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Journal of Politics & Society

George Soros
The Tragedy of the European Union

Christopher Haugh, The Tomassi Essay
Cocktail Diplomacy: The United States and Cuba
Discuss Rapprochement

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The tenor of political discourse in this year’s U.S. electoral campaigns accentuates the extent to which sound bites, slogans, and punditry have subordinated serious academic exercise in the public space. Complex and pressing issues, rife with methodological challenges that necessitate qualified nuance, are conveyed to the electorate with feigned simplicity that must be reproached. We can take solace, however, in the knowledge that robust and innovative research in the social sciences is being continually conducted by thousands of scholars across the globe and that the results of their labor will provide further insight into finding solutions for the challenges faced by contemporary societies. The task at hand is to extend these findings beyond the insulated confines of academic campuses and professional journals in such a manner that they may be incorporated into more popularly accessible sources of information without losing their profundity. This endeavor is precisely the mission of the Journal of Politics & Society which, in its twenty-fourth year of publication by The Helvidius Group at Columbia University, continues to integrate the foremost undergraduate scholarship into broader academic dialogues while also propagating these analyses to the broadest possible audience.

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This edition of the Journal of Politics & Society begins with a guest essay on the European debt crisis by investor and philanthropist George Soros. Soros contends that the bifurcation of the Eurozone into creditor and debtor nations will force Germany to either lead in the creation of a banking union with a debt reduction fund, euro-denominated debt, and a focus on high nominal economic growth rates or leave the euro altogether.

Next, in the Tomassi Essay, Christopher Haugh analyzes the reasoning behind U.S. Cold War policy toward Cuba, finding that successive administrations concerned themselves deeply with the effects of policy decisions on public image. Fearing the label of
being soft on communism, approaches promoting long-term normalization were sacrificed in favor of the projection of symbolic strength. Transitioning toward contemporary U.S. politics, Sarah Weiner explores the evolving frames used to discuss ethanol policy, maintaining that emerging issues including global food prices, international trade regimes, and the budget deficit problematized the formerly consensus view that ethanol subsidies had a positive impact when analyzed through the older frames of the environment, agriculture, and energy security. Evan Goldstein addresses the prominent political issue of health care access and delivery with a quantitative approach exploring how resources are utilized by local populations. Through a game-theoretic model of patient interaction, Goldstein finds that the flow of information from health care providers generated a socially suboptimal level of care, revealing an over-reliance on certain resources and a consequent underuse of others.

The second set of papers in this edition focus their attention on issues in contemporary Latin America, with each approaching a unique aspect of society with an intense attention to regional and national particularities. Matt Getz addresses the region’s historic susceptibility to sudden economic downturns, credit crises, and sociopolitical inconsistencies by examining the countercyclical fiscal policies enacted by Chile, Peru, Colombia, Argentina, Mexico, Brazil, and Venezuela during the economic expansion from 2002–2008 and how these policies affected the outcomes of each country during the recent global economic recession. Next, Guilhem de Roquefeuil explores the evolution of public policy regarding indigenous populations across the continent and how constitutional recognition of indigenous rights has affected the practical protection and enforcement of these protections. Finally, Jonathan Lemus appraises the lack of private sector involvement in Guatemalan political parties, concluding that considerable influence over government policy and the absence of a strong representative political party system with an influential leftist organization contributed to the severance of this linkage.
As our second fall edition goes to press, it is clear that the determined efforts of The Helvidius Group’s members have ensured our successful establishment as a semi-annual publication. Working with this Editorial Board has been among the most rewarding enterprises of my undergraduate career and their professionalism and dedication is patent throughout this edition. Although the completion of this volume marks the closing of my tenure as Editor in Chief, I am certain that the Journal will continue to provide innovative perspectives into the myriad of dilemmas and challenges faced by contemporary societies.

Ross A. Bruck
Editor in Chief

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Europe has been in a financial crisis ever since 2007. When the bankruptcy of Lehman Brothers endangered the credit of financial institutions, financial markets had to be put on artificial life support. That meant substituting the credit of the state for the financial credit that was no longer accepted by the markets. The emphasis on sovereign credit revealed a flaw in the construction of the euro that had remained unrecognized either by the markets or the European authorities until then. By transferring their right to print money to the European Central Bank, the member states exposed their sovereign credit to the risk of default. This put some of them into the position of third world countries that had become heavily indebted in a foreign currency. It has also rendered the commercial banks whose balance sheets were loaded with the bonds of the weaker countries potentially insolvent. So the euro crisis is a direct consequence of the global financial crisis of 2007-8.

There is a close parallel between the euro crisis and the international banking crisis of 1982. Then the IMF and the international banking authorities saved the international banking system by lending just enough money to the heavily indebted countries to enable them to avoid default but at the cost of pushing them into a lasting depression. Latin America suffered a lost decade.

Today Germany is playing the same role as the IMF did then. The setting differs, but the effect is the same. The creditors are in effect shifting the whole burden of adjustment on to the debtor countries and avoiding their own responsibility for the imbalances. Yet they were largely responsible not only for the faulty design of

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the euro but also for continuing to enforce rules that aggravated the situation.

The euro crisis was a composite of banking and sovereign debt problems which were tied together like Siamese-twins as well as divergences in economic performance which gave rise to balance of payments problems within the eurozone. The authorities did not understand the complexity of the crisis, let alone see a solution. So they tried to buy time.

Usually that works. Financial panics subside and the authorities realize a profit on their intervention. But not this time, because the financial problems were combined with a process of political disintegration. When the European Union was created, it was the embodiment of an open society – a voluntary association of equal states that surrendered part of their sovereignty for the common good. The euro crisis is now turning the European Union into something fundamentally different.

The member countries are divided into two classes – creditors and debtors – with the creditors in charge. As the strongest creditor country, Germany is emerging as the hegemon. Under current policies debtor countries pay substantial risk premiums for financing their government debt and this is reflected in their cost of financing in general. To make matters worse the Bundesbank remains committed to an outmoded monetary doctrine that is deeply rooted in Germany’s traumatic experience with inflation. The Bundesbank recognizes only inflation as a threat to stability and ignores deflation, which is the real threat today. Germany insists on imposing austerity on debtor countries. This can easily become counterproductive because a reduction in GDP causes an increase in the debt ratio.

There is a real danger that a tow-tier Europe will become permanent. Both human and financial resources will be attracted to the center and the periphery will become permanently depressed. Germany will even enjoy some relief from its demographic problems by the immigration of well educated people from the Iberian Peninsula and Italy instead of less qualified “Gastarbeiter” from Turkey or Ukraine. But the periphery is seething with discontent.
This is not the result of some evil plot but of a lack of coherent policies. German politicians, however, have started to figure out the advantages it has conferred on Germany and this has begun to influence their policy decisions. As time passes, there are increasing grounds for blaming Germany for the policies it is imposing on Europe, while the German public is feeling unjustly blamed. This is truly a tragedy of historic significance. As in ancient Greek tragedies, misconceptions and the sheer lack of understanding have unintended but fateful consequences.

Germany, as the largest creditor country, is in charge but refuses to take on any additional liabilities; as a result every opportunity to resolve the crisis has been missed. The crisis spread from Greece to other deficit countries and eventually the very survival of the euro has come into question. Since a breakup of the euro would cause immense damage, Germany is doing and will continue to do the minimum necessary to hold the euro together.

Most recently, Chancellor Merkel has backed Mario Draghi and left Bundesbank President Jens Weidmann isolated on the Board of the European Central Bank. This will enable the ECB to put a lid on the borrowing costs of countries that submit to an austerity program under the supervision of the Troika. That will save the euro but it is also a step towards the permanent division of Europe into debtors and creditors. The debtors are bound to reject a two-tier Europe sooner or later. If the euro eventually breaks up in disarray it will destroy the common market and the European Union. Europe will be worse off than it was when the effort to unite it began, because of a legacy of mutual mistrust and hostility. The later it happens, the worse the ultimate outcome. That is such a dismal prospect that it is time to consider alternatives that would have been inconceivable until recently.

In my judgment the best course of action is to persuade Germany to choose between either leading the creation of a political union with genuine burden sharing or leaving the euro.

Since all the accumulated debt is denominated in euros it makes all the difference who remains in charge of the euro. If Germany left, the euro would depreciate. The debtor countries
would regain their competitiveness; their debt would diminish in real terms and, with the ECB in their control, the threat of default would disappear and their cost of borrowing would fall to a level comparable with the UK. The creditor countries, by contrast, would encounter stiff competition in their home markets from the euro area and incur losses on their claims and investments denominated in euro. The extent of their losses would depend on the extent of the depreciation; therefore creditor countries would have an interest in keeping the depreciation within bounds. After initial dislocations the eventual outcome would fulfill John Maynard Keynes’ dream of an international currency system in which both creditors and debtors share responsibility for maintaining stability. And Europe would escape from the looming depression.

The same result could be achieved, with less cost to Germany, if Germany chose to behave as a benevolent hegemon. That would mean 1) implementing the proposed European banking union 2) establishing a more or less level playing field between debtor and creditor countries by first establishing a Debt Reduction Fund and eventually converting all debt into eurobonds 3) aiming at nominal growth of up to 5 percent which would allow Europe to grow its way out of excessive indebtedness. This would entail a greater degree of inflation than the Bundesbank is likely to approve.

Whether Germany decides to lead or leave, either alternative would be better than creating a two-tier Europe.

1 Debt issued under domestic law can be redenominated into the domestic currency, debt issued under foreign law cannot.
On August 16, 1961, C. Douglas Dillon, the United States Secretary of the Treasury, was at the Inter-American Economic and Social Conference in Punta del Este, Uruguay. The conference had progressed without interruption until Ernesto “Che” Guevara—the revolutionary and Cuban Minister of Industry—gave a speech rebuking the United States, calling its policies imperialistic and its hemispheric objectives insidious. Dillon had a hardline message in response: to acknowledge Guevara’s speech would “betray the thousands of patriotic Cubans who are still waiting and struggling for the freedom of their country.” Dillon reiterated that the United States would not recognize Castro’s permanency. Hours later, Guevara had a message for Richard Goodwin, a member of the U.S. delegation: the revolution could not be defeated, but for economic reasons, Cuba sought a modus vivendi with the United States. As evidence of his sincerity, Guevara said Cuba would consider restitutions for expropriated property and reconsider its relationship with the Soviet Union. Guevara’s encounter with Goodwin began a series of informal negotiations between Castro and the Kennedy administration. This schizophrenic diplomatic moment illustrates that even as public U.S.-Cuban relations epitomized Cold War hostility, several unofficial discussions about normalization call into doubt this interpretive paradigm. This essay examines such contradictory political moments. Despite the enmity and ideological gap between the two states, a series of informal exchanges shows that normalization was a distinct policy possibility in the early 1960s.
This essay will argue that successive U.S. administrations made decisions based on their effects on public image. Dreading the label of being “soft” on communism, successive administrations opted for the short-term benefits of oppositional politics rather than the long-term stability of normalization. What is more, these actions reflected cognitive dissonance: each president saw modus vivendi with Cuba as in the national interest, yet each felt it was his obligation as commander-in-chief to project symbolic strength. With the world believed to be in ideological stalemate between liberal capitalism and communism, each president lived by a single foreign policy aphorism: any perceived failure by the United States was the Soviet Union’s gain. Thus, U.S. presidents oscillated between aggression and negotiation. Castro also genuinely sought normalization. Time and again, Castro’s surrogates offered to negotiate sacrosanct topics, including restitution for expropriated property and the Cuban-Soviet alliance. These diplomatic openings challenge the conventional U.S. narrative, which portrays Castro as a Soviet proxy, instead revealing a reconciliatory and flexible head of state. While Cuba never ceased to be the proverbial thorn in the side of the United States, there was a brief moment when a durable peace was within reach.

The U.S.-Cuban Cold War relationship has fascinated historians for decades. However, few academics have addressed Castro and the Kennedy administration’s attempts toward rapprochement. Negotiations occurred in a climate of mutual distrust built over decades of patron-client interaction. Since the United States developed a preponderance of power in the nineteenth century, it had treated Latin America as its sphere of influence. Throughout the twentieth century, the United States undertook numerous military interventions in Cuba under the legal auspices of documents like the Platt Amendment, which reinforced U.S. imperial power. By the eve of the revolution, Cuba had become a locus for American corporate investment, exotic tourism, and growing local resentment. With the advent of the Cold War, this patron-client relationship was tested. Both the U.S.S.R. and the United States believed the Third World to be integral to their national interest.
This mentality perpetuated imperial modes of interaction as neo-colonialism was re-imposed on the region.\(^8\)

In post-revolutionary Cuba, Fidel Castro’s anti-Americanism and the United States’ distrust of Latin American nationalists intensified this prickly regional relationship.\(^9\) Cuban nationalists, such as Castro, cultivated fervent anti-U.S. worldviews to combat the “northern colossus,”\(^10\) thus representing a nationalist malignancy towards the United States. During the Cold War, the respective doctrine of each U.S. president was devoted to the containment of global communism.\(^11\) Fearing communist “contagion” in the Western Hemisphere, the U.S. abided by a policy of “no more Cubas” throughout the Cold War.\(^12\) However, counter to prevailing U.S. opinions, the U.S. government was initially fearful of Castro’s nationalism rather than his Marxist-Leninism.\(^13\) Indeed, Castro allied with the U.S.S.R. not because of any communist sympathies, but for the economic benefits of sugar markets and subsidized oil.\(^14\)

Thus, hostile political decisions and historical memory, rather than rigid ideology, determined the international schism.

In orthodox Cold War narratives, Castro is portrayed as a Soviet proxy.\(^15\) However, Cuba retained its autonomy throughout the Cold War.\(^16\) Castro turned to the Soviets for protection, but always sought independence in his foreign policy.\(^17\) Moreover, Castro’s paramount goal was the revolution’s survival, which meant that he would reach a cooperative pact if his existence depended on it.\(^18\) In this revisionist interpretation, an understanding between Cuba and the United States appeared plausible.

On a theoretical level, one must also consider what conditions make normalization achievable. Realists believe that all state decisions are made based on a rational analysis of a system’s balance of power. This “cult of power” theory postulates that rapprochement is nearly impossible because it violates a state’s central goal to maximize unilateral power.\(^19\) Liberal political scientists espouse democratic peace theory, claiming democracies that share institutional constraints and ideological norms do not go to war with one another.\(^20\) Some liberal academics also support commercial peace theory, claiming that peace occurs when states build interconnected
economies through trade. These paradigms would conclude that cooperation does not emanate from diplomacy, but out of military power, political similarities, or economic interdependence. However, both liberal and realist arguments for durable peace neglect the importance of addressing past conflicts through normal diplomacy. Constructivists like Yinan He argue that in “deep interstate reconciliation,” formerly antagonist states must build a “relationship cemented not only by shared short-run security needs but also by sustainable mutual understanding and trust” through standard diplomacy. This paper will anchor its analysis on these constructivist peace theories of diplomacy.

Political scientists have also shown that the American presidency is inherently a symbolic position. This paper will draw from Michael Grow’s “symbolic battlefield” thesis for its theoretical foundation. Unlike historians who claim that U.S. policy in Latin America was based exclusively on national security or economic interest, Grow argues that policy had larger implications for U.S. presidents. For foreign policy professionals, challenges to U.S. superiority in Latin America undermined the United States’ international prestige and credibility. As a result, each president sought to project a hyper-cultivated image of “cold warrior” strongman. Grow grounds his argument in examples of coercive interventions that were “deliberate demonstration[s] to the world that U.S. power was not only credible but invincible.” As Grow and other authors have argued, each president was affected by symbolic influences such as electoral concerns, global political imagery, and personal vendettas. In Cuba specifically, Castro’s defiance took on particularly powerful symbolic meaning to the U.S. president, because his government had become a direct threat to U.S. power by transforming historically subservient Cuba into a regional insurgent.

While only a handful of authors have written on the specific topic of U.S.-Cuban normalization, none have utilized Grow’s political symbolism theory to ground their analysis. One school of authors led by Piero Gleijeses argues that normalization was never a possibility because Castro did not intend to negotiate honestly.
Edward Gonzalez concurs with Gleijeses, writing that reconciliation would have required that Cuba abandon its international revolutionary ethos in exchange for economic development—a decision Castro would have never made.\(^{29}\) Stephen Rabe and Richard Bissel both argue that the United States would only accept full surrender by Castro.\(^{30}\) Finally, Thomas Paterson and Louis Pérez contend that the bitter experiences of the first years of the revolution tainted any negotiation thereafter.\(^{31}\) On the other hand, authors like Don Bohning, Archibald Ritter, and Daniel Erikson argue that reconciliation was possible after covert U.S. policy failed to eliminate Castro.\(^{32}\) However, these arguments lack substantive analysis of the actual negotiations. Each scholar offers sweeping conclusions without thoroughly analyzing the primary documents. Others wrote their arguments before U.S. classified documents were revealed to the public.

The preeminent scholar in the field of U.S.-Cuban rapprochement is the National Security Archive’s Peter Kornbluh, who used the same top-secret agency documents as this essay in writing his forthcoming book, Talking With Fidel. In two articles for Cigar Aficionado, Kornbluh lays out four conclusions based on his analysis of the Kennedy-Castro negotiations.\(^{33}\) Kornbluh states that Castro was intent on reconciliation with the United States but was never willing to alter Cuba’s domestic political conditions or its militant Third World policies. Because of this intractable stance, Kornbluh also concludes that the “quid pro quo approach” could not work, as it left too much time for intervening forces to foil an agreement. Finally, Kornbluh determines that “moving quickly and unilaterally to lay the groundwork for better ties is likely to produce the best results.”\(^{34}\) Kornbluh’s conclusions are germane to normalization theory, but do not address the greater meaning behind the diplomacy. This paper will pursue the broader implications of these documents and this moment of diplomatic hope.

From this literature, it becomes apparent that the Castro-Kennedy negotiations remain largely overlooked. This paper will shed light not only on the U.S.-Cuban relationship and the Cold War generally, but will offer a case study for policymakers working
on normalization in other contexts around the world. Moreover, the topic of rapprochement is still significant today. Even as the ideological relevance of the Cold War recedes into history, anachronistic U.S.-Cuban hostilities persist. In this modern context, how and why this glimmer of diplomatic hope in the 1960s was squandered demands further consideration. Only through additional study of this historical moment can conclusive solutions be sought.

In order to make these arguments about informal diplomacy, this paper will utilize a combination of recently declassified U.S. government documents, contemporary newspaper articles, and the memoirs of important individuals. By drawing from a wide variety of sources, this paper can thoroughly analyze this diplomatic moment. Each description of secret meetings, phone discussions, and policy decisions has been compared to other accounts by different authors with distinctive motivations and levels of retrospect. This approach minimizes the discrepancies in each source’s details as well as complicating the accounts of the memoirs and the U.S. government memorandums.

CASTRO REACHES OUT

By 1963, Guevara’s olive branch was largely forgotten in Washington as U.S.-Cuban relations deteriorated further. In December 1961, Castro openly referred to himself as a Marxist-Leninist, and two months later the United States intensified its economic embargo on Cuba. Eight months later, the Cuban Missile Crisis brought the United States to the brink of nuclear war with the Soviet Union. U.S.-Cuban relations were then at an all-time low. To Castro’s government, the United States solidified its position as a militant imperialist power, while for the American public, Castro became a maniacal Soviet foot soldier.

