica is evidence that a largely public model is also a viable solution.

Guatemala

Guatemala has not reformed its social security system, nor has it altered its health policy. Without much knowledge of Guatemala's social policy environment, one might wonder if its initial programs were working as intended. Unfortunately, after looking at basic development indicators it is obvious that Guatemala is largely failing their populace in terms of social protections. The country is one of the poorest in Latin America (Cruz-Saco 1998, 333) and based on World Databank figures, in 2010 the infant mortality rate was approximately 25 deaths per thousand (of the other Latin American countries, only Bolivia was worse, with over 42 deaths per thousand live births). Clearly there is a need to improve upon the social protections of the populace.

The Guatemalan Institute of Social Security (IGSS) began in 1946 and it was intended to provide social protections to the working class against occupational, health-related and old age risks (Cruz-Saco 1998, 333). Along with the country's ministry of health (MSPAS), IGSS is also responsible for health care in the country. Although, as will be noted, the amount expended for health care is very minor.

The pension system in Guatemala is highly stratified. IGSS operates a pension fund that covered approximately 1.1 million individuals in 1992, or approximately 22% of the population (Global Extension of Social Security). Part of the low coverage rates could be due to other pension funds covering certain workers, i.e. public administration employees, armed forces personnel, journalists, artists, and university professors (Cruz-Saco 1998, 333-334). However, another reason for the low coverage rates is that many individuals work in the informal sector which creates difficulties for the Guatemalan social security system.

Medical care in Guatemala is largely the responsibility of IGSS and MSPAS. They provide hospital care, medical treatments, dental care and medication. Together they administer 80% of the hospital beds in the country and 40% of the hospitals. Although they are responsible for nearly all the health care in the nation, they only spend approximately \$25 per person per year for health services (Cruz-Saco 1998, 333).

IGSS is funded by contributions from the employee, the employer and the state. The employee and employer portions are a fixed percentage of wages. Unfortunately, poor enforcement of policies and administrative procedures has derailed the program's ability to collect revenue (Cruz-Saco 1998, 341). Many workplaces that are required to contribute to the fund are not on the appropriate lists that determine the payment amounts. Also, there are few policies in place for the enforcement of the mandatory contributions. It is estimated that approximately 50% of employers registered with IGSS fail to contribute to the fund. This could be due to the need for the cash for their own personal needs, limited access to health providers, or because of the perceived low quality of benefits received (Cruz-Saco 1998, 336).

The Guatemalan social protection system is in great need of reform. Their citizens are evading payment to the fund; however, because of poor administrative and enforcement policies these violations are left unknown or unpunished. When considering how high their infant mortality rate is compared with the rest of the region, the low amounts of healthcare spending are cause for concern. Unfortunately, there has been little discussion of reform of the Guatemalan system.

The history of social policy in Latin America is a history of reform. Sometimes those reforms increased coverage of the population; sometimes those reforms were intended only to cut costs. There does not appear to be a common cause for the reforms enacted in the three countries examined (Chile, Guatemala, and Costa Rica). There does appear to be striking differences in the administration of social benefits. Chile has opted for a privatized system. Costa Rica has continued with their universal, government administered social programs. Unfortunately, Guatemala's social programs are largely failing its population.

However, as noted in the above section, the reduction of social benefits in many countries led to protesting and riots (Walton 2001). The citizens could endure austerity cuts; however, when that meant an ever greater number of the population falling into poverty, they reacted. Fortunately for the region, the subsequent prosperity after the debt crisis has provided an opportunity for many countries to increase their level of social spending.

Chapter 3: Theory and Methods

To this point, much focus has been on the development of social states in Latin America. While this is important information, we still need to know if social programs enacted by Latin American countries affect a citizen's satisfaction with democracy. Perhaps the better question would be: should social programs improve satisfaction with democracy? This chapter intends to lay out the theoretical and methodological framework that will guide the remainder of the research.

The chapter proceeds as follows. First there will be a review of the satisfaction with democracy literature, followed by a review of social democratic theory. A section describing the methods to be employed in this research is included to inform of the technique utilized to select cases for the qualitative study, as well as the quantitative method to be employed to study the relationship across several countries in Latin America. Finally, a section is devoted to the variables utilized in the quantitative research.

Satisfaction with Democracy

There is reason to believe social spending could affect a citizen's satisfaction with democracy. Elites create the democratic institutions in countries, but rely on the support of the citizens for continued institutional existence. Because of this, elites might create social protections to shelter citizens from poverty, unemployment, health concerns, etc. Unfortunately, there has been little research investigating this relationship. What follows is a review of the existent satisfaction with democracy literature.

Early research on satisfaction with democracy focused on the political culture of a country. Almond and Verba stated that for a democracy to survive, a political culture that

is consistent with democratic ideals is necessary (1963, 3). As defined, political culture “refers to specifically political orientations – attitudes toward the political system and its various parts, and attitudes toward the role of the self in the system” (Almond and Verba 1963, 12). A significant part of a political culture is the attitudes toward and satisfaction with the democratic process that is occurring within a country.

For countries without a strong political culture (most Latin American countries could be included here due to their history of transition between democracy and authoritarianism), Almond and Verba provided two ways in which a country can foster its development. First, they note that the emergence of political culture is a gradual process and is best fostered in a relatively crisis-free climate. Unfortunately for Latin America, the 20th century included many crises – whether it was changes in the form of government or economic crisis.

Second, a national political culture will develop by “fusion,” when new attitudes and beliefs combine with old values (Almond and Verba 1963, 368). While they acknowledge democratic values and democracy develop over time, increasing the education of the population may decrease the amount of time needed (Almond and Verba 1963, 370). So, the best way for Latin Americans to develop a political culture that will help to solidify democracy in the region would be through education.

Satisfaction with democracy may be a component of a nation’s political culture (the debate over whether political culture actually exists is a valid and well-researched topic – but it is outside the scope of this work so no additional mention will be made herein), but does not fully explain what contributes to a citizen’s attitude toward democracy. In Western Europe, a citizen’s evaluation of the economy (both their own

economic situation and that of the entire country) is a significant predictor of satisfaction with democracy (Anderson and Guillory 1997, 77). Also significant to a citizen's satisfaction with democracy is whether they voted for the incumbent governing party. They tend to be more satisfied than those who voted for the losing party (Anderson and Guillory 1997). This latter finding was again supported in a later study of Canadian federal elections; again noting that individuals who voted for the winning party reported higher satisfaction with democracy (Blais and Gelineau 2007).³

Relevant to the current study of satisfaction of democracy in Latin America, Lagos (2001) reviewed the results of the 2000 Latinobarometer survey of seventeen countries in Latin America. She was specifically interested in the differences between support for and satisfaction with democracy. She noted Latin Americans have been fairly stable in their support for democracy as a political system (although support for an authoritarian system is also fairly prevalent in the region). But, satisfaction with democracy – a measure of how satisfied a citizen is with the way democracy functions in their respective country – is much lower in all the countries. Lagos does note that a measure of satisfaction with democracy is sensitive to the economic conditions of a country, but she also states the lower rates of satisfaction with democracy found in Latin America may be a cause for concern, these democratic governments may not be fully established and their lower satisfaction rates could indicate future democratic difficulties (2001, 141).

³ Unfortunately, the Latinobarometer does not ask respondents who they voted for in the previous election. In 2010 they began asking if there is a party the individual feels closest to. For the 2005 survey that is utilized in this research, the closest question asked is who the individual would vote for if elections were held tomorrow. Unfortunately, future voting predictions are not measuring the same phenomena that were reported in these studies.

Interestingly, the same phenomenon is observed in Africa. The vast majority of Africans support the democratic form of government but a smaller percentage, in comparison, is satisfied with the way democracy works in their country (Bratton, Mattes, and Gyimah-Boadi 2005). However, these authors are not surprised by this finding. Instead, they believe satisfaction is the more demanding measure and would therefore lag behind support for democracy (Bratton, Mattes, and Gyimah-Boadi 2005, 81).

While comparing the level of support for and satisfaction with democracy across the newly democratic regions of the world, Lagos (2003) found Latin America had the lowest average support for democracy and Africa had the highest level of support. However, Lagos notes that responses on “support for democracy” survey questions depend on the individual’s concept of democracy. Specifically, democracy could mean equality in Latin America but infer liberty in Eastern European countries (Lagos 2003, 471). She concludes that it is very difficult to compare support and satisfaction scores across regions. Fortunately for the analysis in this research, only Latin American countries are included. This makes comparison more meaningful.

In researching if socioeconomic conditions in Latin America affect citizens’ support for democracy, Carlin (2006) found educated and wealthy individuals to be the most supportive of existing democracies. Inequality and poverty are negatively associated with satisfaction with democracy. A surprise finding in the research was that a higher level of unemployment indicated a higher level of satisfaction with democracy. Carlin could not explain this finding but did suggest future research should test if individual-level employment data would provide the same conclusions.

While interesting, Carlin's (2006) data was aggregated to the country-level. While many of his independent variables were country-level indicators, satisfaction with democracy is an individual-level phenomenon. One must be skeptical while reviewing the results. There are dangers (mainly of committing the ecological fallacy) of concluding on individual-level attitudes based on aggregated data.

Not all researchers agree the measure of "satisfaction with democracy" as currently measured is the most accurate measure of political support in a country. Most often, satisfaction with democracy is determined based on a survey question that generally asks "On the whole, are you very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with the way democracy works in (country)?"⁴ Researchers question if the variable is measuring support for the performance of the government and the existing political incumbents (Dalton 1999), support for the existing governmental institutions (Fuchs, Guidorossi and Svenson 1995; Lockerbie 1993) or if it is a summary indicator that includes evaluations of incumbents as well as institutions (Clarke, Dutt and Kornberg 1993).

Canache, Mondak, and Seligson (2001) concluded that the satisfaction with democracy question measures multiple dimensions of political support. Furthermore, what is being measured varies by individuals and across countries. The variance for individuals is due to varying levels of political knowledge and the variance among countries is due to different interpretations of what is being asked. They suggest this results in two major problems. First, a researcher does not know what the variable is measuring. Secondly, there is no way to interpret data across observations because of the difficulty of determining what the respondent based their response (i.e. incumbent

⁴ This is also how the Latinobarometer measures satisfaction with democracy.

support, institutional support, etc). They caution any future use of the variable and any analysis that utilizes a measure of satisfaction with democracy should be very careful in analyzing and presenting the data.

Bratton, Mattes, and Gyimah-Boadi (2005) encountered a similar situation when they surveyed citizens of various African countries. The measure of satisfaction with democracy in their survey was representative of three separate attitudes: satisfaction with the current political regime, satisfaction with democratic institutions, and satisfaction with incumbent politicians. However, in the African survey evaluations of government performance had the largest influence on an individual's satisfaction with democracy (Bratton, Mattes, and Gyimah-Boadi 2005, 83).

In order to narrow the scope of what is being measured when individuals are asked about their satisfaction with democracy, Evans and Whitefield (1995) attempted asking the question in a different way. To measure the general support for democracy, they asked "how do you feel about the aim of introducing democracy, in which parties compete for government." To determine satisfaction with democracy, they inquired "how would you evaluate the *actual practice* of democracy so far" (the italics are theirs). These questions clearly differentiate between support for the concept of democracy and satisfaction with how democracy is performing in the selected countries. Unfortunately, their survey was conducted in former Soviet countries and will not aid in the current research.

