Conclusion

In analyzing public-utility reform under conditions of capital scarcity, this book demonstrates the effects of electoral competition and incumbent partisanship on Latin American public-utility reform. Electoral competition weakened the effect of the financial pressures that made incumbents adopt privatization and other market-friendly policies. When financial pressures prevailed in the absence of electoral competition, the partisan identity of reformers shaped the regulatory design of public-utility reforms. Extending the analysis longitudinally, this study also shows how electoral competition and incumbent partisan preferences, along with the industrial organization of privatized sectors, have shaped postprivatization regulatory redistribution between market actors.

The financial pressures generated by capital scarcity in the 1990s induced incumbent administrations to adopt market-friendly policies in Latin America except where electoral competition generated countervailing incentives. Incumbents perceived increasing electoral competition as signaling both discontent with the market-friendly policies they had adopted to please international financial markets and the rising viability of challengers. The credibility of challengers as carriers of a policy alternative to voters, however, depends on their ideology, which serves as a reputation mechanism for signaling prospective policies. The challenger’s ideological position relative to the incumbent signals his or her policy credibility – challengers to the right of the incumbent are less credible in proposing alternatives to market-friendly policies. This insight is an important contribution to the literature on electoral policy effects, which focuses mostly on the ideology of incumbents.

The financial pressures generated by increasing capital mobility, especially when governments are cash strapped, weaken partisan policy differences, because incumbents with different ideological preferences are forced
into pursuing the same policies to generate capital inflows. However, partisan preferences still shape the regulatory content of microeconomic policies based on the distributive consequences of different regulatory designs on party constituencies, as well as on the ideological frames within which politicians interpret institutional choices and on their delegation to different sets of experts. The role of experts, usually assumed to be responding to homogenizing epistemic communities, is crucial in explaining these partisan differences in regulatory design.

Finally, this study contributes to the literature on regulation by providing testable hypotheses about the direction of redistribution to market actors generated by different regulatory choices. By looking at the electoral and partisan incentives of policy makers and the way in which the industrial organization derived from original privatization reforms later shapes providers’ preferences, it suggests four possible scenarios regarding the direction of redistribution between first-entrant private providers and their competitors, and between private providers and consumers.

This book’s findings contribute to our understanding of policy making under the constraints created by increasing capital mobility, which are heightened by capital scarcity. Because Latin America was a capital-poor region, the conditions engendered by capital scarcity at the end of the twentieth century heightened the pressures and incentives generated by international financial markets favoring the adoption of market-friendly policies. Under other conditions, however, capital scarcity can generate pressure for convergence toward different policies – as shown by the shift toward the nationalization of financial systems in capital-rich countries in 2008. Even if financial constraints apparently erased partisan policy differences in Latin America at the end of the twentieth century, we should expect electoral and partisan effects to heighten when financial constraints decline. This seems to have been the case in Latin America when the commodities boom at the onset of the new century reduced the impact of international financial markets on domestic policy making.1

Electricity and telecommunications, as capital- and technology-intensive sectors consumed by broad sections of the population, provide ideal cases to test the tension between international financial constraints and domestic political incentives on incumbent administrations. This book’s lessons should apply to other developing regions exposed to the pressures of

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1 This effect has been noted by Post (2007), Benton (2007), Weyland (2008), Kaufman (2008), and Murillo, Oliveros, and Vaishnav (forthcoming).
Conclusion

international markets and even to advanced industrial nations suffering deep financial constraints, as well as to other policy areas with broad effects on the population that have undergone market-friendly reforms. Further testing should confirm the systematic effects implied by this book in other policy areas and regions.

The Policy Effects of Electoral Competition under Conditions of Capital Scarcity

Analyzing contexts where capital scarcity constrains domestic policy making, this book shows that high levels of electoral competition, which depends on the viability and credibility of challengers, restrained policy makers from adopting policies designed to attract capital inflows by focusing politicians on middle-class consumers as swing voters. The emphasis on credible electoral competition points to the importance of challenger ideology in contributing to a literature that, although incorporating the effect of international markets, has mostly focused on incumbent ideology.