In this atmosphere of hostility, on April 30, 1963, Lisa Howard, a thirty-three year old ABC correspondent, returned from her groundbreaking weeklong trip to Havana. On her trip, Howard interviewed many high-ranking officials, including Raúl Castro and his wife Vilma Espín, Che Guevara, the foreign minister Raúl Roa
García, and Fidel Castro’s personal physician and confidant, Rene Vallejo. On April 22, Howard finally tracked down Castro, and the two talked for hours with Vallejo serving as an interpreter. The interview took a turn Howard did not expect. Knowing that Howard had previously interviewed Khrushchev, Castro asked for her thoughts on his character. Howard responded that the Soviet Premier was a “shrewd politician who would break and dispose of Castro when the Soviets no longer needed him.” In the silence that followed, Castro simply nodded in what Howard believed was “skeptical agreement.” Then, without provocation, Castro mentioned that if the United States wanted to normalize relations with Cuba, then Kennedy would have to “make the first move.” When Howard responded that Castro might have to make the initial gesture, Castro said that “steps were already being taken” and that the U.S. simply needed to limit its sponsorship of exile raids for accommodation to move forward. Castro’s comments on rapprochement would be the greatest revelation that morning.

Howard filed a report that aired on May 10, 1963 detailing her conversation with Castro. Howard’s account appeared to contradict what many in the United States had wrongly assumed. Castro was not staunchly opposed to the United States. Moreover, Howard was convinced of Castro’s honest intent, writing that his statements were “Surely [. . . ] not mere propaganda utterings.” According to Howard, Castro sought an end to the U.S. trade embargo and desperately wanted independence from his Moscow patrons. She suggested that he was willing to make “substantial” concessions regarding the most inviolable roadblocks, including the presence of Soviet personnel in Cuba, compensation for expropriated American property, and Cuba’s role as a revolutionary training ground. However, Howard counseled caution to American policymakers moving forward.

Castro is an intensely proud man and, therefore, hesitant about making a precise and formal bid for negotiations that might be rejected out of hand—particularly where the United States is concerned. . . . Castro may be emotional and impulsive, but he is also a pragmatic politician. He knows that his one hope of
gaining greater freedom from Moscow is through some sort of détente with the United States.  

Howard’s article encouraged the United States to pursue this opportunity. “In the absence of a better idea . . . a little verbal probing seems in order,” Howard wrote. “Why, then, should not the United States government profitably fish in these troubled waters?” If one trusts Howard’s assessment of Fidel Castro, it suggests that Castro exhibited the first signs of symbolic decision-making. As an anti-U.S. nationalist, Castro could not openly pursue normalization through standard diplomatic channels without losing his anti-imperialist reputation. Instead, he was obliged to communicate with the American government through informal proxies like Howard.

Howard’s televised report resonated in Washington. After it aired, Central Intelligence Agency (CIA) Deputy Director Richard Helms reached out to the ABC journalist. Helms saw Howard’s account as an opportunity to collect intelligence on the Cuban autocrat. When Helms met Howard, the two pored over what Castro had said and its meaning for the future of U.S.-Cuban relations. Howard, who believed that Castro opened up to her because of her reputation as a “progressive,” was adamant that Castro was ready to negotiate with the United States. Castro was in complete control of Cuban policy and—despite the opposition of communists around him like his brother Raúl and Guevara—Castro wanted to open discussions. However, Howard had a more important message for Helms. “Howard definitely wants to impress the U.S. Government with two facts,” Helms wrote in a memorandum circulated to the CIA Director, U.S. Attorney General, and the National Security Advisor (NSA). “Castro is ready to discuss rapprochement and she herself is ready to discuss it with him if asked to do so by the U.S. Government.” If not her, Howard suggested sending other American representatives “progressive” enough to earn Castro’s trust.

Based on their conversation, Helms came to a different conclusion about Castro and the situation in Cuba than Howard. Helms saw Castro as vulnerable and interpreted Castro’s message
to mean that the embargo was working and that “Cuba is in a state of economic chaos.” Helms began considering methods to assassinate Castro. Pressing Howard on Cuba’s power structure, Helms concluded that Castro was the ultimate authority in Cuba, and that “neither Guevara nor Raúl Castro would be able to rule Cuba if Fidel were assassinated.” While Howard had stressed the possibility of rapprochement, the CIA was more concerned with the utility of U.S. embargos and assassinations.

A MOMENT OF FLEXIBILITY

In September 1963, William Hollingsworth Attwood was the United States’ Special Advisor on African Affairs to the United Nations. Attwood, a former journalist, had also interviewed Fidel Castro in 1959 as Castro’s international profile was rising. In their discussion about U.S. policy and the Cuban revolution, Attwood came to a few important conclusions. First, he was convinced Castro was not a communist. Rather, over time, Castro developed his Marxist philosophy and fervent anti-Americanism due to U.S. covert action post-revolution. Second, because of the pronounced socioeconomic inequality of pre-revolutionary Cuba, American attempts to overthrow the revolution were bound to fail. For Cuba’s impoverished population, a government committed to social justice and economic empowerment trumped Cuba’s history of venal, kleptocratic regimes. Finally, Attwood believed that the United States should treat Castro with “benign indifference,” halt covert activities in Cuba, and discuss normalization. For his time, Attwood was progressive on matters of Cuban policy. Attwood’s personal experiences with Castro himself allowed his thinking to transcend the master narrative of the Cold War. To Attwood, Castro was an independent statesman, not a Soviet pawn.

That September, Howard’s article caught Attwood’s attention. In August, Attwood had met in New York with Seydon Diallo, the Guinean Ambassador to Cuba, whom Attwood had known while serving in the Guinean capital Conakry. Diallo told Attwood that Castro was “unhappy with Cuba’s satellite status and (was)
looking for a way out.” Diallo, who had a personal conversation with the Cuban premier, said that Castro was interested in moving toward non-alignment. If the United States could simply end the exile raids on Cuba, Castro would be amenable to discussions. Howard’s article helped confirm Diallo’s message and presented Attwood with a unique opportunity. He saw the prospect of talking with Castro once again, this time as a formal representative of the U.S. government. By 1963, Castro managed to reach the U.S. government with a message of peace through third party government officials and members of the press.

On September 12, 1963, Attwood arranged to meet Lisa Howard in New York City under the pretense of discussing contemporary African affairs. Without prompting from Attwood, Howard brought up her meeting with Castro. She then offered to organize a party at her Manhattan apartment for Attwood to informally meet Carlos Lechuga, Cuba’s U.N. representative, whom she had previously met in Havana. Lechuga served as Castro’s ambassador to Chile and Mexico and as a representative to the Organization of American States. He also had a reputation as a moderate who would privately admit to holding suspicions about Marxism. Attwood told Howard that he would consider the offer if she kept their conversation confidential. She agreed in exchange for exclusivity if a story came out of the meeting. Attwood was intrigued, writing later “this could be a moment of flexibility.”

That same day, Attwood discussed his findings with W. Averell Harriman, a Deputy Secretary of State, who asked him to write a memo detailing his thoughts. On September 17, Attwood talked again with Diallo in the Delegates Lounge. Diallo reiterated that Castro was amenable to a deal with the United States. On September 18, Attwood met with his U.N. superior, Adlai Stevenson, and advocated for “discreet contact” with the Cubans at the U.N. to judge Castro’s interest in discussions. Stevenson cautioned Attwood that “the CIA (Special Group) is still in charge of Cuba,” but he offered to talk to Kennedy and suggested Attwood “pursue it quietly.” The next day, Attwood met with Harriman in New York and showed him the memo. Harriman, sensitive to
the delicate nature of Attwood’s proposal, told Attwood to discuss the matter with Robert F. Kennedy, the president’s brother and the U.S. Attorney General. While arranging a meeting with Robert Kennedy, Attwood heard from Stevenson, who had spoken with President Kennedy when he visited the United Nations that day. The president had approved Attwood to contact Lechuga, but was under strict orders to be “discreet.” Despite the informality of the discussions proposed by Attwood, the foreign policy bureaucracy still had to be maneuvered due to the sensitivity of the Cuban situation. Without approval from at least three different government superiors, Attwood was unable to officially make contact. Because of the importance of Cuba to U.S. foreign policy, administration officials were hesitant to advance too quickly.

With tentative approval, Attwood arranged with Howard to hold a cocktail party on September 23, 1963 at Howard’s apartment on a tree-lined block of East 74th Street. On the day of the party, Howard approached Lechuga at the United Nations to invite him to the party. She said that some of Howard’s friends who had been to Cuba would be in attendance. This group included William Attwood who urgently wanted to meet him. Lechuga agreed to make an appearance that evening, and when he arrived at the party, Howard promptly pulled him aside. She told him that Attwood wanted to see him immediately and ushered him toward the living room where the U.S. official was waiting. After greeting each other, the two men established that both were talking as private citizens. Attwood then told Lechuga that he was leaving for Washington, D.C. in a matter of hours, but wanted to discuss a potential visit to Havana. “He said that the situation was abnormal and that the ice would have to be broken sometime,” Lechuga remembered, calling Attwood “sincere.” Attwood also told Lechuga that, in his personal opinion, U.S. assassination plots against Castro were futile because he was too popular to overthrow. Instead, more conciliatory policies were appropriate.

Attwood then brought up his diplomatic agenda by inquiring about the possibility of his making a visit to Cuba. Lechuga told Attwood that a trip might be a possibility and that Castro had been
intent on negotiations with Kennedy, but that the April 1961 Bay of Pigs invasion had derailed those plans. Recently, Castro had liked the tone of Kennedy’s speeches and had begun to think again about discussions. “At the time, I couldn’t tell (Attwood) anything specific,” Lechuga later wrote

But I said that my own view was that it would be difficult to negotiate in a situation of great pressure, such as there was in Cuba, with the economic blockade, the infiltration of saboteurs and the illegal flights. That atmosphere would have to be changed if the two parties were to discuss things on an equal footing, although, I repeated, everything would depend on what the United States wanted.

Attwood agreed that the negotiations would be complex. He also admitted that the political conditions were not ideal and would not change overnight because of the “prestige involved, but that discussions had to begin somewhere.” From Lechuga’s description of U.S.-Cuban relations, it becomes apparent that the revolutionary government did want to consider rapprochement, but that hostile U.S. policies made any diplomacy nearly impossible.

Before the two men finished their discussion, Attwood revealed the president’s gravest fear. Lechuga recalls Attwood saying “that it wasn’t easy for the Democrats to change course on Cuba, because the Republicans always had them on the defensive on the issue . . . Teasingly, he told me that if we thought Kennedy was our enemy, we should just imagine what Goldwater would do if he got to the White House.” Attwood knew that the symbolism of these negotiations was important for Kennedy’s reelection bid in 1964. He continued saying that “people in the United States tended to see everything in terms of black and white, with no shadings.” Attwood’s comments express the Kennedy administration’s philosophy on the relationship between foreign policy and domestic politics. If Kennedy appeared to be “appeasing” Castro, his Republican rivals, like Barry Goldwater, could label him “weak,” essentially scuttling his electability. Therefore, discussions would have to proceed with caution. Attwood told Lechuga that at the very least “an exchange of views might well be useful.” They would stay in touch
as Attwood maneuvered through the Washington bureaucracy.\textsuperscript{71}

While Attwood began his efforts in New York, foreign policymakers in Washington, D.C. had already formulated a hardline anti-Castro policy. In a memorandum to the U.S. Congress on how to respond to constituent inquiries on U.S. policy toward Cuba, the White House took a militant position. The memo reads, “our objective is a truly free Cuba. . . . We want to get rid of Castro and the Communist influence there.”\textsuperscript{72} These goals included the withdrawal of Soviet military forces, the isolation of Castro, and aggravation of Cuba’s “serious economic difficulties.”\textsuperscript{73} In the minds of U.S. policymakers, Cuba’s threat to U.S. interests was its affiliation with the Soviet Union. In the post-Missile Crisis era, United States’ policy revolved around preventing another nuclear standoff ninety miles off the Florida coast. Castro had become a liability not because of Cuban politics, but because of his role in a larger conflict between warring superpowers.

To accomplish its objectives, the United States utilized a two-prong policy prescription. According to the memo to Congress, first, the U.S. sought to weaken Cuba’s economy to precipitate Castro’s ultimate collapse at the hands of a disgruntled Cuban population. Second, the U.S. Department of State and the CIA worked to strengthen anti-communist regimes in the surrounding region in nations like Guatemala. Other internal White House documents reveal that the United States had provided financial and organizational support to counterrevolutionary exiles working to destabilize Castro’s government. These exile groups utilized terror tactics like destroying merchant vessels along Cuba’s shore and economic sabotage like bombing harbor facilities.\textsuperscript{74} Today, it is also known that the CIA engaged in numerous covert operations in Cuba including Operation Mongoose, a program convened to assassinate Fidel Castro.\textsuperscript{75}

However, in the wake of the Cuban Missile Crisis and Castro’s resilience despite U.S. covert actions, Washington began to rethink its Cuban policy. Several weeks before Lisa Howard met Castro in Havana, Gordon Chase, a National Security Council (NSC) specialist on the Caribbean and Latin America, wrote an
options paper to National Security Advisor McGeorge Bundy.\textsuperscript{76} In the memo titled “Cuba--Policy,” Chase wrote that the United States had only focused on undermining Castro through covert and overt “nastiness.” In tandem with the “nasty” policies, Chase advised adding what he termed the “sweet approach.”\textsuperscript{77} By creating a less militarized policy toward Castro, he argued, the United States could eliminate the two threats that he posed: Cuban “subversion” abroad (i.e. military support for insurgencies in countries like Colombia and Mozambique) and the reintroduction of Soviet nuclear warheads into the Caribbean. Chase notes that “our present nasty policy is probably a necessary prelude to a sweet approach,” and that using both tactics might be the most expedient.\textsuperscript{78} However, under Chase’s policy paradigm, “enticing” Castro was still ultimately intended to eliminate the Cuban dictator. Chase’s memo shows that the White House was steadfast in its opposition to Castro, but nonetheless considered alternatives to open military confrontation. While the memo only represents a minor thawing of hostilities, it signals that the White House might have been genuinely receptive to Castro’s overtures.

Hours after Howard’s party, at the Department of Justice in Washington, D.C., Attwood and Robert Kennedy discussed Attwood’s memo and his conversation with Lechuga the previous evening. After hearing Attwood’s report, Kennedy told him that he would discuss it with McGeorge Bundy.\textsuperscript{79} Kennedy feared that “it was bound to leak—and if nothing came of it the Republicans would call it appeasement and demand a congressional investigation.”\textsuperscript{80} However, Kennedy approved maintaining contact with Lechuga and suggested Attwood propose a meeting in another location like Mexico or at the U.N. in New York.\textsuperscript{81}

Three days later Attwood ran into Lechuga in the Delegates Lounge at the U.N.—a place Attwood said was “always a good place for discreet encounters because of its noise and confusion.”\textsuperscript{82} Lechuga was doing a television interview with Howard when Attwood entered. The two men greeted each other and Attwood related what he had heard at the Department of Justice. Under present circumstances, Attwood said he would be unable to travel
to Cuba because of his official government status. However, he said that “we were prepared to meet (Castro) and listen wherever else would be convenient” if Cuba was willing to send an emissary. Lechuga said that he would discuss the matter with Castro and warned Attwood that he would be making a “hard” anti-American speech at the U.N. but that he should “not take it seriously.” Attwood was not pleased, but Lechuga was adamant: as long as the U.S. blockade was in place, he had no choice. Even though both the Cuban and United States governments privately acted with decorum, publically their statecraft was still critical and adversarial.

Nearly two weeks after Lechuga delivered an anti-U.S. address on the U.N. floor—to which Adlai Stevenson, the United States Ambassador to the U.N., acidly responded days later—Attwood was at a New York dinner hosted by Agnes Elizabeth Meyer, the widow of the late publisher of the Washington Post, Eugene Isaac Meyer. At dinner, Attwood talked with the Greek architect Constantinos Apostolou Doxiadis who had just returned from an architecture conference in Havana. C.A. Doxiadis, who had been in contact with Guevara and Castro, told Attwood that he was convinced that Castro wanted to normalize relations with the United States. Attwood had now heard from four reliable sources that Castro’s interests were genuine. The possibility for rapprochement was a reality. In this moment of informal diplomacy, the importance of third party messengers cannot be overstated. Castro communicated with the U.S. government through prominent private citizens like Howard and Doxiadis as well as diplomats like Seydon Diallo. Because none of these individuals had direct ties to the U.S. government they could pass messages without entangling themselves in the symbolic web of American electoral politics.

AN ALTERNATIVE PATH

Despite these positive steps toward negotiations, both Howard and Attwood were skeptical about Lechuga’s ability to transmit the United States’ message to Castro. In New York, Howard told Attwood that Lechuga’s message might not make it past the for-
eign office due to the anti-U.S. bloc’s influence in the Cuban government. Instead of relying on Lechuga, Howard suggested contacting Dr. Rene Vallejo, Castro’s closest advisor. Vallejo held no official position but was constantly at Castro’s side acting as both a translator and secretary for the prime minister.88 Howard had stayed in contact with Vallejo by phone since interviewing him in Havana, and believed he supported Castro’s mission of peace. Through Vallejo, Howard could guarantee that “Castro knew there was a U.S. official available if he wanted to talk.”89 Howard’s concerns reveal that Castro’s control over Cuba was more tenuous than assumed by many scholars. Far from the totalitarian ruler of American nightmares, Castro’s government was rife with dissent, exposing a level of fragility heretofore unrecognized. According to Howard, even Castro’s own policymakers could not transmit messages without facing internal opposition to his dictates.90 Finally, Lechuga’s inability to access Castro points to a deeper concern with informal diplomacy, namely that messages can only travel as far as their bearer’s influence extends.

At this point, in October 1963, Attwood approved Howard’s plan to contact Vallejo with one condition. He wanted it made clear that “we were not soliciting a meeting but only expressing a willingness to listen to anything they had to say.”91 Attwood came to understand that he operated on a symbolic minefield and that caution was a virtue. If the negotiations appeared too amicable or to have emanated from the U.S., they would be stigmatized as “appeasement” and become fodder for a Republican attack in the coming 1964 presidential election. Embedded in Attwood’s concerns was the paradox of U.S. foreign policy toward Cuba. U.S. officials feared the symbolism of appearing to “appease” Castro, but could see the symbolic victory in removing Cuba from the Soviet sphere of influence. Public knowledge of discussions was anathema to their interest, but severing the Soviet-Cuban relationship was the ultimate prize.

Howard and Vallejo connected on October 29, 1963. Vallejo reassured Howard that “Castro still felt as he did in April about improving relations with (the United States),” but that Castro,
who wanted to conduct the discussions himself, could not leave the country at that time.\textsuperscript{92} Vallejo agreed to tell Castro that there was a U.S. official “authorized to listen to him.”\textsuperscript{93} Three days later, Vallejo called Howard again with an alternative proposal that Attwood described in a memo:

He said Castro would very much like to talk to the U.S. official anytime and appreciated the importance of discretion to all concerned. Castro would therefore be willing to send a plane to Mexico to pick up the official and fly him to a private airport near Veradero [sic.] where Castro would talk to him alone. The plane would fly him back immediately after the talk. In this way there would be no risk of identification at Havana airport.\textsuperscript{94}

Howard informed Vallejo that this plan was not likely to be accepted by the United States. As an alternative, she suggested that a Castro spokesman meet a U.S. official in Mexico or at the U.N., believing the Americans would be more amenable to those conditions. Vallejo would not rule out such an alternative method.\textsuperscript{95} The next day, Howard informed Attwood who then relayed the information to Chase, Attwood’s White House contact.\textsuperscript{96} In the briefing, Chase and Attwood agreed that President Kennedy “could see the political advantage of possibly weaning Castro away from the Soviet fold,” even if the Department of State did not.\textsuperscript{97} Attwood’s memoir reveals the disaggregated nature of foreign policy making in the U.S. government. Even within the executive branch, the president was only one voice out of many attempting to make disparate interests into a single, cohesive policy.