Previous research indicates a citizen's satisfaction with democracy is contingent on many factors. Economic consideration, levels of education, who the individual voted for in the previous election, etc. all affect attitudes toward democracy. But does a

country's social policy environment also contribute? Social democratic theory would hypothesize it does.

Social Democratic Theory

The importance of social welfare in a democratic state has a long history. In *De Legibus*, Cicero wrote “*salus populi suprema lex esto.*” Translated this means “let the welfare of the people be the supreme law.” More recently, Lipset (1959) concluded that a larger middle class and higher educated populace aids (but does not guarantee) a consolidation of democracy. Even more recently, Dahl stated that democracy is dependent upon citizens' confidence in their government to react and satisfactorily manage unemployment, poverty, corruption, welfare programs, etc (1998, 2).

According to social democratic theory, equal respect for all people is a key tenet of democracy and it is to be addressed by the state (Petit 1987). This is unlike liberal democratic theory, which believes equal respect should be left to individuals. Additionally, social democratic theory is a bridge between democracy and universal rights, providing the former with stability (Meyer and Hinchman 2007, 1).

Central to social democratic theory is the belief that inequality is inherent in the world we live in. These inequalities take many different forms, such as information inequality, political inequality, and economic inequality. To help remedy these inequalities, social democratic theory calls upon the state to enact policies that attempt to empower those who are relatively deprived. This is done through governmental institutions that are created to promote equality (Petit 1987). Many of these institutions would fall under the auspices of a welfare state.

Additionally, social democratic theory states that the economy of a nation will not grow when individuals are left to flourish or perish on their own. Governments are tasked with investing in the human resources of a country to promote economic growth but also provide a social safety net for those who do not benefit (or are harmed by) the overall economic growth in a country. For the state, wealth creation, while important, is incidental to redistribution of resources and economic security (Giddens 1998).

Social democratic theory works well in the case of Latin America's social policy reform, even though many of the restructurings were completed following neoliberal theories. The World Bank and other international financial institutions noted the value of investing in the human resources of countries (Huber 2005). Although this was done under the pretext of pacifying the citizens to prevent a revolt against the economic reforms that were occurring, this dovetails with social democratic theory and the beginnings of the welfare state. As Aspalter (2001, 49) notes, "Poverty (in the sense: 'poor, but not too poor to protest') constituted the fundamental basis of social uprisings and the new social movements, which saw democracy as the means of improving their living conditions and obtaining a fair share of the national income."

The impact of social democratic theory has been implied (but often not expressly stated) in previous scholarly work on satisfaction with democracy studies. In examining support for democracy in Africa, Bratton, Mattes and Gyimah-Boadi (2005) noted that in new democracies "political leaders who must account to a mass electorate are inclined to deliver welfare services, which in turn increases the stock of human capital required for economic advancement." Additionally, Eastern Europeans were asked what they associated with democracy. While the idea of freedom was the most common answer,

social welfare benefits also received more than 10% of the responses (Simon 1996). This would indicate that many individuals (at least in Eastern Europe) associate social benefits with democracy. If Latin Americans do the same, their country's social policies could impact their satisfaction with democracy.

Methods of Testing

For the purpose of this research, the question of how social spending influences an individual's attitude toward democracy will be tested two separate ways. A qualitative analysis will be conducted utilizing a case study approach. Following that will be a quantitative investigation to analyze the Latin American region.

Due to scarce research investigating a country's social spending on citizen's attitudes toward democracy, the aim of the qualitative study is more exploratory in nature. Any substantive findings from this research will be utilized during the quantitative section, which is directed more toward hypothesis-testing. Three of the eighteen Latin American countries for which social spending data is available will be included in the qualitative study. To select countries for the qualitative analysis the most-different systems selection method will be employed. The countries with the most, least and mid-range social spending (in terms of the national GDP) in 2005 will be selected. Using this method the sample cases are Brazil, Venezuela, and Ecuador. These countries incurred social expenses of 22.51%, 11.52% and 6.25% of their total GDP in 2005, respectively (CEPALSTAT).

By selecting three diverse countries, the qualitative study will only allow for generalizations across the cases but will not provide strong support for the causality of relationships found (Seawright and Gerring 2008). Additionally, selection bias is not a

concern because the cases were selected based on the primary explanatory variable of interest. This too will limit the generality of the conclusions to other Latin American countries (King, Keohane, and Verba 1994, 135), but it should not be of concern due to the quantitative analysis that will be done subsequently.

In addition to the case study proposed above, a quantitative analysis will be completed to analyze the level of social welfare spending incurred by a government and its affect on citizens' attitudes toward democracy. Because this type of analysis utilizes both macro-level data (social welfare spending) and micro-level attitudes (satisfaction with democracy) a hierarchical linear model will be employed. As Luke indicated, this type of model allows a researcher to examine the larger context that may be shaping individual-level attitudes without committing an ecological fallacy (2004). For this reason there is little concern for committing an ecological fallacy during the qualitative analysis. All eighteen countries for which social spending data is available are included in the analysis (see Table 3.1).

Table 3.1 - Latin American Countries Included in Thesis

Argentina	Dominican Republic	Nicaragua
Bolivia	Ecuador	Panama
Brazil	El Salvador	Paraguay
Chile	Guatemala	Peru
Colombia	Honduras	Uruguay
Costa Rica	Mexico	Venezuela

In both the qualitative and quantitative analyses, it is hypothesized that increased levels of social spending will result in higher levels of satisfaction with democracy.

Below are the variables included in the quantitative analysis.

Dependent Variable: Attitudes toward Democracy

The dependent variable in the quantitative portion of this research is citizens' satisfaction with democracy. The measure was obtained from the Latinobarometer survey conducted in 2005. Similar to past "satisfaction" studies, the question asks:

In general, would you say that you are very satisfied, fairly satisfied, not very satisfied, or not at all satisfied with the way democracy works in (country)?

In the survey, those who respond they are very satisfied are coded as "1," fairly satisfied as "2," etc. For ease of evaluation, the variable has been inverted so that higher levels of satisfaction correspond with higher scores (i.e. very satisfied responses have been recoded to "4," satisfied to "3," etc).

Because some researchers advocate caution when using a measure of satisfaction with democracy (Canache, Mondak, and Seligson 2001; Linde and Ekman 2003), a brief word to its use in this research is necessary. The intention of this study is to determine if the amount a country spends to provide a basic level of protection for its citizens results in satisfied feelings toward democracy. While the above question may be flawed for reasons already discussed, there are no other widely available survey responses that would measure this attitude. As such, while it is admitted that in a perfect world a more accurate indicator for satisfaction with democracy would be utilized, this is the best currently available.

Independent Variables – Social Spending

The primary explanatory variable is a country's level of social spending. This is measured as a percentage of GDP (both social spending and GDP measured in current local currency units) to normalize the data across countries and determine the relative importance each country places on social policies. In addition to overall social spending,

included are the four social policy categories that make up the total. These include health, education, social security and housing expenditures. All four are also measured as a percentage of GDP. The inclusion of the components of social spending will allow conclusions regarding if certain types of social spending affect a citizen's satisfaction with democracy more than another type. All the data was obtained from the Economic Commission for Latin America and the Caribbean (CEPAL).

Legacy of Social Security Systems

Based upon the research of Mesa-Lago (1994), the year countries instituted social security policies largely predicted subsequent population coverage and expenditure. He differentiated between pioneer countries, intermediate countries and latecomers. Because a citizen's views on social policy could be influenced by their history with such policy (and those attitudes toward social policy could affect their satisfaction with democracy), dummy variables are included to account for pioneer and intermediate countries. See Table 2.1 for the countries that are included in each category.

Citizen's Attitudes toward the Availability of Health Care/Education

Included in the Latinobarometer survey are questions regarding the respondent's satisfaction with access to health care and education. The inclusion of this independent variable is because citizens may not know, care, or understand how much their government is spending on social policies (although it is assumed higher levels of social spending will result in higher quality and access to programs). These variables will directly measure the satisfaction with access to health care and education without considerations of how much was spent. It may also indicate that social spending in certain countries is not translating into better quality programs.

The question in the survey asks:

In general, would you say that you are very satisfied, fairly satisfied, not very satisfied or not at all satisfied with: your access to health (your access to education)?

Similar to the satisfaction with democracy question, individuals who respond they are very satisfied are coded as “1,” fairly satisfied as “2,” etc. This variable has also been reverse coded so that higher levels of satisfaction are coded with higher scores.

Control variables

Several control variables are included in the analysis based on previous satisfaction with democracy research. Demographic variables such as age, level of education, and employment status are included. These three variables are included in the model as dummy variables for ease of interpretation. The respondent’s age is classified as 16-25, 26-40, or 41-60. The referent category is those over 61 years of age. Level of education is denoted either as some/completed primary school, some/completed technical school, or some/completed secondary school. The reference category for education is those who have no education. Respondents’ employment status is included either as employed, retired, homemaker, or student. The referent category is the unemployed. These variables are all obtained from the Latinobarometer study and are measured at the individual-level. Another control variable from the Latinobarometer study is the citizen’s economic evaluations, both for the economy of the country and their individual economic situation⁵. This is an ordinal-level variable with values that can range from 1 to 5. Lower numbers indicate worse economic evaluations on behalf of the respondent.

⁵ Similar to the Anderson and Guillory (1997) study, the questions used to determine a citizen’s economic evaluation are: “Do you consider the current economic situation of the country to be much better, a little better, about the same, a little worse or much worse than 12 months ago?” and “Do you consider your economic situation and that of your family to be much better, a little better, about the same, a little worse

In addition to the individual-level control variables, some country-level control variables are included in the model. A measure of the level of democracy in each country is included, as measured by the Polity IV Project. Additionally, a measure of overall economic development in the country is included. This is quantified by the use of the infant mortality rate. This measure may be used as a proxy for level of development, as argued by Sen (1998). Oftentimes, infant mortality is reflective of material living standards within a country, levels of education, gender inequalities and health care systems (Sen 1998). The largest advantage of utilizing the infant mortality rate as a proxy for development is the availability of data since nearly all countries report this statistic. Based upon the World Bank, where the data was obtained, the infant mortality rate is defined as the number of children (per 1,000 live births) who die before the age of one.

Guided by social democratic theory, this research intends to utilize both qualitative and quantitative analyses to determine the relationship between social spending and a citizen's satisfaction with democracy. The research draws upon past studies' findings regarding what influences a citizen's satisfaction with democracy while also providing improvements to the testing of citizen-level attitudes. The principal advancement of this study is the use of a hierarchical linear model that allows for an analysis of the impact of country-level variables on citizen-level attitudes.

After considering social democratic theory, and its tenet of eliminating inequalities, it is hypothesized that country's with higher levels of social spending will have citizens report higher levels of satisfaction with democracy. Increasing satisfaction

or much worse than 12 months ago?" Because better economic evaluations are coded with lower numbers, this variable has been inverted as well for ease of analysis.

with democracy is important for the consolidation of democracy in Latin America and to prevent a slide back to authoritarianism.