The literature on macroeconomic policy making in advanced democracies points to the effect of increasing capital mobility in constraining domestic policy pressures derived from electoral competition and partisanship. Although electoral and partisan cycles in macroeconomic policy making were originally theorized more than three decades ago, and despite the addition of rational expectations to these theories (e.g., Alesina 1987), there is still no empirical consensus on whether partisan or electoral incentives prevail in advanced democracies when it comes to macroeconomic policy making (Franzese 2002a). There is a consensus, however, that increasing capital mobility weakens domestic political pressures on monetary and fiscal policies. Clark (2003, 170), for instance, finds support for

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2 The middle class is associated with an economic definition regarding its position in the distribution of income around the median but not with the sociological aspects of certain consumption and wealth patterns. Both definitions may not coincide for certain Latin American countries.

3 Tufte’s (1978) seminal article started the literature on electoral cycles of macroeconomic policy making in political science, while Hibbs (1977) played that role for the studies on partisan cycles.

4 This literature also emphasizes the interaction of electoral and partisan incentives with those generated by domestic economic institutions (such as independent central banks and the organization of labor) and by political institutions (such as the electoral system and the number of parties in the government) (Franzese 2002b).
electoral rather than partisan effects on macroeconomic policy making through monetary expansion only when central banks are not independent and when capital mobility and fixed exchange rates have not eroded national monetary policy autonomy. Boix (2000), for his part, shows a decline over time in partisan effects for monetary and fiscal policy in advanced democracies due to the constraints imposed by increasing capital mobility.\

Although the literature on advanced democracies agrees about the constraints imposed by capital mobility on domestic macroeconomic policy making, Boix (1998) argues that political parties retain differences when it comes to microeconomic policy making, especially with respect to public investment in human and physical capital, taxation of high-income earners, privatization, and labor market policies. By contrast, students of Latin American policy making find that partisan differences in macroeconomic and microeconomic policies eroded at the end of the twentieth century when incumbents pursued market-oriented reforms independently of their partisan identity, because the 1980s debt crisis heightened the financial constraints imposed by capital mobility.

The combination of capital scarcity and balance of payments crises, produced by the 1980s debt crisis in Latin America, encouraged capital account liberalization, thereby deepening the constraining effects of capital mobility on partisan policy preferences. The monetization of fiscal deficits produced very high inflation while depressing growth, creating an opportunity to replace previous policies of import substitution industrialization

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5 His work on partisan effects controls for the effects of an independent central bank and wage-bargaining institutions, as suggested by Iversen’s research (1999). By contrast, Garrett (1998) suggests that despite capital mobility, partisan effects produce different macroeconomic outcomes, so that economic performance is better in countries with centralized wage bargaining and left-wing governments or with decentralized wage bargaining and right-wing governments.

6 Recent studies of privatization in advanced economies, however, find that partisan differences regarding privatization policy eroded in the 1990s (Schneider et al. 2005) and are weakened by fiscal constraints (Obinger and Zohlnhofer 2005).


8 In the wake of a balance of payments crisis, holders and generators of foreign exchange favor capital account liberalization because it provides an exit option against future government intervention, whereas it allows the government to increase its credibility vis-à-vis financial markets (Haggard and Maxfield 1996, 215).
Conclusion

with new policies embedded in monetarist principles. The attractiveness of these policies to Latin American politicians lay in their promises to control inflation and restore fiscal solvency while reopening access to international financial markets.9 Latin America was amply rewarded by international financial markets during the 1990s, when country after country popped onto Wall Street screens as “emerging markets” attracting capital inflows.10

Taking into account the policy constraints created by international financial markets in Latin America at the end of the twentieth century, this book shows how viable and credible electoral competition weakens the policy effects derived from these financial constraints. Incumbents perceive declining electoral support as a sign of discontent with the policies they are adopting in response to capital scarcity. The ability of challengers to attract discontented voters, however, depends on their electoral viability and their credibility as carriers of a policy alternative. Challengers’ ideology relative to incumbents is crucial in defining such credibility: only parties to the left of the incumbent based on their prior policy record can credibly criticize market-oriented policies. Identifying the role of challenger ideology in shaping the policy effects of electoral competition in the context of capital scarcity provides an important insight to the literature on electoral and partisan policy cycles, which focuses almost solely on the ideology of incumbents.11