While Howard connected with Vallejo, Attwood ran into Lechuga in the U.N. Delegates Lounge on October 28, 1963. Lechuga told Attwood that Havana did not want to engage in formal talks at the U.N.\textsuperscript{98} Despite these reservations, Lechuga suggested that “informal chats from time to time” would be acceptable and that he was still open to having a U.S. official like Attwood visit Castro in Cuba.\textsuperscript{99} Attwood agreed to keep their channels of communication open and told Lechuga it was his prerogative to reinitiate a conversation. While contact continued, the negotiations had momentarily stalled due to a disagreement over location.
By late 1963, the Kennedy White House had to decide Attwood’s next assignment. On November 5, McGeorge Bundy informed President Kennedy of Attwood’s work and his standing invitation to travel to Cuba. As his top national security advisor, Bundy told the president that “it’s as good a place as any for covert contact” and that Attwood would be able to move forward with negotiations easily because of his established relationship with Castro.\textsuperscript{100} Even so, Bundy was particularly worried about Attwood’s “close” relationship with the White House and the potential for Attwood’s involvement becoming politically dangerous. Bundy offered to stall the talks and remove Attwood from the U.S. payroll for deniability purposes. Kennedy agreed that separating him from the payroll was an appropriate solution. However, Kennedy expressed to Bundy that, “I’d, we’d, need some explanation for why Attwood’s there” if the press heard about it.\textsuperscript{101} Bundy believed that the White House should prepare a hypothetical cover story that it had simply responded to a Cuban initiative “to see what the terms and conditions surrendered were.” Kennedy agreed and asked Bundy “if he were off the payroll is there any hesitation in going to Cuba?”\textsuperscript{102} Bundy needed to clear it with the White House Counsel and the “newsman” first, but appeared comfortable with the possibility. This meeting shows that Kennedy and Bundy were serious about opening up negotiations with Cuba provided that public perception was controlled. They discussed at length the importance of contingency plans, secrecy, and plausible deniability. Indeed, how to distance themselves from Attwood if the negotiations were to leak to the press appears to have been Kennedy’s paramount fear in approving informal negotiations.\textsuperscript{103}

On November 12, Howard told Attwood that Vallejo had called again. This time Vallejo suggested that Attwood come to Varadero, Cuba on a U.S. plane leaving from Key West, Florida. He argued that this scenario would attract less attention than a Cuban plane entering American airspace. Attwood deferred to Bundy on how to proceed. In a phone conversation, Bundy told Attwood that the president still only approved preliminary agenda discussions outside of Cuba. In the meantime, Bundy wrote, in a
memorandum for the record, that Attwood should make it clear to Vallejo that Cuba had two policies:

Which are flatly unacceptable to us: namely, . . . (1) submission to external Communist influence, and (2) a determined campaign of subversion directed at the rest of the Hemisphere [sic.]. Reversal of these policies may or may not be sufficient to produce a change in the policy of the United States, but they are certainly necessary, and without an indication of readiness to move in these directions, it is hard for us to see what could be accomplished by a visit to Cuba.104

Bundy stressed one more point. Attwood was to make it his priority to reinforce that the United States was neither a “suppliant” nor had it initiated the contact.105 Bundy, like Attwood, knew the importance of perception. The ultimate fate of the negotiations did not depend on the substance, rather it hinged on the ability of the U.S. government to frame the public narrative.

Bundy’s message addressed negotiations, but took a militant stance. The closer to the president U.S. officials were, the warier of appeasement they appeared in their language. Strong demands, in other words, took the place of unilateral concessions or expressions of friendship in these initial messages from the United States. Moreover, Bundy’s message to Vallejo through Attwood reveals that the process of agreeing on the terms of an initial discussion involved a transmission of substantive diplomacy. Even as the details of a rapprochement remained in doubt, Bundy, Attwood, Vallejo, and Castro all exchanged ideas, terms of negotiation, and other diplomatic information. Indeed, informal diplomacy opened an initial dialogue without the formal trappings of a well-orchestrated, formal meeting.

Because Kennedy was still uncomfortable sending a U.S. official to Cuba, Vallejo decided to accept Attwood’s earlier compromise. In a phone conversation, Vallejo said that Castro would send Lechuga instructions on how to proceed with formulating an agenda with Attwood at the U.N. These talks would pave the way for later, formal diplomatic talks about normalization, Vallejo said. Calling Bundy later that morning, Attwood informed him that the
agenda negotiations were within reach. Attwood was instructed to return to Washington in order to discuss the U.S. message to Castro.

In late November 1963, the respective governments of Kennedy and Castro were on the verge of breaking an icy two-year diplomatic silence. At this particular moment in 1963, meaningful diplomatic discussions, however informal, were only days away. While the outcome of the agenda discussions remained in doubt, the process of normalization had begun. Castro and Kennedy had found an informal, symbolically acceptable location and a pair of negotiators for moving towards a normal diplomatic relationship.

**A FRENCH MESSENGER OF PEACE**

French journalist Jean Daniel also found himself at the center of a vague, indirect diplomatic exchange between the two adversarial states. On October 3, 1963 Attwood had lunch in New York with Daniel, an old friend and editor for the French newsweekly *L’Observateur*. The two men chatted and Daniel told Attwood that he was soon to depart for Havana where he planned to interview Castro. Intrigued by the possibility of Daniel acting as another unconventional diplomatic conduit, Attwood suggested that Daniel see President Kennedy before departing for Havana. That day, Attwood called his friend Ben Bradlee, *Newsweek’s* Washington bureau chief at the time. After covering the 1960 presidential campaign, Bradlee was a close acquaintance of the president and visited the White House regularly. Bradlee discussed the matter with President Kennedy who agreed to see Daniel.

A meeting took place between Kennedy and Daniel in the late afternoon on Thursday, October 24, 1963 during which Kennedy shocked Daniel with his understanding of the Cuban situation. After a few minutes of pleasantries, Kennedy told Daniel that:

> I believe there is no country in the world . . . where economic colonization, humiliation and exploitation were worse than in Cuba, in part owing to my country’s policies during the [Fulgence]o Batista regime. I believe that we created, built and manufac-
tured the Castro movement out of whole cloth and without realizing it... I can assure you that I have understood the Cubans. I approved the proclamation which Fidel Castro made in the Sierra Maestra, when he justifiably called for justice and especially yearning to rid Cuba of corruption. I will go even further: to some extent it is as though Batista was the incarnation of a number of sins on the part of the United States. Now we shall have to pay for those sins.109

Kennedy, however, continued, arguing that:

It is also clear that the problem has ceased to be a Cuban one, and has become international... I know that Castro betrayed the promises made in the Sierra Maestra, and that he has agreed to be a Soviet agent in Latin America. I know that through his fault—either his ‘will to independence,’ his madness or Communism—the world was on the verge of nuclear war in October, 1962... In any case, the nations of Latin America are not going to attain justice and progress that way, I mean through Communist subversion.110

Reflecting on the meeting, Daniel later wrote that he believed the president was looking for a way out of the stagnant diplomatic relationship with Cuba.111 A socialist who felt sympathetic to the Cubans suffering under the U.S. embargo, Daniel knew he had a mission to help open a dialogue between Castro and Kennedy.112

It is clear from this conversation that President Kennedy had a more sympathetic and sophisticated understanding of the Cuban situation than the content of his public speeches exposed. With Daniel, the president spoke with maturity, frankness, and historical insight. Nonetheless, the president remained committed to his cold warrior public persona: Cuba was a Soviet proxy, and he would not negotiate with Khrushchev’s Third World acolytes. In fact, Kennedy’s treatment of Castro was patronizing and confrontational despite his more conciliatory sentiments toward the revolution’s origins.

Daniel left for Havana days later. Arriving in the Cuban capital, he talked with farmers, intellectuals, counter-revolutionaries, ambassadors, and government ministers. But Castro proved elusive. For three weeks, Daniel sought the prime minister without
finding him. A government official finally told him that Castro's workload was so heavy due to a recent hurricane that the Cuban leader would not be able to speak with journalists. Disappointed, Daniel was poised to fly to Mexico the next day when Castro arrived at his hotel. The prime minister had heard about Daniel's interview with President Kennedy and immediately sought out the French journalist.\(^{113}\)

The two men spoke at length throughout the evening of November 18, 1963, the same night that Attwood and Vallejo agreed on an introductory agenda discussion. Daniel described his conversation with President Kennedy and claims that he expected Castro to react critically. However, he was surprised that Castro took Kennedy's words at face value. After a pause, Castro said, "I believe Kennedy is sincere."

I also believe that today the expression of this sincerity could have political significance. . . . I haven't forgotten that Kennedy centered his electoral campaign against Nixon on the theme of firmness toward Cuba. I have not forgotten the Machiavellian tactics and the equivocation, the attempts at invasion, the pressures, the blackmail, the organization of a counter-revolution, the blockade, and above everything, all the retaliatory measures which were imposed before, long before there was the pretext and alibi of Communism. But I feel that he inherited a difficult situation; I don't think that a President of the United States is ever really free, and I believe Kennedy is at present feeling the impact of this lack of freedom. . . . I also think he is a realist: he is now registering that it is impossible to simply wave a wand and cause us, and the explosive situation throughout Latin America, to disappear.\(^{114}\)

He told Daniel that he was a “peace lover” who wanted the United States to acknowledge the existence of socialism in Latin America and learn to coexist. To do so would take political fortitude on the part of the U.S. president, but it would be a welcome change in policy. Finally, according to Daniel, Castro gave his message to be carried back to Kennedy:

Really, it seems to me that a man like Kennedy is capable of seeing that it is not in the United States’ interest to pursue a policy
which can lead only to a stalemate. So far as we are concerned, everything can be restored to normalcy on the basis of mutual respect of sovereignty. . . . Since you are going to see Kennedy again, be an emissary of peace, despite everything. I want to make myself clear: I don't want anything, I don't expect anything, and as a revolutionary the present situation does not displease me. But as a man and a statesman, it is my duty to indicate what the bases of understanding could be.\textsuperscript{115}

If Kennedy were able to accomplish this change in philosophy, he would be a greater president than Abraham Lincoln, Castro concluded.\textsuperscript{116} However, Castro was convinced that Kennedy could not negotiate until after his 1964 re-election campaign. According to Daniel’s account of the meeting, Castro appeared thoughtful, tense, but cordial.\textsuperscript{117} Afterwards, Castro had the French journalist stay in Cuba to continue their discussion.

Substantively, the messages of both Castro and Kennedy were both peaceful and progressive. Both leaders’ language provides evidence that they genuinely sought normalization. However, Kennedy had to contend with the importance of his relationship to the voting public. Embedded within his anti-Soviet message to Castro is this public perception imperative. While rapprochement may have appeared expedient in private, the looming shadow of the U.S. presidential election and American fears of foreign communism presented difficult roadblocks to peace.

THE DEATH OF A PRESIDENT

Earlier the same day, Air Force One landed at Miami International Airport with President Kennedy on board. At the end of a three-day speaking tour through Florida, Kennedy had one last stop to make in Miami.\textsuperscript{118} On the campaign trail, Kennedy had a comfortable sixteen-point lead among moderates—who many believed would be pivotal in 1964—over the presumptive Republican nominee, Arizona Senator Barry Goldwater.\textsuperscript{119} After arriving from Tampa where he had addressed union leaders and the chamber of commerce, Kennedy gave a speech to the Inter-American Press As-
sociation, which would be broadcast in Cuba. That night, the president discussed his broader vision for Latin America. Kennedy told the congregated journalists that “the hard reality of life in much of Latin America, will not be solved simply by complaining about Castro, by blaming all problems on communism, or generals, or nationalism.” Rather, Kennedy argued, issues like low adult literacy and life expectancy, poverty, and stagnant incomes could be overcome with development programs. Kennedy portrayed the hemisphere’s issues as conquerable with the right influx of capital, commitment from developed nations, and political democracy. Finally, Kennedy had a direct message about Castro.

... A small band of conspirators has ... made Cuba a victim of foreign imperialism, an instrument of the policy of others, [and] a weapon in an effort dictated by external powers to subvert the other American republics. This, and this alone divides us. As long as this is true, nothing is possible. Without it, everything is possible. Once this barrier is removed, we will be ready and anxious to work with the Cuban people in pursuit of those progressive goals which a few short years ago stirred their hopes and the sympathy of many people throughout the Hemisphere.

Kennedy’s speech struck a peaceful note, but perpetuated the same Soviet proxy argument that Dillon had laid out two years before in Uruguay. In public, the president was unwilling to acknowledge Castro’s independence or the possibility of rapprochement. Ending his speech to applause, Kennedy flew back to Washington. He would only have two days before flying to Texas for a planned tour of four cities, including Dallas.

On November 22, 1963, Jean Daniel and Castro sat eating lunch at the premier’s Varadero beach home on the Cuban north shore. While conversing in the living room, a secretary dressed in a taupe military uniform told Castro that Osvaldo Dorticós, the President of the Cuban Republic, was on the phone and needed to talk with Castro. The prime minister went to the phone, listened, and then announced to the room that Kennedy had been shot in Dallas. Finding out all he could, Castro returned to his seat and said three times “es una mala noticia” (“this is bad news”). The rest
of the day, Castro stayed close to a radio tuned to the NBC network broadcasting from Miami. That night, Kennedy was pronounced dead, at which point Castro remarked, “everything has changed. . . . All will have to be rethought.”124 A few days later, Daniel returned to the United States. He was convinced that Castro still wanted rapprochement. Attwood called Arthur M. Schlesinger, a White House aide, and the National Security Council’s Gordon Chase to arrange an appointment for Daniel and Bundy.125 It is unclear whether this meeting ever occurred.126 With Kennedy dead, the negotiations would have to be re-thought by a new U.S. president.

JOHNSON RISES TO POWER

According to Attwood, the United States began to let the negotiations during Johnson’s presidency. In a memorandum to Bundy shortly after Kennedy’s assassination, Chase laid out the United States’ options in the new international and domestic political climate. He wrote that if Bundy and Johnson believed the chances of normalization had diminished since Kennedy’s assassination, then Attwood’s discussions were moot. However, he advised Bundy to continue to pursue negotiations, but cautiously. “While November 22 events probably make accommodation an even tougher issue for President Johnson than it was for President Kennedy,” Chase wrote,

A preliminary Attwood-Lechuga talk still seems worthwhile from our point of view – if the Cubans initiate it. We have little or nothing to lose and there will be some benefits; at a minimum, we should get a valuable reading as to what Castro regards as negotiable . . . and a hint as to how he views the effects of November 22 on Cuban/U.S. relations.127

Chase then urged that the president make a decision quickly, citing Adlai Stevenson’s “activist tendencies” and his willingness to act without White House approval.

Nonetheless, Chase was acutely aware of the nearly unconquerable obstacles between the United States and Cuba. In the aforementioned memo, Chase wrote that “a new President [sic.]
who has no background of being successfully aggressive toward Castro and the communists (e.g. President Kennedy in October, 1962) would probably run a greater risk of being accused, by the American people, of ‘going soft.’” Chase knew that while Kennedy established his cold warrior bona fides by militantly opposing Castro, Johnson had yet to establish his credentials amongst the electorate, the media, and his partisan opponents. Indeed, Chase’s memo encapsulates the essence of the presidential foreign policy drama: in which rational foreign policy decisions were subject to a series of symbolic assessments. Regardless of American interest abroad, a president’s foreign policy decision-making process was minimized without a national reputation of virile strength.

On November 29, 1963, having not heard from the White House, Attwood told Howard—who was scheduled to call Lechuga that day—that he had no new instructions. On December 2, 1963, Lechuga let Attwood know that he had received authorization from Vallejo to talk “in general terms” and asked if Attwood had heard from the White House. He had not. Two days later, Lechuga told Attwood that he had received a letter with Castro’s instructions for an initial agenda dialogue. Attwood called Chase again who, on the verge of a substantive discussion with the Cubans, delivered the coup de grâce. All policies were under review, be patient. On December 12, Attwood and Lechuga spoke again, with Attwood left with no choice but to echo Chase: be patient. The brief conversation was the last the two men had for many years.

That same week, President Johnson reassured the General Assembly of the United Nations that he would be carrying on Kennedy’s foreign policy. Afterward, Johnson approached Attwood and told him that he had read “with interest” a memorandum Attwood had written about his work with Lechuga and Vallejo. Somewhat relieved, Attwood did not believe Johnson would terminate the talks. The United States had too much to gain, and he was on the brink of discussing substance with Lechuga. At the time, Attwood did not know that the first words Johnson uttered as president about Cuba were to John McCone, Director of the Cen-
A Flicker of Hope

After a long period of internal White House silence, Adlai Stevenson, in an attempt to revive the negotiations, laid out the basic chronology of events that transpired under his leadership at the United Nations in a memorandum to President Johnson. In conclusion, Stevenson wrote:

While I am not sanguine that anything will come of this, (Howard) is convinced that (Castro) sincerely wants some channel of communication. If it could be resumed on a low enough level to avoid any possible embarrassment, it might be worth considering. I am sure it cannot be done through the usual channels.

Like Lechuga and Attwood before him, Stevenson knew that the greatest impediment to negotiation was public perception.

The last attempt at negotiation came from Fidel Castro. On February 12, 1964, Howard returned to Havana to film another ABC special. Once again, she had a conversation with Castro who sent a direct message to President Johnson. The Cuban premier spoke with unprecedented directness. In his message, Castro said that there "are no [sic.] areas of contention between us that cannot be discussed and settled." Continuing, Castro commended the "political courage" the U.S. had shown in initiating these discussions and expressed his interest in continuing based on the agenda he had transmitted to Lechuga. Castro also offered Johnson a defensive political option.

If the President feels it necessary during the [Presidential] campaign to make bellicose statements about Cuba or even to take some hostile action – if he will inform me, unofficially, that a specific action is required because of domestic political consid-
Castro finished his message with an oath of silence: “I have revealed nothing at that time. . . . I have revealed nothing since . . . I would reveal nothing now.”\(^{136}\) If Johnson needed reassurance that he had a willing partner in negotiations, Castro’s message should have assuaged any such concerns.

However, Johnson had to contend with Barry Goldwater. Emboldened by his Republican frontrunner status, Goldwater—who was already on the record saying that Cuba was “a cancer eating away at the security of the entire hemisphere”—took a militant stance in criticizing Johnson’s handling of the Caribbean nation.\(^{137}\) In front of 3,000 supporters in Chicago, Illinois, Goldwater said that Johnson “may talk our security to death:"

> How long can this administration hide its head in the sand and say that we have to get along with communism in this world? Today we do not have brinkmanship. We have backmanship and we do business with murderers who would destroy us.\(^{138}\)

Goldwater advocated tightening the embargo, dispatching Marines to Cuba, and training an exile paramilitary force for another invasion.\(^{139}\) Goldwater’s rhetorical war against Johnson jeopardized the presidential incumbent less than a year after Johnson took office.

The last time that negotiations were discussed was July 7, 1964. In a memorandum to McGeorge Bundy, Gordon Chase wrote that while he was “in favor of having a channel to Castro,” Lisa Howard had become a liability. Her role as a journalist made the White House uneasy. As Chase wrote, by removing Howard he would feel “somewhat safer,” because Adlai Stevenson, her new contact since Attwood’s redeployment as U.S. Ambassador to Kenya, was a “far sexier” contact from “a public media point of view” than Attwood.\(^{140}\) Once again, Chase clearly exposes the United States’ cardinal concern with Cuban negotiations. Because of the symbolic power of Cuba as an enemy of the state, any press story about negotiation could lead to the label of “softness” and appeasement, which
was anathema to Johnson’s nascent presidency. Moreover, these justifications were made in the language of performance. Stevenson, a trustworthy and nationally important political surrogate, was too “sexy” to be caught negotiating with Castro publically.\(^\text{141}\) Despite the real benefits of communication, it was the powerful importance of image that trumped all other considerations.