Chapter 4: Social Spending and Satisfaction with Democracy: A Case Study Approach - Brazil, Venezuela, and Ecuador

As noted in the previous chapter, three countries have been selected to analyze as case studies of social spending/policies. The countries selected were chosen for their level of total social spending: Brazil (highest social spending in the region), Ecuador (lowest social spending), and Venezuela (mid-level social spending). Each country is examined individually, followed by a concluding section providing an analysis of the results.

Brazil

Brazil has a varied and tumultuous history with democracy, often reverting back to military dictatorships until the 1980s. The most recent transition from a military dictatorship occurred in 1985 with the election of Tancredo Neves (who unfortunately became sick prior to his inauguration and was replaced by his Vice President – Jose Sarney). Since this time, democracy has remained.

At the time of the 2005 Latinobarometer survey, Brazil had been a democracy for 20 years. At that time, in the aggregate, Brazilians expressed an overall dissatisfaction with their democracy. The average Brazilian respondent in the Latinobarometer survey indicated a “not very satisfied” response when asked how satisfied they are with the development of democracy in their country.⁶

In 2005, Brazil’s social spending (as a percentage of GDP) was the highest compared to all other Latin American countries. In total, they spent 22.52% of the gross domestic product on education, health, social security, and housing programs. By far, the largest portion of that was spent on social security (12.28%), followed by education

⁶ Brazil’s aggregate satisfaction with democracy score was 1.97 out of a total of 4.

(4.55%), and health programs (4.32%). The country spent only 1.37% on housing-related programs in 2005 (CEPALSTAT).

The first Brazilian public insurance fund began in 1923 and was provided to railway workers. Today, Brazil's pension system provides constitutionally guaranteed protections to both public and private sector employees, in the form of defined-benefit plans. These two categories of employees are separated into different types of plans with differing eligibility requirements and benefits.

The pension plan for private sector employees requires an 8-10% contribution from the employee (dependent on their income), as well as a 20% employer contribution. These contributions provide benefits for old age, disability, and early retirement (based on years of service). The standard retirement age (to receive "old age" benefits) is 65 for men and 60 for women. To qualify for early retirement, males and females must work 30 and 25 years, respectively. Additionally, early retirement benefits are approximately two times that of the standard old age pension (Kane 1998).

The pension plan for government employees is fully-funded by the government. It provides a normal retirement pension for men who work for 30 years and women who work 35 years. It also offers a special retirement for teachers and politicians. These benefits can be obtained for men and women after 30 and 25 years of service, respectively. This pension plan, when equally compared, offers a pension that is four times greater than that for private employees (Kane 1998).

Brazil's health program, like that of many of the social programs in Latin America, is an evolving system. From 1964 to the mid-1980s, under a military dictatorship, health care was centralized with the federal government. Approximately

75% of the patients admitted to the hospital were financed and managed by the federal government (Lewis and Medici 1998). At this time, Brazil's health system was intended to provide health services to the entire population. But in reality, coverage was uneven and the services provided were selective (Lewis and Medici 1998, 269).

After the transition to democracy, the country enacted health care reform (*Reforma Sanitara*). Most, if not all, of these reforms were codified in the 1988 constitution. The central tenant of the reform (and provided for in the constitution) was universal and equal access to health services. To accomplish this, the federal government opted to pass the responsibility of administering health programs and clinics to the municipalities. The federal government would provide financial and technical assistance as needed, the states would manage a few of the previously-federal institutions, but the primary responsibility for the provision of healthcare services would be with the municipalities.

Very quickly problems were encountered due to the three levels of health care administration (federal, state and municipal level). While very loose duties were assigned to each level of government, clear delineation of responsibilities was never established. Also, transferring health clinics to the municipalities created its own set of conflicts. Larger municipalities (those with over 1 million in population) were better able to manage the healthcare of their population than were smaller municipalities. Those very small towns (5,000 to 30,000 in population) did not have the expertise or the resources to manage and deliver services effectively or efficiently. Also, due to the shift of health clinic operations to municipalities, numerous clinics began to be constructed. Many small

municipalities were not able to complete the clinic in their area due to insufficient funds (Lewis and Medici 1998).

Due to these problems, it should not be surprising that when Brazilians were asked about their satisfaction with the access to healthcare in the 2005 Latinobarometer survey, the average response was little better than not very satisfied.⁷ Brazil does not spend as much as several other Latin American countries on healthcare. Coupled with the logistical problems of the entire system, it is not difficult to understand the prevalence of dissatisfaction with the healthcare system.

In terms of the quality of healthcare, the 2005 infant mortality rate in Brazil was 23.3 (World Databank). Although this was a decrease from 41 just 10 years prior, it was still high in comparison to the remainder of Latin American countries. Similarly, Brazil does not fare well when comparing life expectancy across other Latin American countries. In 2005, the life expectancy of a newborn was approximately 71.5 years. This again places Brazil near the bottom of all Latin American countries, but they are trending upwards. In 1995, the average life expectancy was 68.3 years.

In 2003, Brazil began a program (*Bolsa Familia*) aimed to immediately improve healthcare and reduce poverty (by providing cash transfers to eligible citizens) and to develop their human capital (through education and healthcare conditionalities). Recent estimates place total recipients in the program at approximately 11 million households (Soares et al 2010, 174). Additionally, in the short time it has been in existence, *Bolsa Familia* has been credited with a significant reduction in income inequality in Brazil (Soares et al 2006).

⁷ After recoding the Latinobarometer survey results (as noted in Chapter 3), the average numerical response was 2.18 out of a total of 4 for this question.

To obtain the cash transfers under *Bolsa Familia*, the first qualification is that households must earn less than approximately \$70 per capita monthly. If met, the other conditions to receive payment are: parents must ensure their children are attending school, are receiving required vaccinations, and are regularly visiting health clinics. These policies have led to marked increases in school attendance and a decrease in drop-out rates, but have failed to have an impact on child immunizations or health clinic visits (Soares et al 2010). This lack of impact on the health visits and immunizations of children could stem from the lack of adequate health clinics in many parts of the country (as noted previously).

Interestingly, it does not appear the *Bolsa Familia* program has had much of an affect bolstering citizen's satisfaction with democracy. However, the students who were affected by *Bolsa Familia* are still school-age so any positive effects would not be evident yet. Also, the healthcare portion of the program is not functioning as intended. Many children are missing their required health clinic visits and not receiving their immunizations. Finally, the cash transfer portion to benefit families was still new when the 2005 Latinobarometer survey was conducted and many adults may not have fully internalized its benefits.

Prior to *Bolsa Familia*, the government of Brazil implemented several reforms aimed directly at improving education in the 1980s and 1990s. They declared free basic education to be a fundamental right, established national testing for students, and implemented the current structure of the educational system in the country: grades 1-8 provided by state and local governments and grades 9-11 run by state governments (Di Gropello 2006, 63). Educational reforms were greatly needed in the country as only 66%

and 43% of 18 years olds had completed the fourth grade and eighth grade in 1996, respectively (Herran and Rodriguez 2000). Additionally, the average young Brazilian enters the workforce with approximately only six years of schooling (World Bank 2004, 38).

However, the news is not entirely bad for Brazil's education system. The percentage of children ages 7-14 attending school has increased from 80.5% to 96.5% between 1991 and 2000 (World Bank 2004, 38). Also, between 2000 and 2003, Brazil was the only country in Latin America and East Asia whose Program for International Student Achievement scores (sponsored by the Organization for Economic Cooperation and Development) increased in all three areas tested: mathematics, reading, and science (Di Gropello 2006, 66). Other countries have taken notice of Brazil's educational reforms and the country is often considered a model for educational reform (World Bank 2004, 38). Brazilian citizens also recognize some of the inroads the government has made and have expressed a sentiment in-between "not very satisfied" and "somewhat satisfied" in terms of their access to education (Latinobarometer 2005).⁸

Overall, education in Brazil is improving; however improvements are still needed for those citizens in poverty. Future improvements should be aimed at decreasing inequalities in the system. Some have suggested Brazil should focus future programs on helping the poorest of the population attain at least an 8th grade education or targeting more of its education expenditures toward the lowest income earners (World Bank 2004; Di Gropello 2006).

⁸ The average score for Brazilians, when asked how satisfied they were with their access to education, was 2.42 out of 4 in the 2005 Latinobarometer survey.

Economic considerations must also be considered that could impact Brazilians' satisfaction with democracy. In 2005, Brazil's unemployment rate was 9.3% of the total workforce (World Databank). This does appear to be high; however, that percentage is comparable to other Latin American countries. Another concern for Brazil (as it relates to the targeting of social policy), is the income inequality experienced within the country. Hall (2006) notes Brazil has the seventh most unequal income distribution in the world. This income inequality can do little to help citizen's satisfaction with democracy.

Overall, Brazil spends a lot of money on their social security program. It provides near universal coverage for the working population in the formal sector. But, this program only benefits a small segment of the population (principally retirement age or disabled individuals) and may not have as much influence over the average citizen's satisfaction with democracy. The *Bolsa Familia* program was intended to help bolster the education and health of the poorest segment of the population. Unfortunately, this program is too new to be able to examine its affect on satisfaction with democracy.

Venezuela

Prior to the presidency of Hugo Chavez and his socialist/populist government, Venezuela was one of the longest standing democracies in Latin America (from 1958 to 1998). Although democratic through this time period, the country did not adopt inclusive social policies. Many social benefits were reserved for public employees. With the election of Hugo Chavez, and the increasing price of oil, Venezuela was better able to provide social programs to the population. This is especially true when analyzing health and education programs.

Venezuela and Ecuador were the least democratic nations in Latin America in 2005. Interestingly though, the aggregate satisfaction with democracy score for Venezuela was one of the highest in the region.⁹ Part of the reason for this high score could be the various programs implemented in the country targeting the poorest citizens. In total, Venezuela spent 11.51% of its GDP on social programs in 2005. 4.64% was spent on education-related programs, 3.91% for social security, 1.63% for health, and 1.33% for housing programs. These numbers do not tell the entire story though. These percentages for Venezuela are general government expenditures. Several of the social programs are at least partially (if not fully) subsidized by oil revenues. Additionally, there are concerns that Chavez is utilizing social programs as a way to “purchase” the votes of the poor and working class (who make up the majority of the population) (Penfold-Becerra 2006).

Venezuelan social security was created in 1940. It protected workers from sickness, maternity, and disability pensions. Reforms in 1966 extended coverage to include old age and death and expanded benefits to public employees and union leaders. Later reforms in the 1980s and 1990s required all salaried employees, both public and private, to be covered by the state social security institute (Instituto Venezolano de Seguros Sociales or “IVSS”). Although this would seem like it would cover a majority of the workers in Venezuela, it still only covered approximately 35% of the economically active population in 1993 (Mesa-Lago and Arenas 1998, 355).

The economic crisis that impacted Latin America in the 1980s and 1990s also affected Venezuela. As a result, in 1997 the country adopted a private pension program

⁹ The average score for Venezuela in the 2005 Latinobarometer study, when respondents were asked how satisfied they are with democracy in their country was 2.72 (out of a possible 4).

for covered workers under a certain age and all new entrants to the program.

Interestingly, the country never implemented this privatized pension system (Weyland 2005, 266) and it has been abolished under the Chavez government. However, social security pension coverage has improved little since 1993. Currently, only approximately half of the population over 60 years of age (the age of eligibility) receives any form of pension from the government (Fernandez-Salas 2010).