The literature on electoral and partisan cycles takes for granted the salience of macroeconomic policies, but salience may vary across policy issues and even within policy issues across time. Due to the enormous flow of information received daily by politicians and voters, public attention is crucial to mobilize apathetic voters and generate electoral incentives. Its impact may be heightened by exogenous shocks or by the type of distributive policy consequences on a particular electoral coalition (Baumgartner and Jones 1993, 2005). When salience is high, electoral competition weakens the impact of financial pressures and the policy influence of

9 Similarly, in explaining the spread of Keynesian ideas, Peter Hall (1989) emphasizes their resonance with immediate public problems and their impact on politicians’ goals.
10 In response to these policies, net autonomous capital inflows to the region grew from a negative U.S.$16.8 billion in 1985 to positive U.S.$62.3 billion in 2000 after peaking at U.S.$89.1 billion in 1997, according to CEPAL (2007).
11 Kitschelt (2001), however, points to the location of challengers in analyzing the incentives of Western European social democratic parties to adopt unpopular pension reform in Europe.
partisan core constituencies, because it increases the incentives to bid for swing voters.\(^{12}\)

In short, this study confirms the constraining effects of capital scarcity on domestic policy making. The effects generated by capital scarcity are counteracted, however, by the domestic incentives generated by electoral competition, which involves both electoral viability and ideological credibility for voters who are discontent with the policies pushed for by international financial markets. The fundamental tension for policy makers is between the pressures derived from (mostly external) wealth and the incentives generated by domestic voters.

**Partisan Policy Makers, Allied Experts, and Regulatory Design**

Although confirming that financial pressures brought Latin American governments of different partisan persuasions to adopt market-friendly policies in public utilities, this book also demonstrates how the partisan identity of incumbents shaped the regulatory content – and distributive consequences – of these microeconomic policies. Hence, the appearance of partisan convergence hides the importance of institutional choices as the locus for partisan distributive conflict.

The empirical findings of this study confirm, as we have seen, that the ideology of incumbents had no effect on the adoption of privatization policies in public utilities under the pressure of capital scarcity. However, partisan preferences did shape the regulatory design of the microeconomic policies adopted to attract capital inflows. Incumbents’ prior policy records generate electoral coalitions with diverse distributive preferences, ideological frameworks (which politicians use as cues when updating their own understanding of technical ideas), and linkages with diverse sets of experts, to whom policy makers delegate complex technical choices. Each of these affects the choices made regarding the regulatory content of policies that carry the same name but have different distributive consequences.

In revealing partisan policy effects in the technically complex and capital-intensive public utilities, this study points to a previously neglected mechanism: the role of allied experts, who explain to politicians the benefits of diverse technical choices. Whereas the institutionalist literature on

\(^{12}\) Swing voters, in turn, depend on the electoral rules, as shown by McGillivray (2003).
Conclusion

advanced countries emphasizes incentives derived from professional communities and bureaucratic careers, in Latin America experts’ career trajectories do not necessarily go through the civil service but through political appointments – at least before privatization. After privatization, private-sector careers became available to them, generating new incentives for regulatory capture that were similar to those pointed to by the literature on “revolving doors” and regulatory capture by special interests in the United States.13 Hence, career incentives for experts may generate divergence within a single professional community.

Politicians’ constituencies have different distributive preferences based on their market power. Politicians internalize these preferences to sustain their constituents’ political support. The prior policies of a political party, which have nurtured its ties to constituencies, also generate an ideological legacy that affects policy makers’ interpretation of technical ideas about institutional development. Policy makers’ ideas carry normative views that shape their cognitive understanding of technical choices explained by experts. As a result, even when allied experts used their cognitive discourse to persuade politicians of the benefits of technical decisions, they needed to do so in terms of politicians’ normative views (in turn shaped by their electoral coalitions). Therefore, delegation to allied experts – even when driven by asymmetries of information – reinforced the effect of constituencies’ distributive preferences and ideological frameworks, because career incentives aligned experts’ goals with those of policy makers at the time of market reforms.