With Howard’s eventual removal, communication between the two states essentially ended. Although Castro attempted to reach out to the United States through an interview with *The New York Times*’ Richard Eder, and Howard arranged for Guevara to meet with U.S. Senator Eugene McCarthy in New York, negotiations had largely fallen apart in Attwood’s absence.\(^\text{142}\) While Johnson ended the CIA covert assassination plots in Cuba that year, his attention was largely turned to Vietnam and, as a result, the work done by Attwood, Howard, Chase, Lechuga, and Vallejo was largely forgotten.

**CONCLUSION**

As the Castro-Kennedy conversations receded into history, the potential for U.S.-Cuban peace disappeared as well. While Henry Kissinger under President Gerald Ford attempted to normalize relations—and President Jimmy Carter momentarily did—no U.S. president was able to create a robust peace with Castro that transcended the Cold War and the centuries of patron-client relations.\(^\text{143}\) Despite this diplomatic disappointment, numerous lessons can be gleaned from the wreckage of what Attwood once called “an episode in American foreign policy best described as a comedy of errors that wasn’t always very funny.”\(^\text{144}\)

Most saliently, the Johnson administration’s failure to reach rapprochement stems from the cult of the cold warrior that each president aspired to emulate. Because of electoral pressure and domestic perception, no U.S. president could afford to be perceived as weak on communism. In a world where capitalist democracy was believed to be under communist siege, battlegrounds like Cuba took on greater importance in this symbolic scramble for legitimacy.
Thus, successive U.S. presidents perpetuated aggressive, militarized foreign policy doctrines—what Greg Grandin calls “muscular internationalism”—to prove their anti-communist qualifications. Johnson was unable to pursue a durable peace with Castro because he had not demonstrated to the electorate that he was a cold warrior with masculine, militarist qualifications. This White House dogma was so overwhelming that presidents were willing to disregard the sage advice of their foreign policy advisers. Fear drove these leaders toward timid policies. Therefore, rapprochement would have necessitated either a long-tenured U.S. commander-in-chief with a warrior-president persona, or one whose political philosophy transcended the Cold War power calculus and its psychological side effects. At its essence, the aesthetic dangers of normalization were the greatest impediment to negotiation. This symbolic battlefield proves that U.S. presidents do not have ultimate authority over foreign policy. In many ways, they are politically feeble—captive to their own political ascendancy. To paraphrase Fidel Castro himself, no U.S. president was ever truly free to make his own decisions.

Moreover, the Cuban Revolution was wildly popular within Cuba itself. Built on a platform of anti-Americanism, nationalist sentiments underwrote Castro’s budding political power. Therefore, to reach a rapprochement or admit to initiating discussions with the United States would embolden the dissenting elements in his own government and undermine his authority as an exemplar of nationalist pride. The symbolic trap of the Cold War left both sides subject to its symbolic requirements. However, time and again, the Cuban premier transparently expressed interest and made unilateral gestures. Castro, in this narrative, is not a capricious dictator, but a rational statesman in pursuit of peace.

Furthermore, these failed negotiations expose informal diplomacy’s power and limits. Unbridled by the dictates of elected office, mid-level government officials and journalists proved to be powerful negotiation surrogates for the United States and Cuba. In the U.S. government’s neurotic attempts to avoid the large-scale embarrassment of appearing to “appease” Castro, informal diplomacy offered an ideal method to disassociate with the prime participants.
in the case of failure. Officials, like William Attwood, who held little political relevance, yet were connected with both the government and the press became integral to the process. Attwood especially could thrive in the liminal spaces between the government and the press, having worked in both professions. He could move seamlessly between his contacts in Cuba, the White House, and the United Nations without ruffling the hypersensitive feathers of figureheads like McGeorge Bundy or Adlai Stevenson. Howard played a similar role as intermediary. She was both an interloper and insider in all social and political circles. Through diplomatic sessions over cocktails, chance encounters in the chaotic halls of the U.N., furtive international phone calls, and early morning interviews in Havana, the White House and Castro found a system of clandestine contact by which low-level discussions could resonate up to the highest offices.

However, these failed negotiations also exhibit informal diplomacy’s greatest weakness: its precarious, unofficial status. Informal diplomacy may avoid the risk of political scandal and symbolic setback, but its characteristic discretion makes it easily derailed by innuendo or political whim. With a change of the president or even a single intra-agency promotion, the delicate web of personal relations and trust that support informal diplomacy can collapse. Howard and Attwood’s diplomatic channels were at the mercy of a handful of capricious, anti-communist officials. Similarly, Castro and his personal perception of the U.S. president controlled Lechuga and Vallejo. Indeed, the fact that informal diplomacy requires an unwavering champion is both its paramount strength as well as its tragic flaw.

It is also clear from this moment that different bureaucratic self-interests affect and distort foreign policy. Each government institution—the CIA, U.N., State Department, Department of Justice, and National Security Council—has a raison d’être. For example, the CIA evolved into a covert operations clearinghouse while the United Nations was chartered as an instrument of international communication and deliberation. Naturally, in dealing with foreign policy dilemmas, each department approached policy
questions based on its functional responsibility. Hence, the CIA’s Richard Helms perceived weakness in Castro’s message and advocated for more covert operations to undermine his regime. On the other hand, United Nation officials like Attwood and Stevenson believed that open communication could yield amicable relations. Also, because all government departments are subject to a prerogative of power, each sought to turn their ideas into policy. These functional discrepancies create a maddening array of interests and conclusions that can cloud proper presidential decision-making.

As this paper has shown, throughout the period from 1961 to 1964, there was a sincere U.S. effort to open up diplomatic relations with Fidel Castro’s Cuba. Out of Kennedy’s approval of unconditional agenda discussions, one can infer genuine interest on the part of the United States government. While cynical scholars may claim that Kennedy’s motives were Machiavellian and only intended to provide valuable information to the CIA, this paper’s research strongly suggests that the Kennedy administration wanted durable peace. Whether these efforts “failed” or were never an authentic possibility may never be known; the entire affair is a lesson in historical contingency. Regardless of intention, the unpredictability of a complicated, capricious world can always intercede in both war and diplomacy.

Endnotes

7 T.J. English, Havana Nocturne: How the Mob Owned Cuba—and Then Lost it to

8 Westad, The Global Cold War, pp. 53–96.


12 Paterson, Contesting Castro, p. 12; McPherson, Yankee No!, p. 3.


15 Carmelo Mesa-Lago, Cuba in the 1970s (Albuquerque: University of New Mexico Press, 1974); Millar, “Conflict and Intervention.”


23 Michael Grow, U.S. Presidents and Latin American Interventions Pursuing Regime Change in the Cold War (Lawrence: University Press of Kansas, 2008), p. 188.

25 Grow, *U.S. Presidents and Latin American Interventions*, p. 188.


29 Gonzalez, "U.S. Policy Objectives and Options."


37 Howard, “Castro’s Overture,” p. 5.

38 Ibid.


41 Ibid., p. 3.

42 Ibid., p. 5.


44 Richard Helms to the Director of Central Intelligence, “Interview of U.S. Newswoman with Fidel Castro,” p. 3.

45 Ibid., p. 3.

46 Ibid., p. 3.

47 Ibid., p. 2.

48 There is debate as to whether or not Attwood read Lisa Howard’s article on September 5 or September 12. While in his book The Twilight Struggle, Attwood writes that he talked to Howard on September 5, in his memorandum he writes that he read her article on the 5th and met her on the 12th. Since Attwood wrote the memo a few weeks after the event while his memoir was published twenty-four years later, this paper will conclude that his memorandum was correct and that Attwood read Howard’s article on the 5th and met her on the 12th.

49 Attwood, The Twilight Struggle, p. 255.

50 Ibid., p. 257.


53 According to the The New York Times, Carlos Lechuga was the son of a wealthy Havana law clerk and a member of the “country-club set.” He was rumored to have made a fortune winning government contracts for construction projects under the revolutionary government.


55 “Cuba’s Voice at the U.N. Carlos Manuel Lechuga Hevia,” pg. 5.

56 Attwood, The Twilight Struggle, p. 258.

57 Ibid.

58 Attwood, The Twilight Struggle, p. 259.

59 Attwood to Chase, “Chronology of events leading up to Castro’s invitation,” p. 3.


61 Ibid., p. 163.


63 Lechuga, Cuba and the Missile Crisis, p. 163.

64 Attwood, The Twilight Struggle, p. 260.

65 Lechuga, In the Eye of the Storm, p. 199.

66 Lechuga, Cuba and the Missile Crisis, p. 165.

67 According to Attwood’s memoirs, the two men also discussed other topics including
exile raids in Cuba, the U.S. Civil Rights Movement, Robert Kennedy, and the Guinean president Sékou Touré.

68 Lechuga, *Cuba and the Missile Crisis*, p. 165.
69 Ibid., p. 166.
70 Attwood to Chase, “Chronology of events leading up to Castro’s invitation,” p. 3.
73 Ibid.
78 Ibid., p. 1.
79 According to Don Bohning’s book *The Castro Obsession* (p. 7) and Piero Gleijeses’ *Conflicting Missions* (p. 17) Robert Kennedy was intimately involved in the planning and overseeing of Operation Mongoose, the Central Intelligence Agency operation working to assassinate Fidel Castro.
81 Attwood to Chase, “Chronology of events leading up to Castro’s invitation,” p. 4.
83 Attwood to Chase, “Chronology of events leading up to Castro’s invitation,” p. 4.
85 Attwood to Chase, “Chronology of events leading up to Castro’s invitation,” p. 4.
86 Ibid., p. 5.
87 Ibid., p. 5; Attwood, *The Twilight Struggle*, p. 261.
89 Attwood to Chase, “Chronology of events leading up to Castro’s invitation,” p. 5.
90 Evidence that dissenting opinions existed in Castro’s government came from Lisa Howard’s interviews in Cuba. As Richard Helms describes in his CIA memo after their meeting: “Howard feels that (Che) Guevara, Raul Castro, and (his wife) Vilma Espin oppose any idea of rapprochement due to their communist sympathies, but” (Raul) Roa and (Rene) Vallejo favor these discussions,” Richard Helms to the Director of Central Intelligence, “Interview of U.S. Newswoman with Fidel Castro,” p. 1.
91 Attwood to Chase, “Chronology of events leading up to Castro’s invitation,” p. 5.
92 Ibid., p. 6.
93 Ibid., p. 7.
94 Ibid., p. 7.
95 Ibid., p. 8.
97 Ibid.
44 Haugh • Cocktail Diplomacy

99 Lechuga, Cuba and the Missile Crisis, 169-170; Lechuga, In the Eye of the Storm, p. 199.

100 Oval Office audiotape, November 5, 1963, ed. Peter Kornbluth, National Security Archives.

101 Ibid.

102 Ibid.

103 Ibid.


105 Ibid.


109 Ibid., p. 20.

110 Ibid.

111 Ibid., pp. 15–20.

112 Ibid.

113 Ibid.

114 Ibid.

115 Ibid., p. 20.


119 Louis Harris, “Middle-of-Road Voters Hold Key to ‘64 Election,” The Washington Post, November 18, 1963, A10; In a Gallup poll that ran in the Washington Post in early November, Kennedy had an ironclad 59 percent approval rating. After the 1960 election ended in a dead heat with Kennedy barely winning the presidency, the president seemed assured of a record victory in 1964.


122 Ibid.


125 Attwood, The Twilight Struggle, p. 263.

126 No sources were discovered that describe this proposed meeting. While it is possible that the meeting occurred, no further actions on behalf of the U.S. government were taken after that date. On the contrary, other internal White House documents reveal a growing unease around discussions with Castro in a post-Kennedy world coming from the White House as well as the U.S. mission to the United Nations.


128 Ibid.
130 Attwood, *The Twilight Struggle*, p. 263.
131 Lechuga, *Cuba and the Missile Crisis*, p. 172.
136 Ibid.
141 Ibid.
144 Attwood, *The Twilight Struggle*, p. 263.

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O
n June 16, 2011 the United States Senate voted by a strong 73-27 majority to dramatically cut tax credits and tariff protections for ethanol producers. The vote amended an unsuccessful bill and ultimately did not change the law. The symbolic implications of the vote, however, reverberated through the walls of Congress and the pages of the news media. Carolyn Lochhead of the San Francisco Chronicle wrote that the vote “undermined the once-impregnable political support for corn subsidies” while Clifford Krauss of the New York Times argued that the action marked “a turning point in ethanol politics” (San Francisco Chronicle June 17, 2011; New York Times, July 7, 2011). Naftali Bendavid and Stephen Power from the Wall Street Journal concluded that the amendment “signal[ed] that other long-sacrosanct programs could be at risk” (Wall Street Journal, June 17, 2011).

Long before June 2011, Congress’s mood towards ethanol had begun to vacillate. The initial pro-ethanol consensus that permeated national debates in the early 2000s had slowly given way to mounting objections from diverse groups who questioned ethanol’s touted benefits and highlighted the unintended consequences of diverting significant agricultural resources to fuel production. Some new ethanol opponents, including environmentalists, began to change their position as novel information came to light. New issues also began to gradually surface, including ethanol’s impact on global food prices and ethanol subsidies’ compliance with international trade rules. As ethanol became a more “multidimensional” issue, members of Congress started to temper their previous enthusiasm, tweaking federal biofuels programs accordingly.

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for ethanol, rather than abruptly vanishing, simply ebbed to a particularly visible nadir with the June 2011 vote.

This paper will focus on a particular slice of this story: namely, the evolving “frames” used to discuss ethanol policy. Frames are the issue areas deemed relevant to the evaluation of a particular policy. New frames, including global food prices, international trade regimes, and the budget deficit, were added across time to older ethanol frames, including the environment, agriculture, and energy security, to create an increasingly complex issue environment for ethanol policymaking. Specifically, this thesis will investigate the origination and transmission of these new frames. Often treated as a “black box” phenomenon by political scientists, the creation and adoption of new policy frames has important implications for understanding preference-formation and congressional policymaking. In the pages that follow, I will attempt to address this critical question. Where did Congress “find” new ethanol frames? Did members of Congress frame ethanol policy for the media, or vice versa? And why did some groups adopt new frames while others lagged behind?

WHO FRAMES FOR WHOM?: THEORIES OF FRAMING IN THE MEDIA AND CONGRESS

Questions about how frames are constructed, transmitted, and received—and corollary questions of who constructs and who receives—are contested topics in scholarly literature. The body of work on “framing effects” has fractured across several disciplines, including communication studies, sociology, and political science, erecting barriers to a unified understanding of framing (Druckman 2010, 279). Additionally, research on framing has disproportionately focused on public opinion as the dependent variable, leaving framing’s impact on elite opinion under-theorized (Chong and Druckman 2011, 178).

Nevertheless, three general theories relating media and elite frames can be distilled from the literature: Elite Control, Institutional Fluidity, and Media Control. Because much of the literature
on framing does not speak directly to other scholarly works, these schools of thought should be viewed as a continuum of general orientations towards framing rather than starkly demarcated theories. The Elite Control theory, owing its roots to empirical political psychology, views framing as a unidirectional process beginning with elites, running through the media, and ending with public opinion. To theorists from this camp, frames are the tools of strategic politicians seeking to manipulate public opinion; like a river, they can only flow downstream. The Institutional Fluidity school, grounded in the agenda-setting literature, views frames as important but unpredictable variables that influence both elites and public opinion. To these scholars, frame-shifting occurs as part of a larger process of “punctuated equilibrium,” and frames hold little explanatory power independent of larger agenda-changing events. Finally, the Media Control orientation views media frames as potentially important influences on the frames used by elites. Scholars from this field see politicians not as pure rational actors but as culturally-situated and cognitively-bounded individuals susceptible to framing effects.

Elite Control

Scholars of the “Elite Control” school of thought see framing as a tool used by political elites to shape—or, more cynically, manipulate—public perceptions and preferences. The Elite Control model grew out of a seminal experiment conducted by Kahneman and Tversky in 1984. These researchers found that changing the rhetorical framing of two policies producing mathematically identical outcomes could dramatically change subjects’ preferences (Entman 1993, 54). Kahneman and Tversky’s work was followed by others, including W.H. Riker’s The Art of Political Manipulation (1986) and J.R. Zaller’s The Nature and Origins of Mass Opinion (1992) which, according to Entman (1993, 57), raise “radical doubts about democracy itself.” These works conclude that “political elites control the framing of issues” and question the ability of the public to form “true” preferences independent of these elite frames (Entman 1993, 57).
The Elite Control scholars vary in their treatment of the media. While some see the media as essentially “duped” or constrained by the supply of information strategically doled out by elites (Shapiro and Jacobs 2001, 155), others highlight the potential for the media to interrupt the process of frame transmission from political elites to the consuming public (Callaghan and Schnell 2005, 11-2). Callaghan and Schnell (2005, 11) argue that while many scholars “equivocate on just how much the media create their own unique frames,” several studies provide evidence that, at least on some issues, the media have been able to assert independent issue frames. For example, they note that the media inserted new frames into the debate over gun control and resisted adopting some elite frames, including those of the pro-gun lobby (Callaghan and Schnell 2005, 11-2).

The Elite Control school of thought offers a helpful empirical starting point for the study of framing effects. Its grounding in political psychology and laboratory-based experiments offers essential confirmation of the importance of frames and their ability to be transmitted through political communication. This group of theories fails, however, to investigate the impact of framing effects on elites. Elite Control theories view political elites as strategic, rational actors who use frames as tools to influence the public. Left out, however, is a robust discussion of how frames may indirectly affect elite behavior by altering public opinion or directly influence elite opinion through the same psychological processes that operate on the mass public. If frames have such a radical impact on preference formation as Kahneman and Tversky (1984), Entman (1993), Druckman (2001), and others would have us believe, then why should elites be assumed exempt from these strong psychological forces? This school of thought also assumes that frame transmission is largely synonymous with opinion transmission. These authors do not consider the possibility that elites might transmit frames without also effectively transmitting dictates about how a policy would be evaluated in that frame.

Institutional Fluidity
A second school of thought ascribing to a theory of “Institutional Fluidity” situates media framing in the wider context of the agenda-setting literature. In general, theorists in this school see “issue redefinition” as part of a cyclical process of agenda instability and change. They are less concerned with whether media frames affect elite frames or vice versa; instead they view the causal arrow running both ways in a dynamic feedback loop.

Agriculture policy has long been a favored case study of institutionalists (Sheingate 2001, 12). First, the close ties between agricultural interest groups, congressional committees, and bureaucrats led scholars to describe agricultural policymaking as an “iron triangle” resistant to the intrusion of new interests or policy dimensions (Sheingate 2001, 6). Later, the decline of these agricultural iron triangles was cited as evidence of the emergence of more open “issue networks” with many openings for diverse political actors (Sheingate 2001, 6). Heclo observes that “expanding government” fractures interest groups across multiple, diffuse programs. He writes that “a key factor in the proliferation of groups is the almost inevitable tendency of successfully enacted policies unwittingly to propagate hybrid interests…[A]ctivist policies greatly increase the incentives for groups to form around the differential effects of these policies” (Heclo 1978, 96). Using the vocabulary of framing effects, we can understand “hybrid interests” and “differential effects” as the building blocks for multidimensional policies subject to various “issue definitions.”