Access to healthcare in Venezuela significantly improved under Chavez. In the 1999 constitution, Venezuela declared health to be considered a fundamental right, the state's duty is to create and manage a universal public health care system providing free health services, and it is to be paid for through taxes, social security payments, and oil revenues (Muntaner et al 2006, 806). In response to that constitutional mandate, Chavez recruited 10,000 Cuban doctors to provide primary healthcare in poor communities (in return, Cuba received subsidized oil exports). The program was called *Barrio Adentro*. To ensure the Cuban doctors were accessible, they lived in the same communities in which they provided healthcare (Haggard and Kaufman 2008, 276).

Barrio Adentro was not well received by the upper and upper-middle class in Venezuela. In 2003 there was an attempted military coup and in 2004 there was a presidential recall referendum. Both were unsuccessful but were at least partially fueled by Chavez's new health program (Muntaner et al 2006, 808). The mobilization of the poor and working classes, as well as their overwhelming support for their president helped to ensure Chavez stayed in power. The *Barrio Adentro* program has been successful in providing health benefits to the entire population. As such, in the 2005

Latinobarometer survey, Venezuelan citizens voiced satisfaction with their access to health care.¹⁰

In addition to increases in health access to the poor, Chavez instituted two new educational social programs in Venezuela. The first, *Mision Robinson*, taught reading, writing, and mathematics skills to illiterate adults in Venezuela. Venezuela also instituted *Mision Ribas* which sought to educate former high school drop-outs and help them obtain their high school diploma. The government even provided cash stipends to individuals in the program as an incentive to complete their degree. Most of the funding for these programs came from oil revenues and were not funded through general government expenditures (Penfold-Becerra 2006).

Venezuela's focus on education has produced tangible results. The total adult literacy rate in 1990 was 89.8%, and in 2007 it was 95.2% (UNESCO 2011A). The Education for All Development Index (EDI) is a composite index designed to measure a country's education system in relation to four main goals: universal primary education, adult literacy, gender parity and equality, and the percentage of students who remain enrolled until the 5th grade. From 1999 to 2007, Venezuela increased their EDI from .910 to .956, an increase of 4.6% (UNESCO 2011B). Interestingly, in 2008, Venezuela's EDI dropped to .919, due mainly to a significant drop in the percentage of students who make it to 5th grade (a decrease of 13.8% in one year).¹¹ Overall, in the 2005 Latinobarometer, the Venezuelans surveyed were overall satisfied with their access to education.¹²

¹⁰ The average score for Venezuelans, when asked how satisfied they were with their access to healthcare, was 2.89 out of 4.

¹¹ This would be interesting to investigate what occurred in Venezuela in 2007 and 2008 that created this large decrease, however, it is outside the scope of the current work.

¹² The average score for Venezuelan's when asked how satisfied they were with their access to education was 3.00 out of 4.

Although Chavez's social programs have produced tangible results, some scholars believe these programs are being used for clientelistic purposes (Penfold-Becerra 2006, 67). If Chavez is providing social services in return for votes, he has at least been successful in providing programs that benefit the population. This is reflected in their higher aggregate satisfaction with access to both healthcare and education. This in turn appears to have bolstered their satisfaction with Venezuela's democracy in Venezuela.

Ecuador

Ecuador's history with social programs is one of minor reforms and low population coverage. In terms of health and education, Ecuador ranks among the lowest in the world when comparing public expenditures as a portion of GDP (Georgieva et al 2009, 148). Their satisfaction with democracy aggregate score from the 2005 Latinobarometer survey was also the lowest of the three countries analyzed (the aggregate score was 1.94 – a little less than “not very satisfied”). Poverty rates are high in the country, especially among the indigenous and rural populations. However, in the recent past, the Ecuadoran government has accepted its responsibility to its citizens and has begun implementing policies and programs to help reduce the incidence of poverty and increase health and education expenditures.

Of all Latin American countries, Ecuador spends the least on social programs. In terms of percentage spent of GDP, they are nearly a full percentage point below the next lowest country (the Dominican Republic). In total, their general government expenditures for social programs were only 6.24%. Of that, education is the largest social program with expenditures of 2.54% of GDP. It is followed by social security (2.29%), health (1.18%), and housing (0.23%).

Ecuador's social security system (covering old-age, disability, survivor pensions, maternity/sickness, and occupational accidents) has evolved into a system that is stratified along occupational lines and has not experienced a major reform since its inception. It is administered by the *Instituto Ecuatoriano de Seguridad Social* (IESS). This institution has historically been mismanaged: experiencing fraud, massive overstaffing (leading to high administrative costs), and low investment returns (Lo Vuolo and Mesa-Lago 1998, 311). Additionally, the fund has historically had issues receiving contributions to the program, resulting in low coverage of the target population. Recent estimates indicate that of the economically active population, only 23% contribute premiums to the program. This contributes to a meager 11% of the population over 65 that acquire the right to a pension (Global Extension of Social Security).

Recently, Ecuador instituted a new program (*Bono Solidario*) that is operated by the Ministry of Social Welfare and is outside the normal social security system. Beginning in September 1998, with an unspecified termination date, the intended beneficiaries include: poor mothers without a fixed income and at least one child under 18 years of age, elderly individuals over 65 who do not have a fixed wage, and disabled individuals. At the onset of the program, an additional eligibility requirement for the first two beneficiary groups was that they must have incomes less than 1 million sucres per month (approximately \$40 a month in United States dollars). In 2003, *Bono Solidario* covered approximately 45% of the total households in Ecuador (Velasquez Pinto 2003, 4).

Bono Solidario is not without its own problems. At its inception, eligible mother's received the equivalent of US \$15.10 and the eligible elderly received US \$7.60 per

month. Just three years later, the purchasing power reduced drastically. Eligible mothers received \$11.50 per month and the elderly received \$7 per month (after Ecuador switched from the Sucre to the United States dollar as the official currency). This represented a 24% and 8% reduction, respectively (Velasquez Pinto 2003, 4). There are also eligibility problems that plague the system. In 1999, 63% of the benefit recipients in the *Bono Solidario* program were ineligible, and should not have received assistance. Of the individuals not receiving benefits, approximately 38% were eligible to do so (Velasquez Pinto 2003, 7). The goal to reduce poverty in Ecuador is commendable; however, *Bono Solidario* is in definite need of improvement.

Healthcare in Ecuador is provided both by public and private institutions. Public provision of health services is provided by the Ministry of Public Health (MPH) and the IESS. The MPH has health posts and administrative offices in each province. IESS provides coverage to about 10% of the population (28% of the economically active population), largely benefitting urban workers (Pan-American health Organization 2001).

Although the constitution of Ecuador guarantees the promotion and protection of the health for all people, approximately 25% of the population lacks regular access to health services and more than two-thirds do not have health insurance (Pan-American Health Organization). Furthermore, in the 2005-2006 Life Conditions Survey, only 34% of the women surveyed knew of their entitlements under the maternity and infant health program (Garcia, Larrea, and Enriquez 2007, 24). Some attribute the low coverage rates of the healthcare system in Ecuador to cultural, language, and/or geographic obstacles that affect the large indigenous population in the country (Georgieva et al 2009, 165). Based on all of this, it should not be surprising that when asked how satisfied they are

with their access to healthcare, the average Ecuadoran response in the 2005 Latinobarometer survey was “not very satisfied.”¹³

Education policy suffers from many similar pitfalls of other social programs in the country – equality issues and poor results plague the system. Education accounts for the largest portion of Ecuador’s social spending but is still low compared to other Latin American countries. Additionally, discrepancies between rural and urban education, as well as poor educational outcomes have left many Ecuadoran’s undereducated.

Since 1980, Ecuador has gradually decreased funding to education. The amount spent in 2003 was 40% below what was spent in 1980, in inflation adjusted units. A portion of this decrease could be due to the government’s transition from focusing less on universal social services and more toward targeted social protection programs (such as *Bono Solidario*). However, this decline was noted even before targeted programs were implemented (Vos and Ponce 2004, 5-6).

In addition to decreases in education spending, outcomes in Ecuador are also bleak. Rural children receive, on average, 4.9 years of schooling. This is compared to 8.7 years for urban youths. For their time spent in school, students are on average deficient in language and mathematics (standardized tests indicate the average student would obtain a failing grade on each test) (Vos and Ponce 2004, 4). Illiteracy rates for the indigenous population are staggering as well. In 2001, 28.2% of the indigenous population over 25 years of age is illiterate. Furthermore, only 22.7% of indigenous youth attended secondary school, compared to the national average of 44.7% (Vos and Ponce 2004, 3). Some attribute this to the lack of bilingual education facilities that teach both in Spanish

¹³ The average score for an Ecuadoran when asked how satisfied they were with their access to healthcare was 2.18 out of 4.

and their native language (although the number of these schools is increasing). However, these schools have begun to be thought of as “second-class” schools even by indigenous group leaders (Martinez-Nova 2009). Not surprisingly, in the 2005 Latinobarometer survey, the Ecuadorans surveyed expressed, on average, they were not very satisfied with their access to education.¹⁴

The news is not entirely bad for Ecuador, however. The government realizes the need to increase social spending, especially educational expenditures. Beginning in 2006, an annual increase in the education budget in the amount of 0.5% of GDP will be mandatory until budgeted expenditures reach 6% of total annual GDP. A similar policy is in place for health, with a ceiling of 4% (Georgieva et al. 2009, 148). The most recent adult literacy rate in the country is 84%; however, this is an increase from 56% in 1950 (UNESCO 2011B; Georgieva et al 2009, 143). Additionally, the 2008 constitution of Ecuador states education is to be free and mandatory until the end of high school (or equivalent level). It may take many years for these policies to impact the citizens of Ecuador; however, the government has identified and begun to respond to the needs of its populace.

Analysis

As summarized in Table 4.1, social spending in the three countries analyzed appears to have little effect on aggregate satisfaction with democracy. Brazil spent much more on social programs than Venezuela and Ecuador. Interestingly, Brazil spent more on social security in 2005 than Venezuela and Ecuador spent on all their social programs. The caveat here is that Venezuela’s spending could be understated as they funnel profits

¹⁴ The average score for an Ecuadoran when asked how satisfied they were with their access to education was 2.19 out of 4.

from their oil sales toward some of their social programs (especially the various *mision* programs).

Table 4.1 - Aggregate Satisfaction with Democracy and Social Spending – 2005

Country	Aggregate Satisfaction with Democracy	Social Security Spending	Education Spending	Health Spending	Housing Spending
Venezuela	2.72	3.91	4.64	1.63	1.33
Brazil	1.97	12.28	4.55	4.32	1.37
Ecuador	1.94	2.29	2.54	1.18	0.23

Note: 2005 social spending figures reported as a percentage of GDP

Source: 2005 Latinobarometer; CEPAL

What appears to be much more influential in determining aggregate satisfaction of democracy in Venezuela, Brazil, and Ecuador is the satisfaction with access to education and healthcare. Table 4.2 provides a summary of these figures. Based on this information, it appears the citizens in these three countries are taking social policy considerations into account when evaluating their satisfaction with democracy. However, their attitudes are not shaped by spending, but on their personal experiences with social programs.