In Latin America, the linkage between politicians and experts is crucial to understanding partisan influences on regulatory policy content in public utilities and suggests that a different dynamic for policy making holds there than in advanced democracies. Sectoral bureaucracies, which were deemed crucial for the institutionalist literature on public-utility reform in advanced countries, did not provide the crucial technical players in Latin America. Steve Vogel’s (1996) study of telecommunications reform in Japan and the United Kingdom suggests – like this book – that state actors rather than organized interests had the reform initiative, which although labeled as “deregulation” in both countries led to differences in regulatory substance. Vogel argues that in the United Kingdom, the treasury, the

13 For a summary of the literature on regulatory capture by special interests, see Levine and Forrence 1990. Weingast (1981) provides a model explaining regulatory subsystems involving “iron triangles” of legislators, regulators, and organized interests while suggesting conditions that weakened their influence.
Department of Trade and Industry, and Oftel bureaucrats had agendas that led to privatization and network competition. In Japan, the different policy orientation of bureaucrats in the administration reform council (Rincho), the Ministry of Finance, and the Ministry of Post and Telecommunications explains a diverse pattern of reform. Similarly, Thatcher (1999) accounts for divergent patterns of telecommunications reform in France and Britain based on the legacy of 1960s reforms among the bureaucracies in charge of telecommunications. These reforms generated different preferences and capacities among each set of national bureaucracies, and thereby different reform paths.

Whereas the institutionalist literature on public-utility reform in advanced democracies emphasizes the role of state bureaucrats (as carriers of policy orientation) to explain diversity in the regulatory design of reforms, this book shows that politically appointed experts were the crucial technical players in Latin America. The weakness of Latin America bureaucracies—especially at the higher levels where reform decisions were made—increases the policy relevance of policy makers’ ideas and those of the politically appointed experts they delegate decisions to. In a region where the average tenure of ministers was barely longer than a year and half during the 1990s (Martinez-Gallardo forthcoming), the sectoral experts in charge of technical choices face shorter time horizons than career bureaucrats in advanced democracies and are also more dependent on political appointments for career advancement. Their professional incentives therefore generate incentives for internalizing politicians’ distributive preferences.

By building on career incentives, this argument contributes to our understanding of epistemic communities. Earlier studies of Latin American technocrats emphasized the linkages of U.S.-trained technocrats with their peers in international financial institutions and Wall Street, as well as between themselves, to explain their increasing policy influence in the region.14 This study identifies different kinds of experts and associates them with the politicians who decide on their tenure based on prior partisan linkages or their value in signaling commitment toward

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14 This literature builds on Haas (1992) and was best exemplified in Latin America by the volume edited by Centeno and Silva (1998). Dominguez (1996) added political skills to the technical expertise of technocrats but did not question the assumption about the homogenizing effects of epistemic communities. The work of Sarah Babb (2001) moved this analysis forward by investigating the different ideas of Mexican experts and tracing them to diverse training and intraparty coalitions within the PRI-dominated bureaucracy.
Conclusion

the policies preferred by international financial markets. Epistemic communities generated common cognitive discourses among experts. In Latin America at the time of market-oriented reforms, however, experts’ professional incentives involved linkages defined by diverse normative ideas and prior career paths, which contributed to shaping the regulatory design of the studied policies. Admittedly, in the postprivatization period, the emergence of private-sector career options has reduced experts’ reliance on political appointments for developing their careers while facilitating their capture by regulated companies. This finding resonates with the literature on regulatory capture in the United States, which also explores the effect of regulators’ career incentives on regulatory outcomes. In both periods, therefore, experts can follow career options that should lead them to diverge from a common cognitive discourse, even while being limited by the ideational constraints imposed by epistemic communities.