Scholars of the Institutional Fluidity school of thought assess the media’s role in reframing through the lens of punctuated equilibrium. Baumgartner and Jones (1993, 108) argue that the media are targets of various groups advancing “noncontradictory argumentation,” [sic] a concept we can understand as differing frames of some policy issue. They argue that when one media outlet shifts focus to one of these various frames, others quickly follow, producing a “positive feedback” loop (Baumgartner and Jones 1993, 106). Baumgartner and Jones (1993, 104) thus describe the media as “lurching” from one topic to another in much the same pattern as policymakers. They write, “While underlying facts may change
only slowly, media coverage of those facts may shift dramatically from positive to negative, or from little attention to a sudden fascination” (Baumgartner and Jones 1993, 105).

Unfortunately, the descriptive appeal of the Institutional Fluidity model fails to translate into a rigorous understanding of how frames are constructed and communicated. These scholars tend to view the “punctuations” of punctuated equilibrium as dynamic events largely impervious to a generalizable model of change. Baumgartner and Jones (1993), for example, fail to explain what motivates the media to “lurch” from one focus to another or how outlets discern which new “noncontradictory argument” [sic] to highlight next. Baumgartner et al. (2009, 183) complicate the story further, cautioning that potential framers must contend with a “skeptical media” that “will consider new frames presented to them with a jaundiced eye.” The strong status quo bias Baumgartner et al. (2009) observe does much for our understanding of policy stability but leaves the process of reframing under-theorized. Baumgartner and Jones (1993, 125) openly declare, “Media attention sometimes precedes and sometimes follows changes in attention by government agencies, so we do not mean to imply any simple causation here.” The decision to treat reframing as an endogenous product of agenda change rather than a potentially influential variable limits this theory’s ability to explain elite framing effects.

Where this model fails to theorize a robust model of frame change, however, it does implicitly offer explanation for frame stability on the part of issue advocates. Baumgartner et al. (2009, 114-5) explain that the status quo bias of agendas may create a “frame” status quo bias as well. Using the example of criminal justice reform, they argue that despite increased media coverage, “the issue was so far off the formal political agenda that opponents of changes to the criminal justice system didn’t even bother to organize” (Baumgartner et al. 2009, 114-5). In this explanation, status quo supporters may fail to respond to reframing attempts because the friction inherent in the congressional agenda makes new frames obsolete. If defenders of current policies perceive those policies as largely stable, they may have no incentive to spend scarce time and resources
on fighting an ineffectual reframing effort.

**Media Control**

Scholarship from the final school of thought, “Media Control,” is more loosely tied together than the first two schools but shares a basic assumption that policymakers face the same psychological and cognitive limitations as their constituents. Baumgartner and Jones (2005), while adherents to the Institutional Fluidity school, lay important theoretical foundations for a foray into more psychological interpretations of elite behavior in their book *The Politics of Attention*. Baumgartner and Jones (2005, 16) argue, “Decision makers in politics, like elsewhere in life, are boundedly rational.” This may seem straightforward, but this precept starkly contrasts with the strategic, coldly-calculating politician as understood by the Elite Control school of thought. Baumgartner and Jones (2005, 16) highlight several psychological difficulties facing policymakers, namely “selective attention,” “difficulties with trade-offs,” and “learning.” These cognitive limitations make politicians and the public alike susceptible to “subjective” evaluations of problems biased by the communicative package in which they are received. In fact, Baumgartner and Jones (2005, 16) highlight that the psychological difficulty we face in comparing unlike things creates the capacity for frames to strongly influence our decision calculus. They write, “Trade-off calculations, so easily modeled in economic choice by indifference curves, are extraordinarily difficult for people to make… [P]roponents almost always ‘frame’… information, stressing one perspective and ignore others. This plays to the serial processing capacity of the audience…” (Baumgartner and Jones 2005, 16). While Baumgartner and Jones (2005) use this discussion to inform their Punctuation Hypothesis, they leave much room for further theorizing about the psychological impact of frames on elite opinion.

By theorizing politicians as potential frame-recipients, Media Control theories offer an evaluative lens that the Elite Control and Institutional Fluidity schools do not. This theorizing draws
on the useful contributions of other fields of research, including psychology and sociology, to craft a more robust understanding of political elite. Unfortunately, the Media Control school of thought lacks strong empirical tests of its theories; case studies and deductive heuristics stand in for data-based evaluation. Media Control theories offer a valuable starting point in studying framing effects on elites, but they leave many empirical questions open for further investigation and may exaggerate the importance and autonomy of media influence.

Evaluating the Three Theories

The three schools of thought discussed above—Elite Control, Institutional Fluidity, and Media Control—each offer useful insights into the question of elite framing effects. The Elite Control theory, grounded in empirical and laboratory-based tests, highlights the ability of framing to influence preferences and perceptions. This school fails, however, to contextualize its theories to the dynamic process of framing in the real world. While laboratory experiments show the seemingly dangerous power of frames and portend a hollowed-out public subject to elite manipulation, the operation of frames in actual political discourse is much less ominous. The Institutional Fluidity model reflects the importance of contextualizing framing in the process of agenda change. Far from functioning as the exclusive tool of elite manipulation, frames can open up the political process to new interests and arguments. This theory fails, however, to specifically theorize the role of frames in influencing elite frames or opinions. The causal arrow is presumed to run both ways. The Media Control school of thought does treat political elites as potential subjects of framing effects, incorporating essential findings from other fields of social and laboratory science. This field, however, has thus far failed to produce models of frame transmission based on empirical study. Each field offers important contributions to a more advanced study of elite framing that includes empirical research on framing, contextualization of frames in larger processes of agenda instability, and a robust understand-
ing of politicians and their cognitive limitations. I intend to borrow from each of these fields in crafting an empirical case study of elite framing effects around ethanol policy.

MEASURING FRAMES

Has media framing been able to influence congressional framing of ethanol policy? I hypothesize that as the incidence of new media frames increases, so will the use of those frames by members of Congress. Furthermore, I expect to find that changes in media framing have preceded changes in congressional framing, at least in some instances. In its simplest terms, my hypothesis can be modeled as the following:

Incidence of frames used by the media → Incidence of frames used by Congresspersons

What is a frame and how can we tell it has been transmitted? For the purposes of this analysis, I define a frame in Druckman’s (2010, 280) terms, namely as an indication of the salience of a particular issue dimension to the policy issue under consideration. This treatment of framing largely sidesteps the question of preference—whether ethanol subsidies are “good” or “bad” policy—and focuses the analysis on what dimensions are deemed relevant to the formation of those preferences. Separately, I measure whether ethanol is evaluated positively or negatively within each frame, but this measurement is entirely distinct from whether a frame is present. Furthermore, frames can include both “offensive” and “defensive” posturing (Lehrer 2010, 102). For example, both of the following sentences contain an environmental frame: “Ethanol helps fight global warming by reducing our use of fossil fuels” and “Ethanol does not help reduce carbon emissions because significant amounts of petroleum are required for corn farming and ethanol production.” Even though the content of the latter sentence indicates environmental concerns do not justify ethanol support, the perceived
need to answer this argument conveys the impression that the environment is a salient consideration to ethanol debates.

A second concept in need of definition is the process of frame transmission. How can we know if a Congressperson has “received” a frame, allowing the salience of some policy dimension to increase relative to others? This endeavor would involve significant interviews and psychological investigation beyond the scope of this thesis. Rather, this empirical analysis focuses on congressional frames instead of framing effects on Congress. The former formulation fashions the statements of Congresspersons, rather than Congresspersons themselves, as the dependent variable. Lehrer argues that the frames used by Congresspersons reflect the issues they have deemed salient in their own personal policy calculations. She writes, “The prevalence of… frames across groups suggests they also provided a certain if perhaps intangible utility in policy circles. The fact that they were echoed in the halls of Congress… indicates that they resonated with policymakers as well” (Lehrer 2010, 102). In this way, congressional frames serve as a proxy for the framing effects, if any, influencing members of Congress.

Sample Selection

I create a dataset of “media frames” by sampling from selected national and regional newspapers. Focusing on print media may ignore potential television- or multimedia-specific framing effects, but it seems unlikely that a new frame could emerge from one type of “the media” without affecting other areas. Thus print media can serve as a useful proxy for media framing in general. Furthermore, it would be extremely difficult to isolate the whole universe of television and multimedia communications mentioning “ethanol.” Sampling and analyzing print media is far more practical, accessible, and replicable than surveying all media frames.

To create my media dataset, I use the search engines Nexis, ProQuest, and Access World News to generate a population of all news articles containing the word “ethanol” and one of several words which indicate a reference to federal ethanol policy. From
these search results, I select articles at regular intervals to form a sufficiently large-N sample. This search engine-based technique has often been used in other content analysis studies (Neuendorf 2002, 75), including analyses of agriculture policy (Lehrer 2010, 124; Wright and Reid 2011, 1392).

I separate the media dataset into two smaller subsets. The first, representing “national media,” contains articles from the top five newspapers in the United States, as measured by circulation volume in 2010. These include the following, in order from highest to lowest circulation: The Wall Street Journal, USA Today, The New York Times, Los Angeles Times, and The Washington Post.

I limit this sample to the top five national papers because I want to include only the most likely sources of Congresspersons’ “national news.” While containing local content, each of these papers attempts to offer significant coverage of national stories and events. The second media data subset, representing “regional media,” contains “local and regional” papers, as classified by the Access World News search engine. I divide the United States into four regions—South, West, Midwest, and Northeast—as shown in Figure 1 (online). Importantly, the 12 states contained in the Midwest region also represent the 12 states with the largest ethanol output and production capacity in 2010 and 12 of the top 13 corn-producing states of 2010 (Schnepf 2010, 15; National Corn Growers Association 2011, 12).

I measure “Congressional frames” using statements entered into the congressional Record. The congressional Record (CR) holds a nearly verbatim account of congressional floor proceedings as well as “extensions” of floor remarks voluntarily added to the CR by members of Congress. The CR presents the unique advantages of a centrally-organized, searchable database of public statements by Congresspersons. Some may argue that the CR is a less “public” source of frames than campaign speeches or press releases. However, rarely does a Congressperson give a congressional floor speech without considering the potential public reception of his or her comments. Additionally, to the extent that the CR may reflect the less publicized thoughts of politicians, it may further elucidate un-
derlying assumptions about issue salience that become edited out of more high-profile statements.

To create a dataset from the CR, I follow a similar procedure to that used in the creation of my media datasets. Omitting entries from the “Daily Digest,” a summary of each day’s proceedings, I search for all entries in the CR including the word “ethanol.” The CR contains statements by Congresspersons as well as the text of bills, amendments, and other congressional business; only statements which can be attributed to a single speaker are coded. When a single entry contains multiple short speeches from various Congresspersons, the statement of the first speaker who mentions “ethanol” is coded.

My dataset includes news articles and CR entries from September 1, 2005 through September 1, 2011. This timespan includes an arc of congressional support for ethanol, beginning from its apex in 2005 and descending to its nadir in 2011. This time period includes variation in ethanol’s popularity, ethanol policy, and ethanol frames. Six years should be a wide enough time period to capture “transmission” effects, if any exist.

Methodology

My thesis utilizes content analysis, “the systematic, objective, quantitative analysis of message characteristics” (Neuendorf 2002, 1). Content analysis relies on the rigorous creation of a universally-applicable coding scheme which allows for the “measurement” of text. I record many different characteristics of each document in my dataset, including potentially relevant identifying information, the document’s stated or implied “opinion” on ethanol policy, and the frames used in each document when discussing ethanol.

Each document in the dataset is coded on the basis of nine frame categories: budget, economy, trade, food prices, energy dependence, energy prices, environment, agriculture, and other. Each frame is assigned a simple binary present/not present score. Thus a score of “1” means that a particular frame is used in the document; a score of “0” means that the frame is not used. A frame is considered
present if the issue area it covers is presented by the document as a relevant consideration to discussion of ethanol policy. The frame could be positive or negative, an “offensive” argument or a “defense” rejoinder. As long as the frame is presented, its rhetorical or strategic use by the author is considered irrelevant to this score.

Content analysis poses several unique methodological challenges. First, creating a robust research design requires generating a pre-determined list of code-able variables before the analysis begins (Neuendorf 2002, 11). An inductive approach which creates a “running list” of ethanol frames, for example, would fail to produce a uniform classification system. This approach would offer no avenue for comparing discrete frame categories against each other. To address this problem, I selected a sub-sample of 60 documents from my dataset and from them induced this list of mutually exclusive frame categories.

The second puzzle posed by content analysis is the need to craft a valid coding scheme which approximates an objective measurement. If only one individual can use the scheme, or if multiple individuals produce significantly different measurements, then the coding scheme has little utility as a tool of measurement. I attempt to improve “intercoder reliability” in several ways. First, I produced a uniform coding manual which provides step-by-step instructions for coding and definitions of code values. I hired a student research assistant to code approximately half of my dataset, and we went through several iterations of the “code book” before arriving at a finalized draft which consistently produced agreement in our codes. Second, after working together to develop consensus on many “trial” documents, my research assistant and I did not consult each other while coding the actual dataset. We intentionally “double-coded” slightly more than 10% of the dataset, giving us a good baseline to compare our agreement and test the reliability of our coding throughout the dataset (Neuendorf 2002, 51). Third, I randomized the order of the dataset and the assignment of each document to a coder. This randomly disperses coding errors across the sample, preventing differences in coders from appearing as significant chronological patterns.
Assessing the quality of intercoder agreement produced by these efforts is a complicated endeavor. Measured as a simple proportion of instances of agreement divided by total opportunities for agreement, intercoder reliability reaches the high score of 90.5% (Neuendorf 2002, 143). However, this calculation includes a high proportion of mutual “not present” scores.

We are less interested in the instances in which both coders assessed a frame to be absent than when only one coder assessed a frame to be present. In the sub-sample of double-coded documents, approximately 7% of documents are mutual 1s while about 9% are 1-0s (or 0-1s). In stark contrast to our promising 90.5% score, this seems disappointing. However, several factors caution against assessing intercoder reliability to be irrecoverably low. First, this “1-0” measure effectively double counts errors. If we assume that when disagreement exists, one coder is “right” and the other is “wrong,” then only half of the “1-0” measure reflects an error. Given the subjective nature of framing, it would be impossible to determine whether the 1 reflects an “over count” or the 0 reflects an “under count.” It is unlikely, however, that in every instance when coders would have disagreed in the larger dataset, the actual coder was the “wrong” one. Second, the null hypothesis implicit in the “1-0” measure would predict the mutual 1 count to be much lower than measured. If coding were operating by chance, we would expect 25% mutual 1s, 50% 1-0 or 0-1s, and 25% mutual 0s. Compared to these changes, the mutual 1’s in the sample are much larger than we would expect. Finally, these 1-0 “errors” may in fact have an analytical benefit. Frames that are clearly present are more likely to be coded as mutual 1’s than questionably present frames. In effect, a 1-0 score in the subsample reflects that these “questionable” frames were only coded about half of the time in the actual dataset. Thus, the dataset likely “over counts” strongly present frames vis-à-vis weakly present ones, effectively generating a weighted score out of the assessed binary present/not present score. The subsample does not show any systemic under- or over-counting by any one coder (meaning the proportion of 1-0s to 0-1s is close to 50/50), adding further support to the notion that 1-0s reflect weakly pres-
ent frames instead of systemic coder error.

Before proceeding to my results, two further caveats are in order. First, sample size plays a large role in measuring the presence or absence of frames. Although over 700 documents are coded, the per-frame count is only a fraction of this number. This means that some nuance is lost in analyzing patterns of transmission for each frame. Instances of frame leaders or followers may be missed in sampling, making patterns more difficult to detect. Second, beginning the dataset in September 2005 may exclude interesting frame transmission patterns from earlier years. It is possible that in instances where no leaders appear present, frame leadership in fact occurred before the time period included in the dataset.

The Dataset

The complete dataset includes 702 documents. Of those cases, 499 are codeable observations, defined as a document containing requisite identifying information and at least one frame of ethanol. This dataset is the product of three separate samples of the congressional Record, national media, and regional media. Attempts were made to generate roughly equal numbers of observations in each of these categories to create more comparable data. To achieve this comparability, each document type was sampled at a different rate. After generating the universe of documents containing “ethanol” with various search engines, every fifth CR document, every fifteenth national media document, and one out of every 150 regional media documents was selected for inclusion in the sample. This generated three roughly equal subsamples, with 153 CR documents, 155 national media documents, and 191 regional media documents. This sampling procedure aids in comparing the relative prevalence of frames across document types, but it washes out any absolute differences in framing effects. For example, many more regional media documents than CR records appeared in the universe of documents containing a discussion of “ethanol,” yet the sampling procedure has intentionally equalized this difference. This is not a significant limitation; after all, the original universe of
documents created by search engines does not include every frame communicated by Congress or the media, so any attempt at making absolute comparisons would be misguided. However, this caveat should be kept in mind when interpreting graphs and results.

Ethanol Policies and Opinions

Over the past four decades, the federal government has rolled out a wide array of support for the biofuel industry, including loans, grants, tax credits, subsidies, fuel mandates, and tariff protections. In 2009, total outlays for these programs ranged between to $6 and $8 billion (Schnepf 2010, 1). Among this thicket of programs covering an array of biofuels, three principle ethanol policies stand out: the ethanol import tariff, the volumetric ethanol excise tax credit (VEETC), and the Renewable Fuel Standard (RFS) (Schnepf 2011, 3). Figure 2 displays a timeline of these programs, mapped against growing ethanol production.

Figure 2. Annual US Ethanol Production, 1980–2011

![Ethanol Production Timeline](image)

The period from 2000 to 2005 saw three major pieces of legislation that significantly impacted ethanol policy. The first, the Farm Security and Rural Investment Act of 2002, was the first farm bill to include an explicit energy title (Schnepf 2011, 3). Responding to rising domestic and international oil prices, Congress included several programs designed to spur increased research and use of biofuels (Schnepf 2011, 3). The next major ethanol provision, the VEETC, originated in the American Jobs Creation Act of 2004 (Schnepf 2011, 3). The VEETC provides a 45 cent tax credit for every gallon of ethanol that oil companies blend into their gasoline (Schnepf 2010, 22). Finally, in 2005 Congress passed the Energy Policy Act (EPACT). Among other programs, EPACT created a renewable fuels mandate which required 4 billion gallons of ethanol to be used in 2006, followed by increasing target levels through 2012. This first Renewable Fuels Standard (RFS1) set a guaranteed demand “floor” and, along with petroleum disruptions on the heels of Hurricanes Katrina and Rita, enabled ethanol production to skyrocket (Schnepf 2010, 9).

Biofuel policy after 2005 began to target a slightly more diversified profile of renewables. The Energy Independence Act of 2007 (EISA) created a second, modified RFS (RFS 2) which mandated nine billion gallons of renewable fuel be used in 2008 and 36 billion by 2022 (Schnepf 2010, 10). RFS2 allowed only 15 billion gallons of corn ethanol to count towards the mandate, leaving the rest to be met by cellulosic and “advanced” biofuels (Schnepf 2010, 10). The 2008 Farm Bill echoed Congress’s “refocus” away from corn ethanol, enacting new programs to support the research and development of “advanced” fuels (Schnepf 2011, 4). Despite these modifications to the RFS and new R&D programs, the other two centerpieces of federal ethanol policy—the import tariff and the VEETC—remained staunchly intact.

That changed on December 31, 2011 when the import tariff, VEETC, and other subsidies were allowed to expire, “ending an era in which the federal government provided more than $20 billion in subsidies for use of the product” (New York Times, January 1, 2012). This expiration had been preceded in June by a Senatorial
test-balloon amendment which, had its parent-bill passed, would have prematurely cut these subsidies before their end-of-year sunset. As of this writing in early 2012, the only leg of the ethanol support tripod that remains standing is the RFS, and this mandate continues to de-emphasize corn ethanol with each additional benchmark requirement. It remains to be seen what modifications, if any, the 2012 Farm Bill will make to federal ethanol policy.