Table 4.2 - Aggregate Satisfaction with Democracy and Satisfaction with Access to Education and Healthcare

Country	Aggregate Satisfaction with Democracy	Aggregate Satisfaction - Education	Aggregate Satisfaction - Healthcare
Venezuela	2.72	3.00	2.89
Brazil	1.97	2.42	2.18
Ecuador	1.94	2.19	2.18

Source: 2005 Latinobarometer

These findings should not be surprising after considering the quality and coverage of social programs (or lack thereof). Perhaps more important than having spent the least of any other country in Latin America in 2005 on social programs, Ecuador still struggles to provide equal access to education and healthcare. Both Brazil and Ecuador continue to struggle with targeting social programs toward the poorest segment of the population.

Perhaps Brazil is the most interesting country in the case study. They have a social security system that favors public employees much more than those working in the private sector and a healthcare system struggling to provide services to the population (especially in small towns and rural areas). However, they have an educational system that is considered a model of education reform that other countries should attempt to emulate. The population of Brazil appears to be aware of the differences in quality as their aggregate satisfaction with access to healthcare is much less than their satisfaction with access to education. It is difficult to tell in this small case study if satisfaction with access to education does little to increase satisfaction with democracy (which is fairly low), or if the low level of satisfaction with access to healthcare trumps education and is keeping their satisfaction with democracy score down.

The case of Ecuador clearly indicates that poor social policies/programs can result in low levels of satisfaction with democracy. Under the time period studied, the country began to turn away from universal programs to a more targeted approach to social policy. The main program, *Bono Solidario*, suffers benefit allocation problems. Many who are eligible to receive the benefit do not and many who do are not actually eligible. Fortunately, Ecuador realizes there are problems with their social programs, particularly health and education, and are currently taking steps to alleviate access to quality

healthcare and education. It will be interesting how effective these programs will be and if satisfaction with democracy will rise due to it. Although if anything can be learned from this case study, providing more money for social programs only works if that money directly helps the people.

Interestingly, although Venezuela is considered one of the least democratic countries in Latin America (Polity IV) they have a very high level of aggregate satisfaction with democracy. The *misiones* programs implemented by President Chavez have had a significant impact on those with the lowest incomes. Most of the citizens in Venezuela are now able to read and many are going back to complete their secondary education. However, one should not overlook Venezuela's oil revenues and the opportunities available because of it. Most nations in Latin America are not as able to freely spend as Venezuela.

The relationship between social policy/programs and clientelism is worth further consideration. Penfold-Becerra (2006) suggested President Chavez has used social programs in Venezuela as a method of vote-buying and to strengthen his support from the poorer populations. Weyland (1999) argued that populist leaders in Latin America draw their support from the unorganized sectors (namely the urban informal sector workers and rural poor) and attempt to integrate those populations into politics. No doubt Chavez has done that in Venezuela through the *misiones programs*. But, while doing that he has also provided the disenfranchised with many opportunities they otherwise would not have had.

It is hard to dismiss Chavez's social policies solely as the "vote-buying" machinations of a populist leader. Obviously the programs he is providing are resonating

with the populace as they have one of the highest satisfaction with democracy scores in the region. Additionally, at what point do social programs become clientelistic endeavors. Comparing Brazil and Venezuela, the former enacts successful educational reform and is hailed as a model for the international community to follow. The latter enacts programs to increase literacy and education levels and is criticized for clientelism. No definitive conclusions can be drawn from this analysis, but it is an interesting topic for further research.

Overall, this case study found that citizen's satisfaction with democracy is not influenced directly by the level of social spending. What is important is how well the country provides the populace access to social programs. Only satisfaction with access to education and healthcare were measured in the 2005 Latinobarometer. Because education and healthcare policies affect close to the entire population, this seems intuitive that both programs would have an influence. It is unclear if this relationship would continue to hold for access to social security or housing programs, which directly affect a much smaller percentage of the populace.

Chapter 5: Social Spending and Satisfaction with Democracy: A Quantitative View

This chapter provides a more comprehensive examination of social spending and satisfaction with democracy than the case studies in Chapter 4. Additionally, the use of a hierarchical/mixed model is employed to avoid committing the ecological fallacy (as well as to test the conclusions from the case studies). First, some descriptive statistics are provided, along with graphs of the bivariate relationships between different social spending areas and satisfaction with democracy. Then, the hierarchical model is introduced and the results are analyzed.

Table 5.1 provides the average satisfaction with democracy “score” for each country, as well as their social spending in 2005. The results are straightforward, except that most Latin American countries prioritize their social spending by devoting the most resources to social security; followed by education, health, and then housing. The major exception to this rule is Nicaragua and Honduras who spend very little (if anything) on social security-type expenditures.

Figures 7.1-7.4 (located in the appendix) indicate the bivariate relationships between 2005 social spending categories and aggregated satisfaction with democracy, in general, appears to have a positive relationship. This holds for all classifications of social expenditure except education spending. These are provided for reference only and are to aid in the generation of hypotheses (that increased levels of social spending will increase citizens’ satisfaction with democracy).

Table 5.1 - Aggregate Satisfaction with Democracy and Social Spending in Latin America

Country	Aggregate Satisfaction with Democracy	Social Security¹	Education¹	Health¹	Housing¹
Uruguay	2.75	11.70	3.34	3.30	1.35
Venezuela	2.72	3.91	4.64	1.63	1.33
Dominican Republic	2.45	2.16	2.02	1.36	1.62
Chile	2.41	6.43	3.39	2.79	0.27
Costa Rica	2.40	5.27	5.38	4.88	1.74
El Salvador	2.30	2.60	3.20	3.58	2.20
Argentina	2.23	9.15	4.77	4.60	1.61
Colombia	2.20	6.82	3.16	1.93	0.91
Guatemala	2.20	1.07	2.94	1.17	2.41
Honduras	2.18	0.27	7.58	3.42	0.13
Bolivia	2.06	4.90	6.50	3.47	2.09
Panama	2.04	1.06	3.81	1.97	0.69
Mexico	1.99	2.11	3.84	2.67	1.77
Brazil	1.97	12.28	4.55	4.32	1.37
Ecuador	1.94	2.29	2.54	1.18	0.23
Nicaragua	1.90	0.00	4.86	3.46	2.85
Peru	1.87	4.46	2.89	1.34	0.48
Paraguay	1.70	2.59	3.94	1.44	0.15

1 - Social program expenditure figures are presented as a percentage of the country's GDP

Source: Satisfaction with Democracy - 2005 Latinobarometer Survey; Social Spending Data - CEPAL

The final regression model estimated is an intercept-only model. There is no assumption or theoretical basis to assume any of our level-2 (country) variables will interact with, or influence, the level-1 (individual) variables. The model specified introduces a random intercept model. This allows for an emphasis of the effect of the level-2 variables on the dependent variable (Luke 2004, 13). It also assumes that country-effects are random and that the effects of the social spending are random and differs

between countries. This is appropriate because of the interest in social spendings' effect on satisfaction with democracy. Table 5.2 provides the results from the final model.¹⁵ Because of the difficulty interpreting the coefficients of a logistic regression model, odds ratios have also been included. These indicate the percentage chance of an increase or decrease in the dependent variable given a change of one unit in the independent variable.

The likelihood-ratio test indicates, with a high degree of significance, that the hierarchical model specified has more explanatory power than the single-level model. In itself, this a large finding as many previous studies examining citizen's satisfaction with democracy either utilized individual-level data or aggregated survey results and examined satisfaction at the country-level. Including country-level predictors in determining individual's satisfaction with democracy is appropriate and beneficial.

From Table 5.2, the thresholds indicate the markers of the underlying latent variable¹⁶ that are used to distinguish the ordinal measures of satisfaction with democracy. As an example, "Threshold2" indicates the point that distinguishes "not satisfied" responses from "not very satisfied" when all the independent variables are held at 0. Likewise, "Threshold3" is the point where "somewhat satisfied" and "very satisfied" is delineated, etc.

Not surprisingly, national and personal economic evaluations are highly significant predictors of satisfaction with democracy. Referencing the odds ratios, it appears an increase of one (from "not satisfied" to "not very satisfied," "somewhat satisfied" to "satisfied," etc) in a respondent's national economic evaluation would increase the likelihood of a higher satisfaction with democracy score by 33%. There is

¹⁵ See the appendix for diagnostic tests of the model

¹⁶ The latent variable, in this case, is a continuous, unmeasured variable which determines the actual value of the observed satisfaction with democracy variable.

Table 5.2 – Hierarchical Ordered Logistic Regression Results

	Coefficient	Std Error	Odds Ratio
Threshold2	2.3486 ***	0.0251	---
Threshold3	4.4267 ***	0.0396	---
Level-1 (Individual) Variables			
Satisfaction with Access to Healthcare	0.1825 ***	0.0215	1.1668
Satisfaction with Access to Education	0.1861 ***	0.0215	1.1698
National Economic Evaluation	0.3933 ***	0.0168	1.3251
Personal Economic Evaluation	0.1893 ***	0.0181	1.1725
Some or Completed Primary School	-0.0922	0.0603	0.9034
Some or Completed Technical School	-0.2323 ***	0.0639	0.7385
Some or Completed Secondary School	-0.4626 ***	0.0735	0.4118
Age 16-25	-0.2037 **	0.0679	0.7741
Age 26-40	-0.0832	0.0629	0.9132
Age 41-60	-0.0917	0.0605	0.9040
Employed	0.1402 *	0.0612	1.1308
Retired	0.2067 *	0.0915	1.1867
Homemaker	0.1801 **	0.0674	1.1648
Student	0.1107	0.0836	1.1048
Level-2 (Country) Variables			
Health and Education Spending	-0.0248	0.1514	0.9749
Social Security Spending	0.0453	0.0437	1.0443
Housing Spending	0.2164	0.1956	1.1946
Intermediate Implementer	-0.1649	0.2989	0.8207
Polity IV Score	-0.0851	0.1372	0.9112
Infant Mortality Rate	-0.0313	0.0175	0.9682
*** p < .001; ** p < .01; * p < .05			
N (Individuals)			17772
N (Countries)			18
Log-Likelihood			8457.70
Likelihood-Ratio Test			1204.03
<i>p-value</i>			0.0000

also a 17% chance a one unit increase in personal economic evaluations would increase the respondent's level of satisfaction with democracy. This relationship is predicted based on past research (Anderson and Guillory 1997).

The more surprising finding is that an individual's satisfaction with their access to education and healthcare are just as important as personal economic evaluations. Increasing an individual's satisfaction with their access to healthcare and education by one level would increase the likelihood of a higher level of satisfaction with democracy by 17% each. This indicates that social policy decisions, implementation, and access of the programs (at least for education and healthcare) significantly impact satisfaction with democracy.

Nevertheless, country-level spending on education and health, social security, and housing programs are not significant predictors of satisfaction with democracy. The lack of a significant relationship between level of social spending and satisfaction with democracy should not be a major cause for concern. This finding suggests that after adjusting for inflation for the level-1 covariates, citizens are not concerned with (or aware) how much a government spends on such programs; rather, individuals are more cognizant how social policy affects them. This is very intuitive. At the onset of the project, country-level social spending indicators were utilized because it was thought that these could be seen as proxies for the quality of social programs. Based on past research, it is obvious that some country's social spending is wasted on corruption, mismanagement, overstaffing, and/or inadequate facilities (Lewis and Medici 1998; Lo Vuolo and Mesa-Lago 1998; Velasquez Pinto 2003).