To conclude, in understanding the diverse mechanisms that drive partisan shaping of institutional choices, this book goes beyond the usual emphasis on coalitional configuration and ideological commitments by focusing on the role of allied experts. The historic institutionalist literature on public-utility reforms in advanced democracies assumes bureaucratic autonomy, which explains bureaucrats’ crucial agency in the process. By contrast, Latin American technical decisions were made by experts who owed their tenure to political linkages at the time of reform. Whereas in the postreform period private career options compete with political linkages, both processes may generate a divergent view from the cognitive discourse established by epistemic communities.

The Politics of Redistributive Regulation: Lessons from Public Utilities

Longitudinal analysis of the pre- and postreform periods provides for variation in electoral competition and partisanship within the same national

15 Schneider (1998) emphasizes the importance of signaling international creditworthiness when appointing these technocrats.

16 Even in advanced democracies, Carpenter (2001) argues, civil service conditions are not sufficient to generate bureaucratic autonomy. Using the experience of the United States, he maintains that bureaucratic autonomy entails the combination of unique organizational capacities and political legitimacy embedded in cross-cutting political and social networks that reduce bureaucrats’ dependence on elected officials. Huber and Shiplan (2002), instead, argue that bureaucratic autonomy is conditional on politician’s delegation, which in turn is associated with the alignment of their preferences.
institutional contexts while generating comparative hypotheses explaining the direction of regulatory redistribution. The economic literature on regulation does not provide clear predictions about the direction or magnitude of redistribution once Stigler’s (1971) assumption of producer dominance is abandoned. Similarly, the political science literature on regulation emphasizes the predominant channels for policy influence during the regulatory process (including regulators’ career incentives) but does not provide predictions about the direction of redistribution. The hypotheses proposed here can serve as a comparative tool for understanding other instances of regulatory redistribution by looking at policy makers’ preferences based on political incentives and providers’ preferences resulting from the industrial structure of each sector.

To understand postreform regulatory choices, this study focuses on four categories of regulatory redistribution between first-entrant providers and their competitors and between providers and consumers. Regulatory capture involves redistribution from consumers to first entrants, whereas market dominance entails redistribution from competitors to first entrants. First entrants lose, however, under regulatory dominance, when consumers benefit, and under market competition, when competitors win from redistribution. These four scenarios, which characterize the direction rather than the magnitude of regulatory redistribution, vary in their likelihood depending on the political incentives of policy makers and the preferences of private providers.

In the postprivatization period, the preferences of residential consumers are crucial in contexts of high salience and electoral competition. Electoral competition in combination with high salience – which is defined by a public attentive to the issue – generates regulatory dominance. High salience reduces the cost of monitoring regulators for residential consumers,

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17 Becker (1985) assumes that competition will reduce redistribution through regulation because rents are offset by deadweight costs, but there is empirical evidence of regulatory redistribution. Pelzman (1976) has a more nuanced model that includes the incentives of politicians/voters and regulated companies to capture the regulatory process, emphasizing organizational costs and benefits, but the model remains unspecified regarding predictions on the direction of redistribution.

18 Wilson (1980), for instance, provides four different scenarios depicting the politics of regulation in the United States, but he does not provide testable hypotheses about the direction of redistribution through regulatory outcomes. Wilson (1980) and Weingast (1981) point to conditions that shape the bargaining power between business and consumers but not between businesses, such as in redistribution between first-entrant private providers and their competitors. Noll (1989), though, argues for the need to measure not just the stakes but also the gains in regulation.
whereas electoral competition makes politicians of diverse partisan persuasions coincide in seeking to attract possible swing voters among residential consumers. 19 Otherwise, the preferences of private providers and policy makers are critical in defining the possible regulatory outcomes.

Private providers’ preferences are shaped by the industrial organization of the sector (either telecommunications or electricity in this study). In turn, the industrial organization results from the regulatory design chosen at the time of reform. This effect is different across the two studied sectors due to their diverse paths of technological innovation (and thereby access to alternative networks). The industrial organization of the sector affects the stakes, resources, and coordination of private providers in a particular sector. Concentrated industries favor providers’ preference for market dominance, whereas industry fragmentation makes it more likely that private providers will prefer market competition. Hence, policy feedback effects derived from the original regulatory design and shaping regulatory outcomes were stronger on market outcomes affecting the industrial organization of the sector than on the working of regulatory agencies. Private providers’ preferences, however, do not define regulatory outcomes by themselves: they interact with those of policy makers.