**Geographic Characteristics**

In the United States, corn production is primarily concentrated in the Midwest. There is much geographic overlap between the areas of high corn growth and areas with a high concentration of ethanol plants (Figure 3). In 2010, the nine states which produced over 500 million bushels of corn* were also the nine states with the greatest ethanol output and production capacity (National Corn Growers Association 2011, 12; Schnepf 2010, 15). Unsurprisingly, corn ethanol’s importance to these Midwestern states has translated into the voting behavior of their political representatives (Schnepf 2010, 22). In the June 2011 Senate vote to repeal ethanol subsidies, for example, only one of 18 Senators from these top nine states defected and voted in favor of the amendment.

* In order, from greatest to least: Iowa, Illinois, Nebraska, Minnesota, Indiana, Kansas, South Dakota, Ohio, Wisconsin
This regional concentration of ethanol production is also present in ethanol discussions. Both the CR and regional media samples display a regional bias in the presence of documents which mention and include at least one frame regarding ethanol. Unsurprisingly, the Midwest region represents the largest chunk of the sample, although the South is a close second (Figure 4). In both the South and West, Texas and California, respectively, seem to be inflating regional document counts. Although the South is generally a low corn- and ethanol-producing area, Texas is the partial exception. Texas is the twelfth largest corn producer and is ranked tenth in overall ethanol production facilities (National Corn Growers Association 2011). The importance of ethanol in Texas, combined with its large population, helps to explain the large Southern representation in the sample. The Northeast is by far the least-active region, representing just over 11 percent of the sample and containing just around one-half of the documents of the West, the third-ranked region. As we might expect, ethanol and ethanol policy are talked about more by Congresspersons and media outlets from the Midwest and South, where corn and ethanol are relatively impor-
tant, than by Congresspersons and newspapers in the West and Northeast.

Figure 4. Regional Variation in Documents Discussing Ethanol

![Graph showing regional variation in documents discussing ethanol]

**Changing Opinions on Ethanol Policy**

In general, federal ethanol policy has followed a parabolic path over time, slowly increasing throughout the 80s and 90s, peaking around 2005, and declining precipitously from 2006 to late 2011. This dataset, beginning in September 2005 and concluding in September 2011, captures the latter half of this parabola. This period of time saw both significant changes in the frequency of ethanol discussions and the opinions towards ethanol support expressed in those discussions by both Congresspersons and the media.

Discussions of ethanol were much more prevalent in the period from 2006 to early 2008 than in later years, although there was a moderate spike around 2011. This higher volume in the 2006-2008 periods makes sense in context of the congressional agenda; debates over the 2007 Energy Independence Act and 2008 Farm Bill were in full swing during these years. The relative period

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* "High" here is only used as a relative term comparing ethanol discussions across time. Due to sampling methods, this dataset does not allow us to measure absolute prevalence of ethanol discussions.
of “quiet” in the sample from mid-2008 to early 2011 mirrors the absence of significant ethanol legislation in Congress during this time period. Similarly, the moderate uptick in ethanol discussions in 2011 occurred simultaneously with debates in the Senate over the amendment to end ethanol subsidies and with general debates over federal expenditures during budget negotiations. In this sense, the congressional agenda influences the prevalence of ethanol discussions in both the CR and media outlets. The curves for the CR and a combined “media” set look similar (Figure 5, online). Some might argue that this proves strategic politicians can “manipulate” media coverage, but that would be an overly-cynical interpretation of a predictable phenomenon. The media covers news, and congressional lawmaking qualifies as news. More interesting would be if Congresspersons could influence how the media frames their coverage of ethanol. As we will see in later chapters, that is a significantly murkier picture.

Opinions towards ethanol show a decidedly negative trend over time, generally mirroring waning support in congressional policies. Each document in the dataset was coded for the presence and direction of the speaker or author’s “opinion” on ethanol support. Most CR statements (almost 80% of codeable observations) expressed an opinion on whether federal ethanol promotion should remain the same, increase, or decrease. Statements supporting the status quo or an increase in ethanol support were coded as favorable opinions; statements favoring a decrease in ethanol support were coded as unfavorable opinions. In contrast to the CR, only about 30% of observations from national and regional newspapers expressed an opinion on ethanol support. Given the norms of objective journalism, this difference seems plausible and reasonable. This skew could make us hesitant to discuss “overall” opinions on ethanol, given the bias towards the CR. However, if we think about both the national and regional media as representing one “media” group, then the number of CR documents and the number of media documents expressing an opinion on ethanol is roughly even.*

* Exactly 123 CR documents express an opinion, in contrast to 41 and 61 national media and regional media documents, respectively. The combined “media” dataset contains 102 documents expressing an opinion.
Figure 6 shows the number of documents expressing a favorable opinion on federal ethanol support over time as compared to documents expressing a negative opinion. Both the *clustering* and *height* of the bars in Figure 6 are important. Each bar represents about one month, so the height of each bar represents the number of documents expressing a positive (or negative) opinion in that amount of time. A tight cluster of bars shows that this phenomenon continued in following months. Figure 6 shows that negative opinions on ethanol support were by no means rare as early as 2006, but the number of documents expressing a positive opinion in 2006 far outweighed those making an objection (39 and 13, respectively). From 2007 to 2008 the tide began to turn against ethanol support, with the tone of CR and media documents becoming conspicuously negative by the end of 2008 and beginning of 2009. In 2007, the number of positive and negative documents were almost dead even (28 and 27, respectively), but in 2008 and 2009 negative evaluations comprised two-thirds of documents.
which offered an opinion. The following two years were a period of relatively few ethanol debates, but when discussion picked up again in 2011 the overwhelming consensus was against ethanol. In 2011, 22 documents expressed a negative opinion on ethanol, compared to only 2 supporters.

Figure 7. Opinion on Ethanol Support as a Weighted Score, Sept. 2005 – Sept. 2011

Figure 7 shows the relative weight of these negative opinions as a proportion of all ethanol discussions. This weighted score allows us to control for the fact that ethanol was simply talked about more during the period from 2006 to 2008 than from 2009 to 2011. First, a raw score was generated for each time period such that:

Raw opinion score = Number of documents with a positive opinion – number of documents with a negative opinion

Next, this raw opinion score was divided by the total number of observations in a given time period to generate a weighted opinion score. This weighted score shows that, for example, 100% of all documents in several months in 2011 were entirely negative. Figure 7 shows that while opinion on ethanol was mostly negative from late 2007 until late 2010, negativity became the dominant feature
of discussion by 2011.

Figure 8. Opinion on Ethanol Support by Document Type

A final feature of this changing opinion is a noticeable distinction between opinion in the CR and media outlets (Figure 8). In general, when national and regional newspapers do express an opinion on ethanol, those opinions are largely negative. The media covers negative opinions twice as often as it does positive ones. In contrast, the CR is disproportionately approving of federal ethanol support. In the CR, positive opinions are twice as frequent as negative ones. Over time, the CR pattern follows the general opinion trend described above, but the CR is clearly lagging (Figure 9, online). From September 2005 through 2007, the CR was overwhelmingly positive; 88.5% of all speakers express a favorable opinion towards federal ethanol support in this period. The CR began to flirt with negative opinions in the period from 2008 to 2010, with about 45% of speakers expressing a negative opinion. By 2011, Congresspersons’ opinions became decidedly negative. In the 9 months of 2011 included in the studied time period, 88.9% of all speakers stated a negative opinion on federal ethanol support, the mirror image of ethanol’s strong support in 2006 and 2007.

Further digging shows that a sharp regional divide explains
much of the variation in opinions. Even though the CR tends to be more positive than the media, a large chunk of this support can be attributed to members of Congress from the Midwest (Figure 10, online). In fact, the CR entries from Congresspersons from both the South and the West contain more negative statements than positive ones. When compared to the coverage in other regions, Midwestern newspapers seem disproportionately complimentary of ethanol support as well. This effect is dramatic but not unexpected; corn and ethanol are much more important to the readership and constituents of Midwestern Congresspersons and newspapers than in any other region. From our data, it would be impossible to say whether this bias is pandering (i.e. intentional misrepresentation or overstatement of ethanol’s benefits) or simply a difference of opinions based on local experiences. In other words, we cannot say whether Midwestern documents are more supportive of ethanol because the speakers and writers believe ethanol is good or because they believe they must say ethanol is good to maintain votes and circulation numbers.

Figure 10. Regional Variation in Opinion on Ethanol Support

Ethanomics

Like many issue areas, ethanol has a unique political economy
shaped by federal policies, regional concentrations, and changing opinions. Three main themes should be remembered as we move forward to discuss ethanol’s frame environment. First, despite agriculture’s billing as an area characterized by a stable “iron triangle” of policy makers and implementers, ethanol policy has been far from static. Federal ethanol programs underwent many changes during the studied time period, creating ample opportunities and incentives for framing and re-framing. Second, ethanol production is geographically concentrated in the Midwest. This geographical concentration has significantly influenced the ways in which ethanol has been framed inside and outside of the Corn Belt. Finally, federal ethanol support has suffered a striking fall from grace since its heyday in the middle of the decade. Although varying substantially across regions and sources, this decline in opinion has important implications for ethanol’s framing by Congresspersons and the media.

THE ETHANOL FRAME ENVIRONMENT

The frames that are used to describe an issue area carry great importance for policymaking. They shape the agenda, structure potential coalitions, and influence the preferences of politicians and their constituents. The ways that the media and Congresspersons obtain and transmit frames is thus enormously important to larger questions in American politics, including the manner in which incumbents represent (or manipulate) constituent preferences, the ways in which opinions on an issue change over time, and the tenor and content of “public debate.”

Using content analysis, I examine the use of nine different ethanol frames (Figure 11, online). Across the studied period of time, the most used frame was the environment, followed closely by energy dependence, agriculture, and energy prices. The budget and economy frames were used relatively infrequently, although some of this is explained by their variation over time. The trade frame was used rarely (only seven times in a sample of almost 500 codeable documents), so I will largely ignore this category in future
analysis. I will briefly describe each of the remaining frame categories (excluding “trade” and “other”), focusing particular attention on variation across time and whether each frame is used to positively or negatively evaluate ethanol policy. At the outset, I lump together CR and media frames in one measurement in order to better convey the general contours of ethanol’s frame environment. While reducing precision, this combination creates a denser time series and improves the overall “broad strokes” picture of ethanol framing. In the following chapter I will then split apart these document types to analyze patterns of transmission between these subcategories.

**Budget**

A document is defined as having used the “budget” frame if it discusses ethanol support as an issue which impacts the federal budget. Potential topics include discussion of the deficit, “government waste,” revenue, or “taxpayer dollars.” In general, the budget frame was used sparsely from 2005 to 2010, but its use skyrocketed during 2011 (Figure 12). This spike in the use of the budget frame occurred alongside debates in the Senate over ending ethanol subsidies and congressional budget battles in the summer of 2011. Furthermore, the budget frame became a dominant feature of all ethanol framing during this year (Figure 13, online). Figure 13 shows the proportion of codeable observations which included a budget frame during the period of study. It shows that not only did the use of the budget frame increase in 2011, but the budget frame became a prominent feature of most discussions of ethanol. Put another way, budgetary considerations seemed so salient to discussions of ethanol that it seemed out of the ordinary for a speaker or author to mention ethanol without discussing its impact on the budget.
When coding documents, each frame was assigned an “evaluation” score. This score measured whether ethanol support would be considered “good” or “bad” if the given frame was the only metric of consideration. The evaluation was considered positive if the frame was used either offensively or defensively. For example, if a document said, “Ethanol support does not create a large burden on the national budget,” then ethanol would have been evaluated positively in the budget frame. This coding scheme accounts for the potential existence of both affirmative arguments and rejoinders in the changing discussion of ethanol policy.

Perhaps unsurprisingly given the nature of the frame and the time at which its use became most prominent, the budget frame is a highly “negative” frame (Figure 14, online). Figure 14 shows the “Evaluation Score” of the budget frame, defined as the difference between the number of documents evaluating ethanol “positively” in the budget frame and the number of documents evaluating ethanol “negatively” in the budget frame. A negative score indicates that for a given time period, more negative documents were written than positive documents. The greater the absolute value of a score, the greater the imbalance between negative and positive documents.
For the budget frame, evaluations were almost entirely negative, becoming strongly so in 2011. This phenomenon is not due to “closely contested” evaluations from 2006 to 2010, but rather a general absence of positive framing. In fact, across the studied time period only 5 documents frame ethanol positively in the budget frame, as opposed to 48 evaluating ethanol negatively. Thus, budget evaluations did not become more negative because negative evaluations eventually outweighed positive evaluations, but rather because the number of negative evaluations skyrocketed without ever having competed with positive evaluations for bandwidth.

Economy

A document is defined as having used the “economy” frame if it discusses ethanol as an issue that impacts the national economy (outside of the agricultural sector) or jobs. Potential topics include, but are not limited to, discussion of employment, inflation, and the gross domestic product (GDP). The economy frame does not show much variation over time. It follows the same curve as overall observations: more use in the period from 2006-2008, a relative period of quiet from 2009-2011, and a moderate spike after 2011. This indicates that variation in the use of the economy frame is mostly due to changes in overall levels in ethanol discussions instead of some variable unique to the frame itself.

Figure 15, online shows that the economy frame is generally positive and does not change much over time. Unlike the budget frame, however, the economy evaluation is more “contested.” Even though the majority of documents containing the economy frame evaluate ethanol positively in this dimension (73%), a discernible handful of documents offer the opposite conclusion (24%).

Food Prices

A document is defined as having used the “food prices” frame if it discusses ethanol as an issue that impacts the price of food

* The unaccounted 3% is attributable to documents offering neutral evaluations.
for consumers, either domestically or internationally. A document which only discusses food prices as an input cost for agricultural producers, such as livestock and poultry farmers, does not qualify as having used the food prices frame. These latter types of framing are coded only as agricultural frames. This distinction may seem trivial, but it lies at the heart of ethanol framing. Whether ethanol-induced changes in grain prices are considered a concern for consumers in general or only for agricultural producers is a crucial detail when examining what issue areas are deemed salient to ethanol discussions.

The use of the food prices frame showed a slight but noticeable uptick in late 2007, growing into a large spike in 2008 (Figure 16). This upsurge in the use of the food prices frame corresponded with a rise in global food prices, sparking economic troubles and political unrest in many of the world’s developing countries (FAO 2012). Global prices eased in the beginning of 2009 but then began to climb again, topping 2008’s highs by 2011 (FAO 2012). The use of the food prices frame closely mirrored the 2008 spike in food prices, growing steadily as the global Food Price Index rose. The frame curve also increased along with global food prices in the 2009 to 2011 period; however, the magnitude of the increase in frame use relative to the increase in food prices was much smaller than it was in the 2007 to 2008 period. In other words, the use of the food prices frame tended to increase as food prices rose across the whole 2005 to 2011 time period, but this affect was stronger before 2008 than after (Figure 16).
Figure 16. Use of the Food Prices Frame and the Food Price Index, Sept. 2005 – Sept. 2011

Note: Food Price Index based on international prices of a basket of food commodities. Data from the Food and Agriculture Organization of the United Nations, 2012, faostat.fao.org

There are a number of potential explanations for this discrepancy, including the possibility of a “boy who cried wolf” effect. After the food price crisis of 2008 abated, Congresspersons and newspapers may have been less inclined to react to a second surge in prices. Alternatively, ethanol opponents may have found the food prices frame less useful after passage of the 2008 Farm Bill which, along with the 2007 Renewable Fuel Standard, signaled a shift in emphasis towards cellulosic ethanol. This refocus was due in part to concerns over the link between corn ethanol use and rising food prices. After these policies were passed and food prices continued to climb, ethanol opponents may have decided that the link was too tenuous or that the necessary corrective policies were too extreme; thus, they decreased their use of the food prices frame.

Much like the budget frame, the food prices frame is overwhelmingly negative. Out of 88 documents which offered some evaluation in the food prices frame, only three evaluated ethanol
policy positively.* This indicates that little “debate” occurred over ethanol’s impact on food prices; those who used the frame overwhelmingly agreed that ethanol support adversely impacts food prices. Interestingly, this consensus is not reflected in the academic literature on the subject, which offers mixed interpretations of ethanol’s impact on food prices (Wallander, Claassen, and Nickerson 2011, 2).

**Energy Dependence and Energy Prices**

A document is defined as having used the “energy dependence” frame if it discusses ethanol as an issue that impacts the United States' dependence on energy from foreign sources. This frame may be explicit or implied. For example, the sentence “Ethanol helps meet energy policy goals by promoting the domestic production of energy” uses an energy dependence frame without explicitly mentioning reliance on foreign oil producers. The “energy prices” frame discusses ethanol as an issue that impacts the price of other sources of energy, including gasoline, natural gas, and alternative fuels.

These frames are somewhat similar, but they tend to be used to make different arguments. The energy dependence frame is generally discussed in terms of national security, highlighting the threat of a sudden supply bottleneck or foreign manipulation. The energy prices frame, in contrast, focuses more on pocketbook issues facing the regular consumer paying “higher prices as the pump.” When a document notes the impact of energy dependence on prices, both frames are coded as present. While these frames overlap more often than other frame pairs, their co-incidence is low enough to caution against combining them into a single category. Only 36% of documents containing an energy price frame also contain an energy dependence frame, and only 19% of documents containing an energy dependence frame also contain an energy price frame.

The two energy frames do, however, follow a similar pattern of use across time. Figure 17, online shows that both frames are

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* Because so few documents evaluated ethanol positively in the food prices frame, no accompanying figure was included.
used more prevalently in the period from 2006 to 2008 than from 2009 to 2011. This timing corresponds with debates over energy in the run-up to the 2007 Energy Independence Act and the 2008 Farm Bill as well as with changes in retail gas prices. As the economic downturn dragged prices down in late 2008, use of these energy frames fell as well (Cooper 2011). However, the steady and significant recovery of gas prices since this time was not mirrored in energy frame use. Figure 18 shows this trend starkly. Figure 18 shows the use of the energy prices frame as compared to the price of gasoline in the first week of each month from September 2005 to September 2011. From 2006 to 2008, the use of the energy price frame spiked concurrently with gas prices in the summer months, when they tend to be highest. This trend did not, however, continue into 2009. The use of the energy prices frame fell off precipitously in 2009 along with gas prices, but only the latter recovered significantly over time.

Figure 18. Use of the Energy Prices Frame and Gas Prices, Sept. 2005 – Sept. 2011

Note: Price of gasoline based on the regular conventional retail gasoline price in the first week of each month. Data from the United States Energy Information Administration, 2012, http://www.eia.gov/petroleum/gasdiesel/

Both energy frames are generally positive. Sixty-eight percent
of documents using the energy dependence frame and 64% of documents using the energy prices frame evaluate ethanol positively. In general, however, evaluations within both of these frames trend negatively over time. Figure 19, online shows that the energy dependence frame was overwhelmingly positive in 2006; over 80% of documents containing the frame evaluated ethanol favorably. This supportive opinion began to wane, however, as slow-to-develop fueling infrastructure caused many to begin questioning ethanol’s ability to make a serious dent in oil dependence. This negative sentiment became particularly noticeable in 2008 when positive evaluations dropped to just barely 50%, continuing to hover just slightly over the 50% mark for the rest of the studied time period. Figure 20, online shows a slightly starker trend in energy price evaluations, although this may be due to the lower number of total observations using the energy prices frame. Evaluations of ethanol in the energy prices frame were largely positive (72%) in 2005 and 2006. After this time, evaluations became more mixed, although still net-positive (58%).