Still, there could be a question whether social spending (particularly health and education spending) could impact a citizen's satisfaction with access to health and education, which in turn predicts their satisfaction with democracy. If this relationship were found, perhaps a two-stage least squares model would be more appropriate than a

Table 5.3 – Hierarchical Ordered Logistic Regression – Satisfaction with Access to Healthcare

	Coefficient	Std Error	Odds Ratio
Threshold2	2.8196 ***	0.0351	---
Threshold3	5.2079 ***	0.0472	---
Level-1 (Individual) Variables			
Satisfaction with Access to Education	1.8332 ***	0.0231	1.8401
National Economic Evaluation	0.0637 ***	0.0171	1.0617
Personal Economic Evaluation	0.1496 ***	0.0187	1.1390
Some or Completed Primary School	-0.0345	0.0625	0.9649
Some or Completed Technical School	-0.0729	0.0660	0.9244
Some or Completed Secondary School	-0.2221 **	0.0759	0.7512
Age 16-25	0.0227	0.0703	1.0225
Age 26-40	-0.1018	0.0650	0.8928
Age 41-60	-0.0561	0.0625	0.9423
Employed	0.0923	0.0630	1.0882
Retired	0.2884 **	0.0948	1.2505
Homemaker	0.1337	0.0695	1.1251
Student	-0.0456	0.0862	0.9533
Level-2 (Country) Variables			
Health Spending	0.0932	0.0709	1.0890
*** p < .001; ** p < .01; * p < .05			
N (Individuals)			17772
N (Countries)			18

hierarchical linear model. As noted in Tables 5.3 and 5.4 (the regressions were completed with the same assumptions as the regression model at Table 5.2), health and education spending are not significant predictors of satisfaction with access to healthcare and education, respectively. This would imply that social spending has very little impact on a citizen's satisfaction with democracy. More important is a citizen's opinion of their access to healthcare and education.

Table 5.4 – Hierarchical Ordered Logistic Regression – Satisfaction with Access to Education

	Coefficient	Std Error	Odds Ratio
Threshold2	2.6156 ***	0.0034	---
Threshold3	5.2001 ***	0.0471	---
Level-1 (Individual) Variables			
Satisfaction with Access to Healthcare	1.8359 ***	0.0231	1.8405
National Economic Evaluation	0.0922 ***	0.0170	1.0881
Personal Economic Evaluation	0.0938 ***	0.0186	1.0896
Some or Completed Primary School	0.1208	0.0621	1.1138
Some or Completed Technical School	0.1575 *	0.0656	1.1457
Some or Completed Secondary School	0.4460 ***	0.0757	1.3598
Age 16-25	0.1502 *	0.0700	1.1394
Age 26-40	0.2229 ***	0.0648	1.1998
Age 41-60	0.1201	0.0624	1.1132
Employed	0.0317	0.0630	1.0312
Retired	-0.1290	0.0944	0.8624
Homemaker	0.0111	0.0694	1.0111
Student	0.3292 ***	0.0864	1.2805
Level-2 (Country) Variables			
Education Spending	-0.0021	0.0514	0.9979
*** p < .001; ** p < .01; * p < .05			
N (Individuals)			17772
N (Countries)			18

The final social policy variables included in the model indicate that it does not matter when countries implemented social security programs (the precursor to the other social programs in Latin America). This suggests a country's history with social policy does not affect their citizen's evaluations of satisfaction with democracy. This is good news to countries that did not begin to enact social programs until fairly recently. As long as those programs are directed at and benefit the citizens, increases in satisfaction with democracy are possible.

The control variables also indicate some interesting trends in predicting satisfaction with democracy. The coefficients for levels of education appear to be a significant predictor of satisfaction with democracy. Those who attended or completed technical school were 26% more likely to report lower satisfaction with democracy scores. Citizens who attended or completed secondary school were approximately 59% more likely to report lower satisfaction with democracy. Both these findings are highly significant. Although the coefficient for individuals who attended or completed primary school (a dummy variable) is not significant in the model, the results indicate that higher levels of education are more likely to lead to lower levels of satisfaction with democracy. It appears individuals with greater levels of education (at least attaining enrollment in technical schools) are more likely to demand more from their democracies. Education allows citizens to diagnose their society's ills and determine if the government is taking appropriate action (in this case, citizens are saying their democracies are not fulfilling the people's needs in the country).

A similar finding is noted with the age of the respondent. Compared to the reference group (people over 61 years of age), individuals who are between the ages of 16 and 25 are 23% more likely to express a lower level of satisfaction. In many Latin American countries, democracies are relatively new. However, this age group would have most likely only known democracy. Purely speculative, 16-25 year-olds could see what democracy has not been able to provide the country, while older generations could have seen the alternative and prefer the democratic process.

Employment status also seems to have a predictive effect on satisfaction with democracy. Contrary to the findings of Carlin (2006) who found higher unemployment in

a country led to higher levels of satisfaction with democracy, the employed were 13% more likely to express a higher level of satisfaction than the unemployed and other classifications of workers. Similarly, those individuals who have retired were 19% more likely to report higher levels of satisfaction with democracy than other employment groups. Interestingly, homemakers (individuals whose primary responsibility is for household duties) are nearly 17% more likely to report a higher level of satisfaction than the other classifications of workers.

The control for level of democracy in a given country does not affect a citizen's satisfaction with democracy. This would signify that citizens' satisfaction levels are not reflective of the level of development of a democracy. The proxy measure for overall level of development (the infant mortality rate) is not significant as well. However, it is significant at the .10 level and is the closest level-2 variable to obtain statistical significance.

These results indicate that Latin Americans take many things into account when determining their level of satisfaction with democracy. Like previous research focusing on European countries, economic evaluations (both personal and national) were significant predictors of satisfaction with democracy. Surprisingly, just as influential was an individual's satisfaction with their access to healthcare and education. The fact that this was significant, but a country's health and education spending were not significant, indicates that Latin Americans are not influenced by government spending but are concerned about the quality and access of health and education facilities.

It is clear that social policy considerations are taken into account when an individual assesses their level of satisfaction with democracy. These findings should be

of interest to Latin American countries that suffer from low satisfaction levels among their populace. Increasing the access of social programs to their citizens would likely increase the overall satisfaction with democracy in the country and could lead to a stronger commitment to democracy on behalf of the citizens.

Chapter 6: Conclusion

Previous research analyzing social policy in Latin America focused on the evolution of the policies in given countries. Of interest were the conditions that lead to the organization and administration of social programs. Very little research has analyzed the impact social policy has had on Latin Americans living under these policies. This thesis provided the first step in closing that gap in research by looking at how social spending impacts satisfaction with democracy.

Ultimately, the case studies of Brazil, Ecuador, and Venezuela found little correlation between the amount a country spent on social programs in 2005 and their aggregate satisfaction with democracy. Brazil spent the most of any Latin American country on social programs; however, their satisfaction with democracy score was barely above that of Ecuador. Of all the Latin American countries analyzed, Ecuador spent the least. The mid-level social spender, Venezuela, had a very high level of aggregate satisfaction with democracy in 2005. However, Venezuela's social spending percentages could be understated due to the diversion of oil revenues from the state-owned oil company toward social programs.

While aggregate satisfaction with democracy did not appear to be affected by level of social spending in the three countries examined, a citizen's satisfaction with their access to healthcare and education appeared to be associated with satisfaction with democracy. Unfortunately, it was impossible to tell if education or healthcare was the most important program. Brazil was the only country which had a sizeable difference between citizen's satisfaction with access to healthcare and education, but that one case was difficult to conclude on.

Ecuador, with their low-levels of satisfaction with democracy and minimal satisfaction with access to healthcare and education, has determined to increase social spending in these two areas. The increases were not scheduled to take effect until 2006. It will be of interest to see how those funding increases will affect satisfaction with democracy (if at all). As noted previously, if increased spending is not directed toward the people there is little hope for improved results.

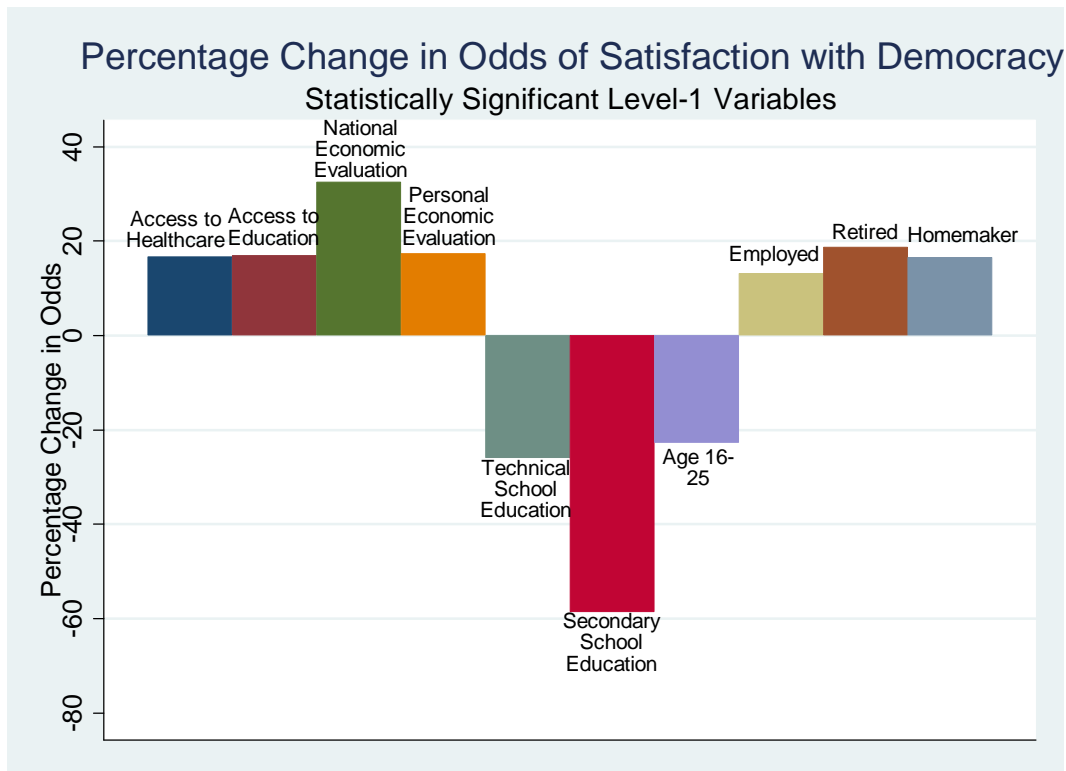
Because of the limited size of the case study and the related difficulty in generalizing the findings to all Latin American countries, a region-wide analysis was completed utilizing a hierarchical linear model. Again, 2005 Latinobarometer survey data was utilized to determine the effect of social spending on satisfaction with democracy. The hierarchical linear model allowed for analysis at two levels – the first for citizen-level attitudes and the second for country-level social spending figures.