Partisanship continues to shape the preferences of incumbent policy makers in the postreform period unless they were responsible for the adoption of the market-oriented reforms. If they were the reformers, their ties to first entrants prevail due to reputational mechanisms (and probably rents generated during the reform process), which brings them to prefer either market dominance or regulatory capture, depending on their partisan ties. By contrast, for incumbent policy makers who have not introduced market-friendly reforms, partisanship explains their preferences for market competition (if right-wing) or a combination of regulatory dominance and market competition (if former populists).

In the absence of electoral competition, regulatory capture is more likely in cases in which the industry is concentrated and reforming policy makers are still in power. The probability of market dominance increases in cases of concentrated industry when reforming populist policy makers are in power. Market competition is more likely when the industry is fragmented and policy makers have not reformed – although if they are populists, it should be accompanied by efforts at regulatory dominance.

19 Levine and Forrence (1990) similarly proposed that high salience reduced the costs of monitoring for the general public and therefore cut the “slack” of regulators favoring “general interest” regulation, but they do not consider the effects of electoral competition.
By clarifying the conditions that affect the regulatory leverage of first entrants in the privatization process, the focus on policy makers’ incentives and private providers’ preferences provides a testable argument regarding postprivatization patterns of regulatory redistribution. This contribution is important, because prior instances of regulatory capture may have a cumulative effect on public opinion that shapes perceptions about the legitimacy of the new institutions and even private providers (Henisz and Zelner 2003).

In sum, electoral competition and partisanship had systematic effects on postprivatization regulatory redistribution, along with the industrial organization of privatized sectors, therefore explaining the distributive consequences of public-utility reform, which had a crucial effect on servicing citizens and generating infrastructure for development. These insights contribute to the political science and the economic literatures on regulation by providing testable hypotheses about the direction of regulatory redistribution between market actors that could be applied to other policy areas or countries.

Concluding Remarks: Extending the Argument

This book provides evidence of the countervailing policy effects generated by electoral competition and partisanship in public utilities, both at the time when capital scarcity generated pressures to adopt privatization and in the postprivatization period. Electoral competition makes policy makers pay more attention to residential consumers qua voters, whereas partisan coalitions generate different policy preferences based on their distributive effect, focusing politicians on core constituencies when their replacement risk is not at stake. This last section discusses the implications of this argument about political incentives on microeconomic policy making for other policy areas. The obvious extension of this argument is to other publicly provided services that are consumed massively and other policy areas, such as labor and social policies, which also experienced market-friendly reforms in response to conditions created by capital scarcity.

20 By contrast, in analyzing the consequences of privatization in postcommunist countries, Hellman (1998) suggests that first-entrant advantages are conditional on the degree of contestation in the political system. Jones-Luong and Weinthal (2004) and Post (2007) emphasize the nature of ownership in understanding the influence of privatized companies vis-à-vis governments.
Policy reform in labor regulation during the period of capital scarcity in Latin America confirms the impact of partisan incentives in countries with strong organized labor legacies but provides less clear evidence of electoral effects (Murillo 2005; Murillo and Schrank 2005). Partisan effects point to the role of organized workers as core constituencies of labor-based or left-wing parties rather than potential swing voters. Latin American labor regulations affect workers in the formal sector, which typically are about half of the workforce, thereby reducing the scope of policy effects and the electoral impact of these policies (Murillo and Schrank forthcoming). Moreover, organized workers had previously established political alliances, making them into core constituencies of labor-based or left-wing political parties in countries where industrialization promoted the creation of labor-mobilizing political systems (Roberts 2002). Therefore, organized workers, or even workers in the formal sector, are more likely to influence the policy process as core constituencies than as swing voters. Although these conditions shaped the adoption of labor reforms, which were not generally a salient policy issue, Murillo and Schrank (2005) also provide evidence of partisan effects on institutional design, because reforms to collective labor laws were more likely to provide organizational gains for labor unions when their allies adopted these policies.