Environment

A document is defined as having used the “environment” frame if it discusses ethanol as an issue which impacts any aspect of the environment, including global warming, pollution levels, ocean quality, soil erosion, deforestation, and sustainable farming practices. As an absolute count, the environment frame was most prevalent in the period from 2006 to 2008 (Figure 21, online). However, as a percent of all codeable documents, the environment was presented as a more salient consideration to ethanol in the period from 2009 to 2011 (Figure 22, online). In the end, it appears a considerable number of authors and speakers treat ethanol as an “environment issue” across time, and this group of people kept talking in 2009 and 2010 when most others were silent on ethanol policy.

The environment is the most mixed of all frames in terms of ethanol evaluation (Figure 23). About 40% of documents using the environment frame evaluate ethanol positively and about 47%
evaluate it negatively (the remainder take a neutral position). This is unsurprising given the rigorous debate in the academic literature over the impact of ethanol use on the environment and the many different aspects of “the environment” which ethanol affects. Ethanol use is more carbon-neutral than fossil fuels, but the picture becomes murkier if one considers the entire seed-to-engine cycle of ethanol production. Several unanticipated externalities of increased corn cropping may also accompany ethanol use, including soil erosion, intense fertilizer use and “dead zone” growth, and deforestation (Scharlemann and Laurance 2008, 43-4). Overall Figure 23 shows a mixed but negative-trending picture of evaluations in the environment frame. Evaluations were generally positive from September 2005 to the end of 2006, with just over one-fifth (21%) of documents evaluating ethanol negatively. Negative evaluations become much more prevalent in the 2007 to 2009 period, however, with over half (52%) of the documents expressing a negative assessment of ethanol within the environment frame. This negative trend was cemented in 2010 and 2011; almost two-thirds (64%) of the documents expressed a negative evaluation of ethanol within this frame during this time period.

Figure 23. Evaluation Score of the Environment Frame, Sept. 2005 – Sept. 2011
Agriculture

A document is defined as having used the “agriculture” frame if it discusses ethanol as an issue which impacts rural areas and/or agriculture, including farmers, ranchers, and rural economies. This frame includes discussions of ethanol’s impact on prices for agricultural enterprises which depend on grain inputs, including livestock and poultry producers. The use of the agricultural frame generally follows the curve of all ethanol discussions, with a large peak between 2006 and 2008 and a smaller spike in 2011 (Figure 24). Figure 25, online shows the proportion of all codeable documents which contain the agriculture frame over time. A relatively small sample makes the graph seem more “volatile” than in reality because any month in which no agriculture frame is used appears as a zero. Looking past this picket-fence effect, the percent of documents containing the agriculture frame has remained relatively constant over time. Much the like economy frame, it appears there is little dynamism in the use of the agriculture frame.

Figure 24. Use of the Agriculture Frame, Sept. 2005 – Sept. 2011

Somewhat surprisingly, documents using the agriculture frame contain a significant number of negative evaluations of etha-
nol. In fact, about one third of documents which offer an evaluation in this frame are negative, and the majority of evaluations are negative by mid-2011 (Figure 26). Two possibilities exist for explaining this trend. First, these evaluations may simply be attempting to refute the arguments of pro-agricultural ethanol supporters. Many of these documents may be conveying the message that “ethanol does not help agriculture as much as proponents would have us believe.” The second possibility is that negatively evaluated agriculture frames highlight the adverse effects of ethanol on livestock and poultry producers who depend on low grain prices for feed.

Figure 26. Evaluations in the Agriculture Frame, Sept. 2005 – Sept. 2011

Framing in the “Big Picture”

Ethanol has been touted as the solution to several distinct problems, including high greenhouse gas emissions, reliance on unpredictable Middle Eastern oil supplies, and the “vulnerability” of the American farmer (Lehrer 2008, 120-1). These pro-ethanol frames have been counterbalanced by competing issue definitions that evaluate ethanol less favorably. Detractors have argued that ethanol subsidies harm the environment, artificially inflate global food prices, and unnecessarily deplete federal coffers. These frames
have mixed with the together to produce a complex, contested area for issue definition.

The ethanol issue environment includes both relatively stable and relatively dynamic frames. While use of the economy, environment, and agriculture frames remained fairly constant over time, use of the energy dependence, energy prices, food prices, and budget frames changed considerably across this time period. The energy frames were much more prevalent from 2006 to mid-2008, the food prices frame in 2008, and the budget frame from early 2011 onwards. All three of these frames are associated with “crises,” namely high energy prices, high food prices, and the congressional budget stalemate. While this may partially explain the temporal patterns of these frames, it does not explain why the economy frame did not show a similar spike beginning around the time of the 2007 financial crisis, nor does it explain why the energy and food prices frames did not continue to climb with their price indicators after 2008. It appears that significant changes in exogenous variables may partially explain, but do not always cause, fluctuations in the use of related frames. Adding another helpful layer to this explanation is the role played by changing opinions. The “stable” frames showed a higher incidence of “negative” evaluation over time, while the generally positive energy frames receded from the frame landscape and generally negative food prices and budget frames increased in frequency. Thus both external events and changing opinions on ethanol influenced the frame environment from September 2005 to September 2011.

CHANGING FRAMES AND EVALUATIONS: THREE FINDINGS

Various schools of thought have proposed different theories for the process of issue redefinition in Congress and the media. Some have argued that Congresspersons strategically influence the media, others have proposed a more dynamic mutually-reinforcing process, and still others have claimed the media may shape congressional frames. The data analyzed in this thesis show that
none of these theories entirely captures the framing and re-framing occurring around ethanol policy. The defining feature of ethanol frame transmission, largely ignored by all three of these schools of thought, is the role of opinion in determining frame use. Furthermore, the data show that the direction of “influence” is more complicated than simple frame transmission. In many cases, the use of a frame by one group diminishes its use by others.

Finding One: Changing Frames is a Dynamic Process

Out of the seven frame categories analyzed, five show no discernible “leader” in any of several studied dyads and triads. In the economy, energy dependence, energy prices, environment, and agriculture frames, neither the media nor Congress appears to be adopting the frame earlier than others. This result persists when frames are measured as a proportion of each document’s representation in the sample. This method controls for the slight differences between the sizes of the CR, national media, and regional media samples and also for the larger size of the combined “media” dataset. Several other scenarios are analyzed, including potential frame transmission between: regions, media and Congresspersons from the same region, national media and regional media, political parties, and congressional chambers. No leaders are detectable in any of these scenarios for any of these five frames.

Figure 27, online shows the characteristic pattern of “dynamic” frame change in the combined energy frame. Energy is chosen simply as an example; the economy, environment, and agriculture frames show similar leadership patterns. No “leaders” are present in either an absolute or relative sense. As an absolute measure, the media and Congresspersons began using the energy frame around the same point in time. As a relative measure, both groups tended to increase their use of the energy frame at similar times.
The budget and food prices frames, however, show a different pattern. *Figure 28* shows each document type’s use of the budget frame as a percentage of all observations for that document at a given time. The media clearly began using the budget frame before members of Congress. In fact, the media intermittently used this frame throughout the 2006 to 2009 period while almost no Congresspersons did the same. The budget was a noticeably minimal part of congressional framing until mid-2010. It is questionable, however, whether this pattern indicates frame *transmission* by the media. If the CR was “responding to” the media’s reframing, then the CR waited at least three years. In this sense, it is difficult to conceptualize the media as “leading” and the CR as “following.” More precisely, the media appears to have reframed ethanol as a budget issue while Congresspersons *refused* to follow for an extended period of time. Not until 2010, after four years of largely ignoring the media’s framing of ethanol as a budget issue, did Congress take up the frame in a meaningful way. This raises an interesting and under-explored question about the conditions under which Congress may be inclined to delay or avoid adopting particular frames.
that are already prevalent in the media.

Figure 29. Use of the Food Prices Frame in the CR and Media, Sept. 2005 – Sept. 2011

The food prices frame shows a similar congressional “stubbornness.” Figure 29 displays the percentage of CR and media documents using the frame over time. Initially, it seems that perhaps the media was leading an issue reframing in late 2006 and early 2007. The CR seemed to respond to the prevalence of the food prices frame by mid-2007 with a noticeable uptick in the use of the food prices frame by Congresspersons. This apparent responsiveness comes into doubt, however, as we look farther into the future. During the period from late 2008 until early 2011, only the media used the food prices frame. If the CR is in fact sensitive to changes in the media, then we would have expected a similar responsiveness in this period.

Finding Two: The Media Leads Changing Evaluations

While the transmission of frames does not follow a clear leader-follower pattern, the ways in which frames are used to evaluate ethanol almost universally show Congress lagging.
For every frame except food prices, Congress did not use a frame to evaluate ethanol negatively until the media had already done so.* This trend is most easily seen in the environment frame (*Figure 30, online*). Although overall evaluations in the environment frame were mostly mixed over time with a slight negative trend, Congresspersons showed a distinct resistance to use the frame negatively. Not until mid-2008 did the Evaluation Score of ethanol in this frame turn negative.

It is unclear to what extent this phenomena reflects “transmission.” The media may be supplying Congresspersons with evidence within the frame which convinces them to alter their opinions. In the environment frame, for example, more evidence emerged over time which questioned ethanol’s contribution to carbon emission reductions and highlighted previously unconsidered environmental externalities. Alternatively, the media may be necessary to “get the attention” of ethanol opponents and introduce a new frame into their repertoire. This explanation also depends on the media’s role as an evidence-supplier, but it does not assume individual Congresspersons are changing their opinions. Instead, this attention-grabbing explanation assumes opponents are always “shopping” for useful frames, and the media points them to the blue-light specials. Finally, the media may be providing opponents “cover” to begin using a frame negatively. In this explanation, Congresspersons depend on the media to educate the public about the potential drawbacks and complications of ethanol in a formerly-positive frame. Congresspersons may resist using a generally positive frame to make a negative argument because they risk faltering in their explanation and boosting the salience of an issue that remains a positive evaluator. For example, talking about ethanol as an environment issue but failing to convince listeners that ethanol could be harmful for the environment just boosts the cause of the ethanol proponents who want ethanol to be seen as an environmental issue. Waiting for the media to lay the groundwork reduces the educational costs and potential risks to congressional ethanol opponents.

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* Because the food prices frame is an almost entirely negative frame, this one exception is unsurprising.
Finding Three: Everyone is Avoiding the Argument

The process of media-to-Congress transmission of negative evaluations is stunted, however, by the general resistance of ethanol proponents to use frames which are usually “negative” and vice-versa. If we classify the budget and food prices frames as “generally negative,” the agriculture and environment frames as “generally mixed,” and the economy, energy price, and energy dependence frames as “generally positive,” then we see a disproportionate attraction of ethanol proponents to the “generally positive frames” and ethanol opponents to the “generally negative” frames. In general, both the congressional Record and Midwest display more favorable opinions towards ethanol than other documents and regions, while the national media displays decidedly negative opinions (Figures 8 and 10). Consequently, both the CR and Midwest show a disproportionate use of “generally positive” frames and appear to avoid using “generally negative” ones while the national media does the opposite.

Figures 31 and 32 (online) display the “deviation score” of each frame’s use from the norm across both regions and document types. To generate these scores, each document’s/region’s frame was evaluated as a percent of all frames. So, for example, the South’s use of the budget frame represented about 38% of all “budget frame” use by the various regions. Second, each document’s/region’s share of the whole sample was subtracted from this frame-specific percentage score. So, because the South represents about 31% of the entire sample, the “deviation score” of the budget frame in the South is about 7%. Given the South’s overall propensity to discuss ethanol, it uses the budget frame slightly more than we would expect. This measure prevents variation in region, document, frame-use, and sampling from influencing the score because all deviations are measured in comparison to others. The drawback, however, is that in some cases it may be difficult to determine if, for example, one document “over-uses” a frame or if the other two documents are “under-using” the frame. This measure shows us the relative use of frames across document types, but because the baseline is a rela-
ative measure, it does not allow us an analytical angle to determine which document type is the “deviant” and which are “normal.”

Several trends become clear in these two figures. First, the generally pro-ethanol Midwest and CR tend to avoid using the “generally negative” budget and food frames. The CR uses about 5% fewer budget frames than we would expect, which is especially remarkable given Congress’s featured role in the budget crisis, while the Midwest is about 16% below expectations. This pattern is slightly more pronounced in the food frame, with the CR about 16% and the Midwest about 12% below what we would expect given their prevalence in the dataset. An interesting pattern appears in the “generally positive” frames. The CR uses the energy frames more than we would expect, but the Midwest does not. The Midwest does, however, over-use the economy frame, while the CR under-uses it. The causes of these differences are likely do to some combination of the document’s target audience, author/speaker preferences, and sampling error. In any case, both figures show a propensity for pro-ethanol groups to over-use at least some “generally positive” frames. This pattern also holds true in the reverse for ethanol opponents. The national media uses the budget frame 11% more often and the food prices frame 9% more often than we would expect given its prevalence in the dataset. Similarly, the national media under-uses the generally positive economy, energy dependence, and energy prices frames by 18%, 6% and 11% respectively.

This trend may seem obvious at first glance, but it provides some interesting evidence about ethanol debates. The fact that ethanol proponents, measured in the data set as expressing a positive opinion towards ethanol policy, do not evaluate ethanol negatively in a particular frame is unsurprising. More significant, however, is that they do not evaluate ethanol positively in those frames either. In essence, proponents (and opponents) are “preaching to the choir,” presenting the issues which make ethanol “look good” (or “look bad”) as the most salient considerations to ethanol debates. They do a poor job, however, of addressing the negative frames presented by the other side. Instead of acknowledging and minimizing the effects of ethanol in a particular frame, opponents more often prefer
to ignore the frame entirely.

Towards a Synthesized Model of Reframing

These three trends offer us a valuable first cut at formulating a coherent, synthesized theory of issue framing and frame transmission. First, we should be skeptical of totalizing models that assume frames are transmitted through a strictly unidirectional pathway. The results here show that, at least in the case of ethanol, leaders and followers are much more difficult to pull apart than these simplistic theories might suggest. Second, we should pay attention not only to frames but also to the evaluations which are assessed through those frames. These results suggest that the media and Congress show distinct patterns in their use of negative evaluations, with the media more willing to “go negative” first. Finally, the contours of the frame environment have important implications for the tenor of “public debate” over an issue. At least in the ethanol case, each side of the issue shows an affinity for particular frames. Facing opposition, proponents tend to emphasize their own frames rather than engage the other sides. Taken together, these three findings offer the beginnings of a more robust understanding of framing. In the final chapter, I will attempt to outline one potential model and suggest areas for further research.

WHO REFRAMES, WHEN, AND WHY?

Frame transmission is a complex, poorly understood process. In the case of ethanol, I find that for many frames neither the media nor Congress appears to be “leading” the other in any meaningful way. Rather, changes in external conditions, including high-profile events and “crises,” seem to hold at least moderate influence over the frames adopted by these two groups. I also find that Congress tends to express more positive opinions on ethanol than the media. This preference influences congressional frame adoption in two ways. First, Congress appears reluctant to use any given frame negatively,
almost always lagging behind the media in “going negative.” Second, Congress appears reluctant to use generally negative-trending frames at all, avoiding the opportunity to offer a reevaluation of ethanol in negative frames.

This finding cautions against wholesale acceptance of the Elite Control or Media Control models of frame transmission. It does not appear that that as Entman (1993, 57) fears, elite framing need raise “radical doubts about democracy itself.” Elites certainly influence the frame environment, but the existence of independent media patterns in this dataset show that in at least some instances, the public receives a “frame menu” instead of one coherent message from media and congressional elites. This thesis did not address the framing behavior of other political elites, including the president and bureaucratic experts in the executive branch, but my findings nonetheless addresses this potential threat. If the media and Congress offer independent and divergent frames to the public, then at least two frame “options” will be presented no matter what frames other political elites may choose. This prevents any single elite group, including political and media elites, from imposing a singular, hegemonic frame environment on the public. Furthermore, the data here show that even when the media and Congress offer similar frames, the media often short-circuits the potential for political “manipulation” by offering negative evaluations in frames that Congress has presented as positive. In essence, even when Congress can influence the standards by which we judge a policy, they are less effective at dictating the opinion that such evaluation generates. Conversely, we cannot conclude that the media influences Congress in any impactful way. Although the media “leads” on some issues, Congress can hardly be said to follow. As evidenced by Congress’s selective use of the budget and food prices frames, it appears that Congresspersons are highly capable of maintaining autonomy from the media.

Elements from the Institutional Fluidity school, when combined with a more precise focus on differences between frame adopters and frame avoiders, helps to explain at least part of the change in the ethanol frame environment. Baumgartner et al.’s
(2009) theory of punctuated equilibrium argues that friction in the policymaking system and the inherently limited attention of Congresspersons combine to produce uneven, dynamic change. This may explain why the media and Congress, while tending to adopt similar frames at similar times, sometimes express uneven or unsynchronized frame adoption.

It seems likely, however, that something other than random institutional error is causing Congressperson’s systematic delay in “going negative” and overall reticence to utilize generally negative frames. This bias may be at least partially explained by institutional features of Congress itself. A strong status quo bias operates on congressional policymaking, creating friction against even popular policy changes (Baumgartner et al. 2009, 217). This simple institutional inertia, the product of limited congressional time and attention, is dramatically compounded in the ethanol case by a strong contingent of pro-ethanol supporters. Together, these factors would have dissuaded many ethanol opponents from devoting significant efforts to end ethanol support. Given limited time and resources, why fight a losing battle? The shock expressed by media outlets at the June 2011 vote shows just how crazy the idea would have sounded to ethanol opponents in 2006. Thus the delay in expression of negative opinions in the CR may not necessarily indicate that Congress favored ethanol support. Rather, it simply shows that opponents quite literally were unwilling to “waste their breath” on a fight they could not win.

Viewed from this angle, the media may have laid essential groundwork for congressional opponents of ethanol subsidies. From mid-2006 to mid-2008, the media expressed decidedly mixed opinions on ethanol even in the face of expressed congressional support. The media was also willing to evaluate ethanol negatively within individual frames much before Congress in most cases. These negative trends in the media may have sent the critical signal to congressional opponents that there was an opening on the national agenda for a reconsideration of ethanol support.

Finally, after the ethanol debate picked up steam in both the media and Congress, we see an interesting pattern emerging
in the \textit{way} those debates play out. Instead of engaging the other sides' arguments, both proponents and opponents preferred to use their time to emphasize more favorable frames. Baumgartner et al. (2009, 114) argue that institutional stickiness explains why status quo defenders often ignore the opposition; agenda gatekeeping prevents most reframing attempts from posing a serious threat. After an issue has emerged as the site of contested debate, however, the ethanol case suggests that both sides might find it advisable to strategically ignore inconvenient frames. We could hypothesize that opponents find it more difficult to beat an argument than to distract the public and make us forget it existed.