Similar to the case study, social expenditures appear to have little impact on citizens' satisfaction with democracy. However, an individual's satisfaction with access to healthcare and education were highly significant predictors of satisfaction with democracy. The effect of satisfaction with access to healthcare and education was similar to a previously discovered predictor of satisfaction with democracy – satisfaction with an individual's economic situation. This finding suggests that social policy (at least education and healthcare policy) does matter to Latin Americans when assessing their level of satisfaction with democracy. Unfortunately, the Latinobarometer did not ask respondents about their satisfaction with other social programs (i.e. social security or housing programs).

Prior satisfaction with democracy literature has not included a measure regarding the satisfaction with access to healthcare and education. But, as noted from this thesis, future studies would benefit from its inclusion. Unfortunately, the Latinobarometer survey does not consistently include these questions.

Other findings from the regression model are summarized at Table 7.1. Similar to previous research, a citizen’s economic evaluations (both personal and national) were significant predictors of satisfaction with democracy. Additionally, retirees, homemakers, and the employed were all more likely to express higher levels of satisfaction with democracy. However, those between the ages of 16 and 25, as well as the more educated were more likely to express lower levels of satisfaction.

Figure 6.1 – Predictors of Satisfaction with Democracy



Social policy in Latin America is very diverse. Some countries have followed Chile down the path of privatization. Others, like Costa Rica, have chosen to remain committed to government-provided, universal programs. Some countries expend a large portion of their GDP on social programs, others relatively little. However, what remains consistent across Latin America is that satisfactory access to healthcare and education facilities increases the average Latin American's satisfaction with democracy. The importance of increasing satisfaction with democracy in the region is to decrease the likelihood of a return to authoritarianism because democracy was unable to provide for the needs of the populace.

Appendix

Figures 7.1 to 7.4 display the bivariate relationships between social spending categories and aggregate satisfaction with democracy. In all instances (except education spending), there appears to be a positive relationship between aggregate satisfaction with democracy and social spending.

Figure 7.1 – Bivariate Relationship – Satisfaction with Democracy and Education Spending

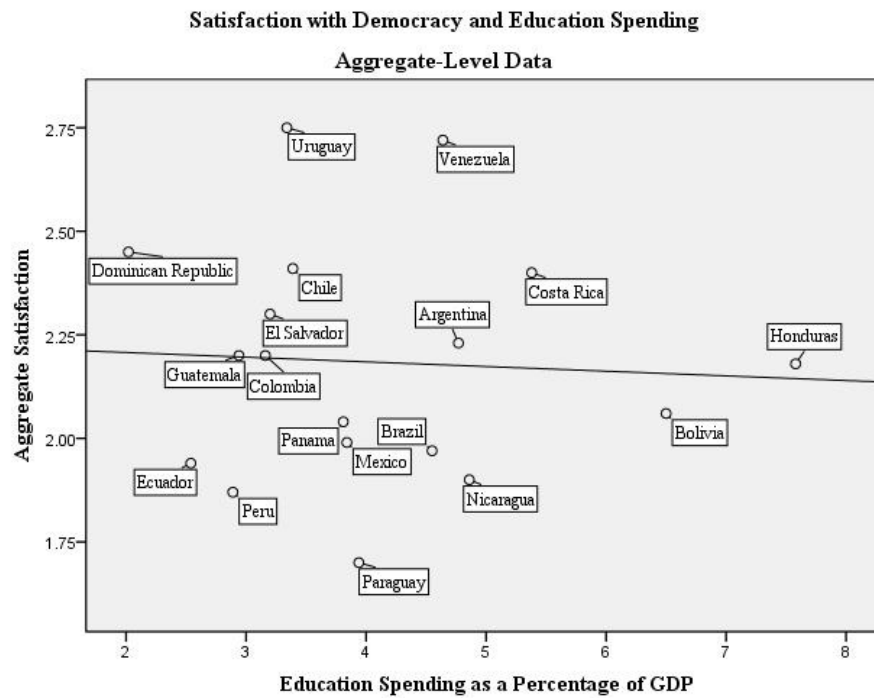


Figure 7.2 – Bivariate Relationship – Satisfaction with Democracy and Health Spending

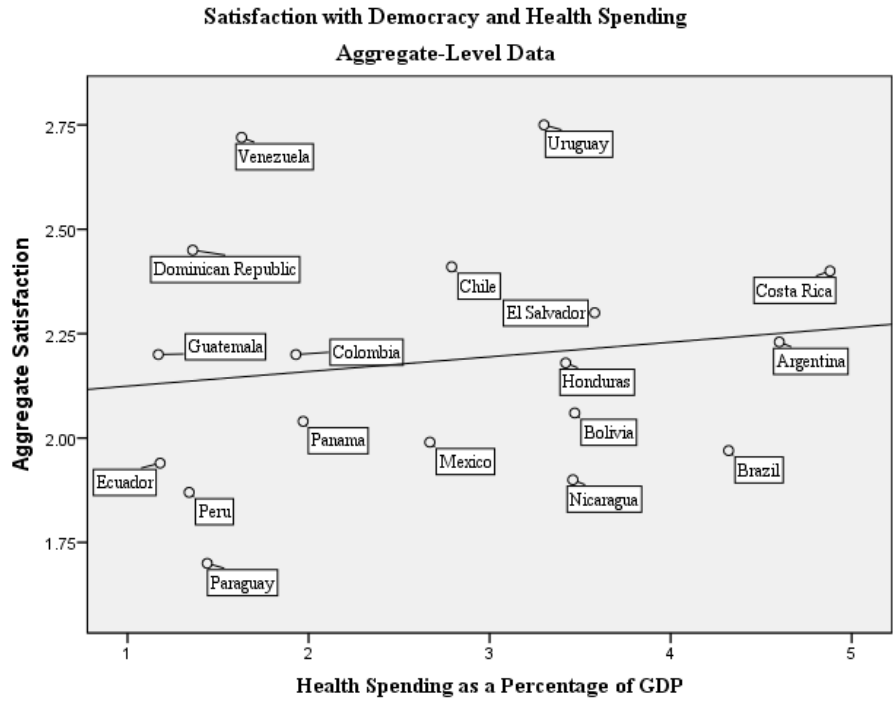


Figure 7.3 – Bivariate Relationship – Satisfaction with Democracy and Social Security Spending

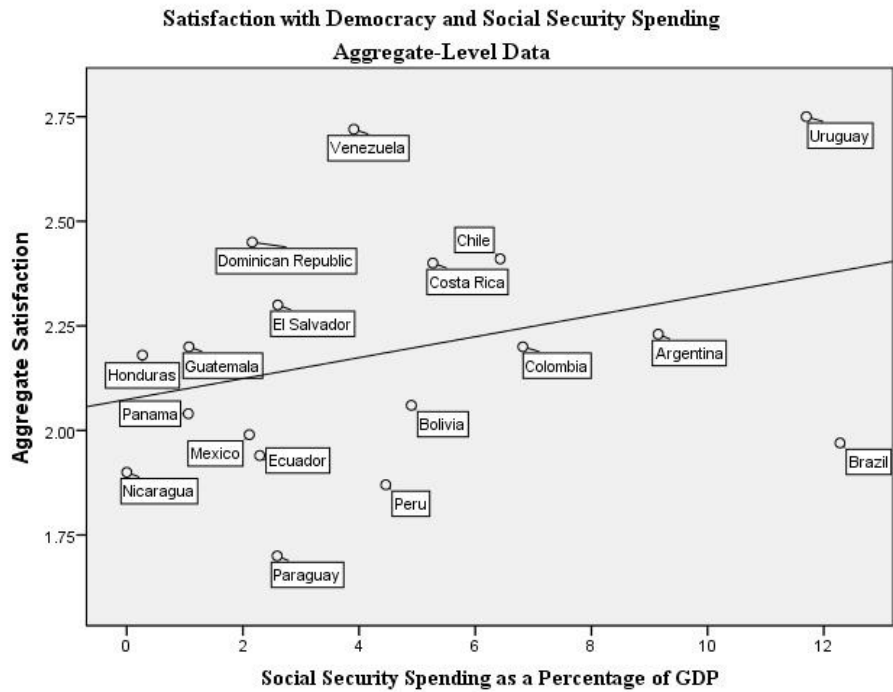
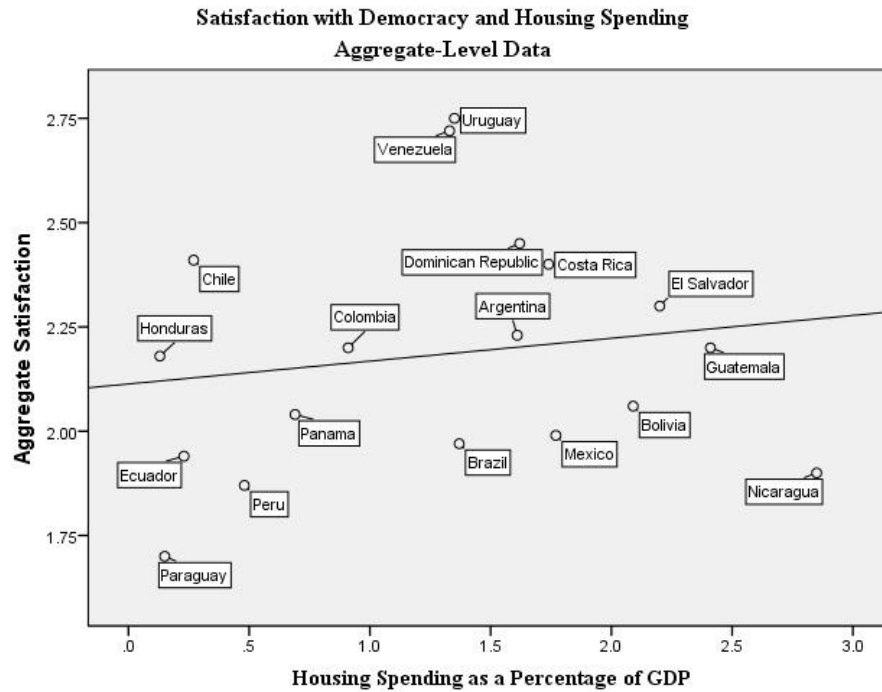


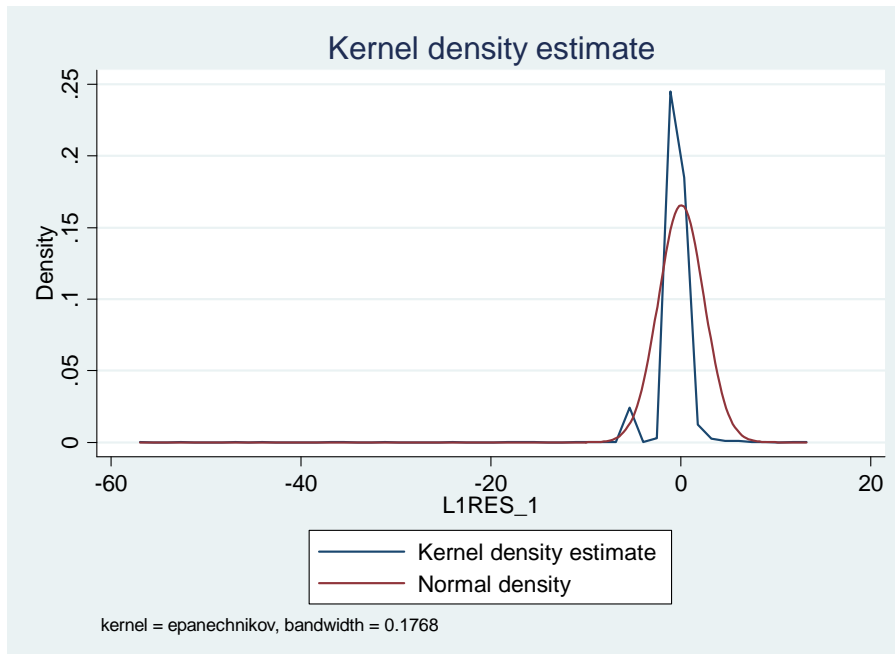
Figure 7.4 – Bivariate Relationship – Satisfaction with Democracy and Housing Spending



Regression Diagnostics

According to Luke (2004), the two most important assumptions that can be checked in a multilevel model is that level-1 errors are independent and normally distributed (see Figure 7.1) and that the random effects are normally distributed with a mean of zero and are independent across groups (see Figure 7.2). Based on Figures 7.1 and 7.2, the model specified at Table 5.2 is not violating any of the assumptions of mixed/hierarchical linear models.