The findings from the literature on Latin American social policies can similarly be used to assess the scope of this book's argument, because these areas also experienced market-friendly reforms that increased private participation in response to financial strain. Although focusing on the impact of trade exposure and capital mobility, the findings of this literature are based on the study of two different types of expenditures: the evolution of social security expenditures on the one hand and expenditures on education and health as social services on the other hand. For the most part, social security in Latin America is employment based and contributory. Therefore, it covers only workers in the formal sector, which, as discussed in the preceding text, is more likely to have become a core constituency of the political party that fostered the original establishment of these policies. By contrast, public health and education services cover (albeit not with an even quality or density) the vast majority of the population. Beneficiaries of these services are not only likely to be poorer (as they cannot opt for private provision) but are also more evenly distributed among the electorate. Although the literature on social policy in Latin America does not generally control for the level of electoral competition, we should expect electoral incentives to be more
predominant for education and health and for partisan pressures to emerge more clearly in social security – as they did in labor regulation. Yet the focus on expenditures, rather than on the nature of institutional design, that has been the main partisan effect emphasized in the literature on advanced welfare states does not permit an assessment of the effect of partisan incentives on policy content.21

In the absence of measures of electoral competition, it is important to note that democracy seems to have a consistent effect on expenditures in education and health across Latin America (Kaufman and Segura-Ubiergo 2001; Avelino et al. 2005; Segura-Ubiergo 2007). That is, a change in regime from authoritarian to democratic, which has an obvious impact on the possibility of electoral competition, generates greater spending in these areas. Kaufman and Segura-Ubiergo (2001) and Segura-Ubiergo (2007) also note the positive impact of “popularly based” presidents on social security expenditures across the region. They explain this effect based on the impact of these expenditures on organized workers, who are core constituencies of incumbent coalitions. Even though Segura-Ubiergo (2007) documents how globalization pressures reduce expenditures on social security, suggesting that capital scarcity generated incentives on incumbents that contradict those of partisanship, he does not analyze partisan effects on institutional design, such as the ones presented in this book. Further analysis of patterns of institutional design for social policies is necessary in order to test the cross-policy scope of this effect.

By providing testable hypotheses and empirical evidence for policy effects, this study opens a research path that can be applied to other policy areas and regions. That is, this book’s lessons regarding the policy effects of electoral competition and partisanship, in particular under conditions of capital scarcity, can travel to other policy areas and regions. Identifying the mechanisms generated by the explanatory variables is crucial in testing these effects. Electoral competition should generate fear of replacement for incumbents while heightening challengers’ voices. Partisanship, through constituencies’ distributive preferences, ideological legacies, and allied experts, should shape the institutional design of the adopted policies. Finally, after privatization, private providers should become crucial policy

21 In advanced democracies, partisanship has been used to explain different types of social policies (Esping-Andersen 1990; Huber and Stephens 2001) along with sectoral characteristics of crucial economic actors, such as the risks involved in a particular economic activity (Mares 2003).
actors whose incentives vary depending on the industrial organization of the sector.

To conclude, I want to call attention to this book’s main lesson. The tension between the political incentives generated by voters and the economic incentives generated by either international markets or private corporations on policy makers is fundamental to our understanding of democratic policy making. Democracy does not promise voice – as provided by telephone service – or light – as supplied by electricity. This study provides evidence, however, that healthy electoral competition granted a voice to citizens, whereas the partisanship of elected officials cast a different light on policy choices. Both aspects influence the occurrence, design, and distributive outcomes of privatizations that have affected broad swathes of the Latin American population. These insights can be generalized to other policy areas. Their implication is that facilitating healthy electoral competition, reducing voters’ information costs, and providing political parties with credible policy agendas should make voters’ choices more meaningful in policy making. Therefore, the effect of democratic mechanisms in the resolution of distributive tensions in a way that benefits the majority of the citizenry depends on the ability of citizens to monitor policy makers, be able to replace them, and select politicians who have a long-term interest in keeping their support. Latin American democracies still have a long road to travel before they achieve empowered citizens who are crucial actors in the policy-making process, but only democratic regimes have opened the opportunity for the realization of such a promise.