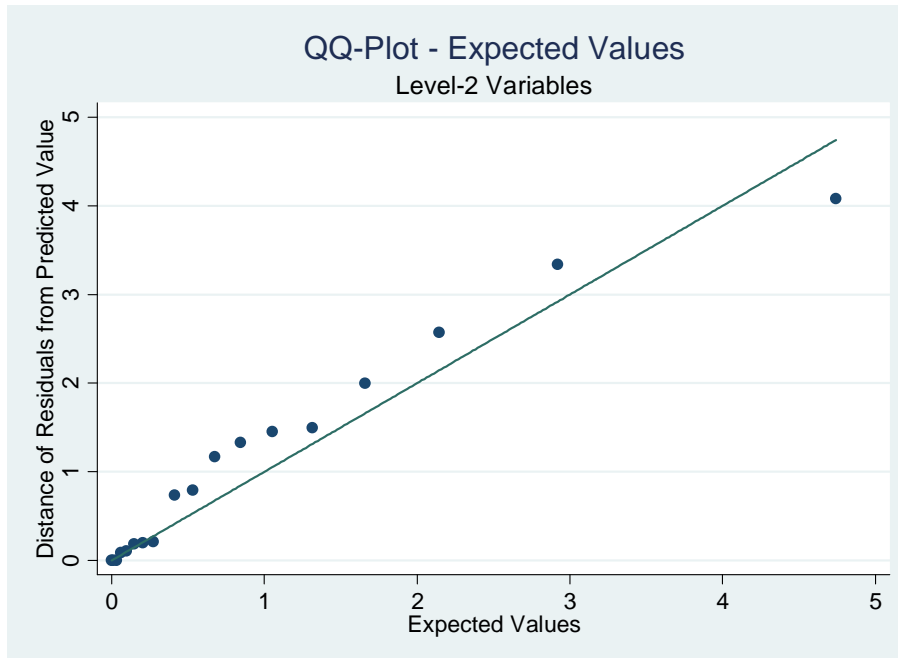
Figure 7.5 – Kernel Density Estimate of Level 1 Residuals



Based on Figure 7.1 above, it appears level-1 residuals are normally distributed and are centered on a mean of 0. This indicates that the Level-1 indicators are not violating any regression assumptions.

Figure 7.2 is a Q-Q Plot that shows the distance of a country's empirical Bayes estimates from the predicted values. To interpret the plot, if the country observations resemble the 45 degree line, then the random effects are distributed normally. Fortunately, the observations are close to the 45 degree line. We can assume the random effects are distributed normally.

Figure 7.6 – QQ-Plot of Expected Values



Another valuable insight that can be gleaned from the plot at Figure 7.2 is whether there are any outliers in the data. Countries significantly above the 45 degree reference line indicate outlying cases. Fortunately, the model estimated at Table 5.2 does not appear to have any outlying cases.

It was also found in the original data that multicollinearity was present in several of the level-2 variables. Table 7.1 shows the original level-2 variables to be included in the regression equation, as well as the variance inflation factor (VIF) for each variable. These factors indicate how similar a specific independent variable is to other independent variables included in the model. As noted, the variance inflation factor for health spending, education spending, social security spending, and pioneer social security implementers have very high values. It was quickly discovered that there was a high degree of multicollinearity between pioneer implementers and social security spending. The same phenomenon was observed between health and education spending.

Table 7.1 – Diagnosis of Multicollinearity – Level-2 Variables

Variable	VIF	Tolerance
Education Spending	3.95	0.2533
Healthcare Spending	6.02	0.1660
Social Security Spending	5.59	0.1790
Housing Spending	2.47	0.4052
Pioneer Implementer	8.07	0.1239
Intermediate Implementer	2.84	0.3521
Polity IV Score	1.32	0.7578
Infant Mortality Rate	2.28	0.4378
Mean VIF	4.07	

To adjust for the multicollinearity found between the pioneer implementers and social security spending, the dummy variable for pioneer implementers was dropped from the model. This variable was not a key variable of interest and according to Acock (2010, 263) dropping an offending variable is not troublesome as most of its explanatory power is already included in another variable (in this case, the variable for social security spending).

To adjust for the high degree of multicollinearity found between health and education spending, a factor score was created for each country. Table 7.2 is the STATA output indicating eigenvalues and factor loadings of the variables. According to Table 7.2, there appears to be one major factor in the variables reviewed (the four social spending variables), and it includes only health and education spending. Dropping one of the variables (either health or education spending) would not have been an ideal solution as both are key explanatory variables. Creating a scaled score appears to be appropriate in this instance.

Table 7.2 – Eigenvalues and Factor Loadings – Social Spending Indicators

Factor	Eigenvalue
Factor1	1.4174
Factor2	0.5293
Factor3	0.3078
Factor4	-0.2717

Variable	Factor	Uniqueness
Education Spending	0.6123	0.3990
Healthcare Spending	0.8986	0.1863
Social Security Spending	0.391	0.4897
Housing Spending	0.2867	0.6703

After dropping the pioneer implementer dummy variable and creating a factor score for health and education spending, the updated variance inflation factors appear much more reasonable (see Table 7.3). It does not appear the final model estimated is suffering from any level-2 multicollinearity.

Table 7.3 – Diagnosis of Multicollinearity after Adjustments

Variable	VIF	Tolerance
Health and Education Spending	1.16	0.8647
Social Security Spending	1.30	0.7713
Housing Spending	1.34	0.7485
Intermediate Implementer	1.19	0.8393
Polity IV Score	1.23	0.8134
Infant Mortality Rate	1.37	0.7302
Mean VIF	1.26	

Diagnostics of Multicollinearity for the level-1 variables suggest there could be some issues in the regression model. The offending variables appear to be control variables for level of education, age, and employment status (see Table 7.4). However,

after parsing the diagnostic test into the three categories, it appears any multicollinearity would be contained within those groups (i.e. any multicollinearity within the education variables would be found within those same variables). See Tables 7.5 – 7.7 for the VIF scores of the control variables. Because the VIF scores are not exceptionally high overall, the mean VIF for all level-1 variables is within tolerable limits, and it would be unclear which variable(s) to drop, no steps will be taken to reduce multicollinearity in the level-1 variables.

Table 7.4 – Diagnosis of Multicollinearity – Level-1 Variables

Variable	VIF	Tolerance
Satisfaction with Access to Healthcare	1.63	0.6126
Satisfaction with Access to Education	1.64	0.6083
National Economic Evaluation	1.18	0.8440
Personal Economic Evaluation	1.2	0.8313
Some or Completed Primary School	3.24	0.3085
Some or Completed Technical School	3.32	0.3009
Some or Completed Secondary School	2.37	0.4223
Age 16-25	3.37	0.2970
Age 26-40	3.5	0.2854
Age 41-60	2.95	0.3388
Employed	4.09	0.2447
Retired	2.19	0.4562
Homemaker	3.35	0.2988
Student	2.16	0.4622
Mean VIF	2.59	

Table 7.5 – Diagnosis of Multicollinearity – Level-1 Education Variables

Variable	VIF	Tolerance
Some or Completed Primary School	3.03	0.3304
Some or Completed Technical School	2.95	0.3386
Some or Completed Secondary School	2.08	0.4817
Mean VIF	2.69	

Table 7.6 – Diagnosis of Multicollinearity – Level-1 Age Variables

Variable	VIF	Tolerance
Age 16-25	2.19	0.4571
Age 26-40	2.39	0.4180
Age 41-60	2.24	0.4459
Mean VIF	2.27	

Table 7.7 – Diagnosis of Multicollinearity – Level-1 Employment-Status Variables

Variable	VIF	Tolerance
Employed	4.11	0.2436
Retired	1.89	0.5297
Homemaker	3.36	0.2972
Student	1.92	0.5213
Mean VIF	2.82	

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Author's Curriculum Vitae

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Education

- 2010-Present **University of Nevada-Las Vegas**, Las Vegas, Nevada
MA in Political Science (expected Summer 2012)
Thesis Title: *Ask What Your Country Can Do For You: Social Spending and Satisfaction with Democracy in Latin America*
- 1999-2003 **Clarke College**, Dubuque, Iowa
BA with highest honors in Political Science, Accounting and Finance,
May 2003 Thesis Topic: *1968 Presidential Campaign of Robert Kennedy*

Academic Awards

- 2011 Graduate and Professional Student Association Research Grant
- 2003 Clarke College Outstanding Business Student Award
- 2003 CIGNA Insurance Distinguished Business Student
- 2003 Kappa Gamma Pi Honor Society
- 1999 Clarke College Presidential Scholarship
- 1999 Coca-Cola First Generation Scholar
- 1999 ALCOA Scholarship

University Service

- 2011-Present Student Technology Advisory Board, College of Liberal Arts Representative
- 2010-Present Graduate and Professional Student Association, Department of Political Science Representative

Forthcoming Publications

“The Curious Candidacy of Jon Huntsman” (with David Damore). In *The Battle to Face Obama: The 2012 Republican Nomination*, ed. William J. Miller. Lanham, MD: Lexington Books.

Related Experience

Summer 2012 Graduate Assistant, Boyd Law School, University of Nevada-Las Vegas

2010-Present Graduate Assistant, Department of Political Science, University of Nevada-Las Vegas

Research Interests

Social Policy
Foreign Aid
Domestic Conflict
The Future of Democracy in a Global World

Relevant Graduate-Level Courses

Proseminar in Comparative Politics	Michele Kuenzi
Latin American Politics	John Tuman
Comparative Public Behavior	Michele Kuenzi/David Damore
Proseminar in International Relations	Dennis Pirages
International Security	Tiffany Howard
International Politics of Population, Technology and Resources	Dennis Pirages
Advanced Quantitative Methodology	Rebecca Gill

Other Experience

2009-2010 Audit Manager, Wipfli LLP, Madison, WI

2008-2009 Audit Consultant, CUNA Mutual Insurance Company, Madison, WI

2003-2008 Senior Accountant, Baker Tilly Accountants and Advisors (Formerly Virchow Krause, LLP), Madison, WI