These hypotheses are only one potential set of interpretations; further research is necessary to determine how applicable they may be to other issues. The ethanol case displays a few distinct features we may expect to see in other issues following this general pattern. First, ethanol itself has long been a relatively salient issue to politicians and the media. Ethanol has been included in many major pieces of legislation and regularly appears in the CR and newspapers. Baumgartner et al. 2009 remind us that most issues which receive lobbyists' attention in Washington are particularistic, fairly one-dimensional, and struggling for a few minutes' meeting time. Of the 98 issues in their study, for example, only four underwent even a partial reframing (Baumgartner et al. 2009, 176). We should expect reframing attempts to be quite different for lower-profile policy areas than for issues such as ethanol which have already leapt the “attention getting” hurdle. Second, ethanol was characterized by a downward trend in both federal support and national opinion over time. For issues with little legislative or evaluative change, we should expect patterns of frame and especially evaluation transmission to be much different. Finally, ethanol may be unique in its relationship to many highly salient issue areas. While many policy areas could potentially be rhetorically connected to many issue areas, ethanol has a scientifically and/or statistically proven relationship to areas as diverse as the environment, rural economies, fossil fuel displacement, food prices, and more. These relationships provide rich potential for an issue environment that other policy areas may
not. To address all of these potential caveats, further case studies are necessary in other areas to create a more robust picture of reframing events in American media and Congress.

This paper could be improved by work in a number of areas. Sample sizes could be dramatically increased to produce a more robust, complete dataset. Richer data would allow researchers to examine finer questions. What association might exist between frames used by regional and state media and the frames used by Congresspersons from those areas? Are there frame leaders who operate at the scale of days or weeks instead of months? Does the presence of scientific or statistical evidence influence frame or evaluation transmission? The answers to each of these questions were not possible given the size of my sample, but they could provide valuable insight into the ethanol case and more generalizable findings. In future studies, researchers may also wish to treat the data more statistically than graphically, using multivariate regression to determine the significance of the media’s effect on congressional evaluations when compared to lobbying money, interest group testimony, general patterns of non-ethanol media coverage, international crises and prices, Presidential statements, and more.

The ethanol case provides a few answers and many more puzzles. A closer look at changing frames and opinions over time sheds light on the “shocking” June 2011 Senate vote. As ethanol became characterized more negatively within frames and framed more negatively by additional frames, congressional policy changed as well. Who caused these opinions to change, however, is less clear. We know that what frames were used, but we do not know why. Why did the tide turn against ethanol when it did in mid-2008? And why did Congress take a full three years to enact a significant policy response? And if neither the media nor Congress “led” the other, then who led both? The answers to these questions lie only in further investigation of framing effects and reframing events in American politics.

To view all charts and tables, visit:
http://www.belvidius.org/2012/ Weiner
Bibliography


The U.S. Supreme Court’s June 2012 decision to uphold the Patient Protection and Affordable Care Act of 2010 has sparked an intense domestic policy debate over health care reform, including the forthcoming expansion of health care coverage to millions of Americans. Despite partisan gridlock at the national policy level, opportunities exist within the current health care system to coordinate resources, slow the rise of public health care expenditures, and expand access to care. This paper explores one such opportunity by introducing a simple game-theoretic model of patient interaction to show how the constraints on a network structure of health care provider organizations and the flow of information between providers and patients within that network generated a socially suboptimal level of care in Cuyahoga County, Ohio, in 2008. Specifically, the paper will focus on the evolving social-affiliation network of both health care provider organizations and the indigent and uninsured patient populations within a three-city interest area of Cuyahoga County. The primary challenge for charity care in Cuyahoga County is shown to be structural (in the network-theoretic sense), revealing an insidious geographical paradox: despite the spatial proximity of several viable charity care providers, many patients over-rely on select health care organizations and underuse other available resources. Ultimately, the model illustrates how local government-initiated coordination among health care providers and geographical expansion of the health care providers available to patients should remedy the socially suboptimal uncompensated care consumption problem and promote the attainment of a socially optimal consumption level.

This analysis will lead to a discussion of coordination among health care providers and the role of local government as drivers
of improved care and reduced costs. While both federal and state government agencies currently subsidize uncompensated care, county governments and local policymakers have clear opportunities to have a tangible and proactive influence on the issue of rising health care costs. Health care expenditures in the United States now consume roughly 17 percent of the country’s entire economic output and appear to be rising at an unsustainable rate.\(^1\) It is the local government, however, that has the capacity to directly foster coordination among health care providers, lower system-wide health care costs, and improve health care access and quality, all from the bottom up. Although local government does not have the direct financial incentives that federal and state governments have to reduce public health care expenditures, all of society stands to benefit from increased coordination among providers, more optimal care consumption by patients, and lower costs.

**CUYAHOGA COUNTY IN 2008: UNINSURED PATIENTS AND THE DISJOINTED HEALTH CARE PROVIDERS**

The latest assessment by the Ohio Department of Health reports that roughly 33 percent of Cuyahoga County’s nearly 1.3 million residents live at or below 200 percent of the Federal Poverty Line (FPL).\(^2\) While the same report notes that nearly 18 percent of the county’s population is uninsured, 2007 Census Bureau data shows that at least fifty thousand people living in the county are both uninsured and living at or below 200 percent of the FPL.\(^3\)

At first glance, one might presume that the uninsured population living at or below 200 percent of the FPL (hereafter “uninsured population”) was unimpeded in its search for quality, low-cost health care options. Indeed, the Greater Cleveland area is home to one of the most acclaimed and comprehensive health care systems in the United States, including top-ranked organizations like the University Hospitals Case Medical Center and the Cleveland Clinic Health System.\(^4\) Like their counterparts in many regional health care systems, these hospitals provide uncompensated care, colloquially referred to as “charity care.” Although they administer
care either for free or at significantly reduced prices for qualified low-income patients, the hospitals are only partially reimbursed by government funds.\(^5\)

The provision of charity care in Greater Cleveland is limited by the same factors that restrict providers across the United States. First, not all health care providers have the same financial capacity to take on charity cases, and upper limits to the provision, and subsequent consumption, of charity care exist.\(^6\) Second, the lack of meaningful coordination among the health care providers promotes duplicate and overlapping patient visits, unnecessary billing, needless coverage by the hospitals, systematic inefficiency, higher medical outlays, and lower quality of care.\(^7\) As a result of this lack of coordination, many uninsured patients forego primary and preventive care and instead resort to Emergency Department visits (ED care) whenever they believe they require medical attention.

This poses a significant cost challenge to hospitals that provide charity care to the uninsured and indigent. When these patients seek ED care, they often require expensive treatments for serious ailments that may be preventable through regular visits to primary care practitioners, or they require medical attention for non-urgent, low acuity problems.\(^8\) In Cuyahoga County, the MetroHealth Medical Center, a public safety-net hospital, assumes much of this charity ED care burden. According to county government estimates, 74,480 of 98,000 MetroHealth emergency department visits were either uninsured or Medicaid covered patients.\(^9\) MetroHealth was the hospital of choice for “frequent flyer” uninsured patients (those that visited an emergency room at least five times) in 2008.\(^10\)

Despite its ostensible might, the Greater Cleveland health care community faced a serious dilemma in 2008: what could be done to reduce the charity ED care burden at certain provider sites while also promoting higher quality care for the region’s uninsured and indigent demographic? As Cuyahoga County government administrators would realize, and as this paper illustrates, other types of providers (such as smaller primary care clinics) existed in the greater health care system. However, the uninsured population sig-
nificantly underused these non-hospital health care providers.

CONSTRUCTING THE SOCIAL-AFFILIATION NETWORK OF PROVIDERS AND UNINSURED PATIENTS

Network theory offers a compelling method for illustrating charity care consumption in this paper’s three-city interest area in 2008. In constructing this particular network structure, I considered the three cities—Lakewood, Cleveland, and East Cleveland—in terms of the uninsured patients, the major hospitals, and the smaller primary care clinics found within them. Not only do Cleveland, Lakewood, and East Cleveland contain high concentrations of the county’s uninsured and indigent patients, but the cities also cover much of Cuyahoga County’s physical territory.  

Figure 1 depicts the building blocks of the social-affiliation network of this system.

![Building the Sample Social-Affiliation Network: Indigent/Uninsured Populations and Their Ties to Care Providing Organizations in Cuyahoga County](image)

In both Triad A and Triad B, a single circular node depicts
a social node, defined as a particular community of uninsured patients. The social node in Triad A represents a portion of the uninsured demographic residing in Cleveland’s West Side districts, west of the Public Square, the main plaza of Cleveland’s central business district. The social node in Triad B illustrates a portion of the uninsured population living in Cleveland’s East Side districts, east of the Public Square. Each triad also contains two diamond-shaped focal nodes. As defined by Scott Feld, focal nodes represent points around which people interact, or more specifically, any “social, psychological, legal, or physical entity around which joint activities are organized.” In our three-city interest area, each focal node represents a health care providing organization to which the social node is connected. Given MetroHealth’s high charity ED care caseload, the MetroHealth focal node attracts a significantly high number of uninsured patients from both social nodes—East and West. MetroHealth is widely known as the public safety-net hospital throughout the Greater Cleveland area, and as such, both social nodes are connected to the MetroHealth focal node with strong ties, indicated by a solid line. Despite spatial proximity, the smaller primary care clinic is both less known and less used by the social node in each triad. Thus, a weak tie, illustrated by a dashed line, connects each social node to its respective primary care provider organization.

Figure 2 illustrates the social-affiliation network structure of these communities and health care providers in 2008 (at t = 1), which is constructed by joining the two triads. Here, both social nodes are connected to the MetroHealth focal node. By the Strong Triadic Closure Property:

We say that a node A violates the Strong Triadic Closure Property if it has strong ties to two other nodes B and C, and there is no edge at all (either a strong or weak tie) between B and C. We say that node A satisfies the Strong Triadic Closure Property if it does not violate it.

Thus, as a result of the shared knowledge of and attraction to the MetroHealth ED throughout the Greater Cleveland area, a strong tie is illustrated to close the gap between the two social nodes.
Figure 2 offers a telling illustration of the charity care system’s egregious structural problem in 2008. Although prospective patients live in close spatial proximity to several health care provider options, the patients are not equally connected to each nearby care-providing organization. Unseen on a standard map of the area, this network depicts “structural holes” that exist between disparate clusters of nodes within the network. As MetroHealth is strongly connected to the two social communities, it forms a complete clique. Northcoast Health Ministry and NEON Hough Medical Center are not in complete cliques; in fact, each of these smaller primary care organizations is only weakly tied to one other social node in the network.

The presence of these structural holes highlights the negative aspect of the social-affiliation network’s structure at $t = 1$: viable
health care centers, which happen to be spatially proximal to prospective patients, are underused relative to the services rendered at the MetroHealth ED. The holes also represent a potential source of optimism, however. As Ronald Burt asserts, structural holes offer a “competitive advantage for . . . individual[s] whose relationships span the holes,” as well as “opportunities [for these individuals] to broker the flow of information between [nodes].”

**A SIMPLE GAME-THEORETIC CONSIDERATION OF SOCIALLY SUB-OPTIMAL CHARITY CARE CONSUMPTION IN 2008**

Assuming the above structure accurately models the social-affiliation network of health care providers in the three-city interest area, we can formally illustrate how uninsured patients in the region consumed charity care in 2008. In order to depict this behavior in a clear and concise manner, I will establish further assumptions on which to build a simple game-theoretic model. With these set assumptions, a system of first-order differential equations can be established to illustrate patient actions within the game, as well as Nash equilibrium levels of charity care consumption attained through patient action at each stage of the game.

First, let charity care be considered a common-pool resource—a good that is both non-excludable and beneficial to those who qualify for it, but is limited in its quantity. The government often subsidizes charity care, yet there are limits to the quantity of charity care that can be subsidized. Consequently, the stock of charity care at any given hospital in the network is fixed at a certain upper bound. Despite this constraint, the provision of charity care to those who qualify, such as the uninsured population living at less than 200 percent of the FPL in our three-city interest area, is non-excludable by any particular health care provider.

Next, let the qualifying uninsured patients in our three-city interest area act as rational agents in their consumption of charity care. That is, when deciding to choose a health care provider, such as MetroHealth in Cleveland or Northcoast Health Ministry in
Lakewood, these patients have complete and transitive preferences. They understand with certainty what they prefer, and for any A, B, and C, if A is preferred to B, and B is preferred to C, then A is preferred to C. The patients also prefer to have more of something they like and their preferences experience diminishing marginal returns.\(^{20}\)

Finally, assume that each uninsured patient seeking charity care in our three-city interest area has the same information about available charity care options. Also assume that whenever medical care is deemed necessary, the patient strategically seeks to exploit the common-pool resource as best as possible with the belief that every other patient will be acting in the same manner.

With these assumptions defined, we can begin to explain how individuals possibly acted within this setting in pursuit of charity care in 2008. More specifically, I implement a mathematical optimization model similar to those envisioned by Gordon (1954) and by Brander and Taylor (1997) in their considerations of collective action and the consumption of common-pool resources.\(^{21}\)

Geography plays a central role in this social affiliation network. The network contains two social nodes, or communities of people. One is situated on the West Side of Cleveland; the other is located on the East Side. As depicted in both triads shown in Figure 1, each social cluster can choose between two health care providers for its care: either MetroHealth, the largest hospital provider of charity care in the area, or a small local primary care clinic.

This decision can be illustrated at the level of the individual within each triad. For the purpose of illustrating this phenomenon in a simple manner, assume a situation in which there are 30 individuals in need of charity care in either triad. Formally, each prospective patient has two options. He or she can go to MetroHealth and realize a positive utility at the hospital, \(H(\theta)\), modeled by the function:

\[
\text{MetroHealth } \Rightarrow \ H(\theta) = 20 - \frac{\theta}{2}
\]

where \(\theta\) represents the number of other prospective patients
who concurrently seek care from MetroHealth. Alternatively, the
patient can visit a small local primary care clinic and realize a cur-
currently constant positive utility at the clinic, \( C(\theta) \), modeled by the
function:

\[
\text{Small clinic } \Rightarrow C(\theta) = 10
\]

Given the volume of public information about MetroHealth’s role as a public safety-net hospital, and considering the strong ties
connecting the hospital to the network’s social nodes, MetroHealth
attracts a higher frequency of prospective patients in the uncoordi-
nated health care network at \( t = 1 \), as confirmed by the empirical
data on MetroHealth’s charity ED care caseload burden in 2008. As a result, although patients can initially experience a higher indi-
vidual positive utility at low levels of \( \theta \), prospective patients realize increasing disutility proportionate to \( \theta \), due to congestion, limited
resources, and increased wait times at the ED, all of which intensify
as \( \theta \) increases. Though under-promoted in the network at \( t = 1 \),
the small primary care clinic offers an initially smaller individual
amount of positive utility to the prospective patient, without the
disutility component that comes with congestion and over-compe-
tition for care.

Following the above assumptions about the individuals and
their strategic behavior in this game situation, a Nash equilibrium
is reached when each of the thirty prospective patients strategically
seeks out charity care at either location in a manner that is per-
ceived to be a best response to other patients doing the same. In
such equilibrium, there is no perceived incentive for any patient to
switch from one health care provider to the other.\(^{22}\) Thus:

\[
\text{Nash equilibrium } \Rightarrow H(\theta) = C(\theta) = 20 - \frac{\theta}{2} = 10
\]

\[
\theta^* = 20
\]

At this equilibrium state, twenty of the thirty prospective
patients seek care at MetroHealth, while just ten seek care at the
smaller primary care clinic. As there is no incentive to switch be-
tween providers, each patient realizes a standard individual utility
of \( U_i = 10 \), where:
\[ H(20) = 20 - \frac{20}{2} = 10 \]
\[ C(10) = 10 \]

The total utility is signified by:

\[ \sum_{i=1}^{30} U_i = 30 \times 10 = 300 \]

Does this equilibrium illustrate a socially optimal consumption of charity care in our three-city interest area in 2008? The structure of the social-affiliation network suggests that it does not. Lack of coordination among charity care providers creates a network in which small primary care clinics are less known and underutilized compared with hospitals like MetroHealth. The effects of this lack of coordination are formally illustrated when we derive the socially optimal level of charity care consumption from our model. By optimizing total socially optimal utility with respect to \( \theta \):

\[
\text{Total } U_{S.O.}(\theta) = \theta \left(20 - \frac{\theta}{2}\right) + 10(30 - \theta)
\]

\[ \Rightarrow \frac{d[\text{Total } U_{S.O.}(\theta)]}{d\theta} \bigg|_{\theta = \theta^*} = 20 - \theta - 10 \]

\[ \theta_{S.O.}^* = 10 \]

With respect to \( \theta_{S.O.}^* \),

\[ \text{Total } U_{S.O.}(\theta_{S.O.}^*) = 10 \times 15 + 20 \times 10 = 350 > 300 \]

Indeed, as of 2008, the social-affiliation network of health care providers in the three-city interest area promoted a socially sub-optimal level of charity care consumption. That being said, within the network structure at \( t = 1 \), as depicted in this model, the prospective patients do not have an incentive to act in a way that would reach the socially optimal level of charity care consumption. Moreover, the formal calculation of total socially optimal utility suggests that in order to reach \( T U_{S.O.} \), prospective patients would
need to randomly choose to seek charity care at particular primary care providers, be actively directed to them, or be significantly empowered and incentivized to seek them out.

**CHAP: COORDINATION AMONG CHARITY CARE PROVIDERS, “EXPANDED” GEOGRAPHY, AND socIALLY OPTIMAL CHARITY CARE CONSUMPTION**

In 2009, the Greater Cleveland health care community, led by health policy officials within the local Cuyahoga County government, formed a coordinated coalition in order to increase the use of smaller primary care providers and promote preventive medicine in the county. This organization, the Cuyahoga Health Access Partnership (CHAP) is a public-private collaboration of fifteen organizations in the Greater Cleveland health care area. CHAP offers a coordinated system of health care access for Cuyahoga County’s low-income, uninsured adults (ages 18-64), and was founded on the principle that its members have a shared responsibility to address the uninsured crisis in Cuyahoga County and to provide a coherent system of access for the uninsured adults in question. Despite its primary care focus, CHAP addresses the entire spectrum of care. One of the principal goals of the organization is to significantly reduce visits to area hospitals’ emergency departments, which have proven to be, on average, both unnecessarily frequent and costly.23

Crucially, CHAP officially coordinates charity care provision among the various hospitals and small primary care clinics in the network. Through a shared and standardized patient eligibility and enrollment system, CHAP helps to optimally distribute the charity care caseload among the county’s various providers. To accomplish this goal, CHAP performs community outreach to its target population and disseminates information about the availability and value of care provided by the small primary care clinics.

Although CHAP is a new organization, and there is no empirical data on its effectiveness, CHAP has profound theoretical implications for the model depicted in the previous section.
Whereas prospective patients previously had no incentive to act in a manner that yielded a socially optimal level of charity care consumption, under CHAP, patients can be directly referred to care providers. This new coordination in the social-affiliation network suggests that updated calculations of the total utility in the system could begin to approach $T_{US, O}$.

CHAP AND CHANGES IN THE NETWORK STRUCTURE

CHAP’s formation indicates an expansion of the informational geography of providers in the social-affiliation network. Figure 3 shows the network at $t = 2$, immediately following CHAP’s official establishment. At this time, systematic coordination is formed between the health care providers in the network. This is depicted by the emergence of a strong tie path that connects Northcoast Health Ministry, MetroHealth, and NEON Hough Medical Center. At $t = 2$, there are no other changes to the network structure.

Figure 2

The Sample Social-Affiliation Network at Time of Provider Coordination: Indigent/Uninsured Populations and Their Ties to Care Providing Organizations in Cuyahoga County

![Diagram of network structure](image)

After some time, however, these newly formed strong ties
should spur further change in the network structure. As Figure 4 illustrates, at \( t = 2 \), the Strong Triadic Closure Property pressures a conversion of the weak ties that initially connected each social node to its respective primary care clinic at \( t = 2 \).

![Figure 4](image)

The Sample Social-Affiliation Network After Provider Coordination: Indigent/Uninsured Populations and Their Ties to Care Providing Organizations in Cuyahoga County

Strong ties replace both weak ties and the social-affiliation network is complete. Just as the simple game-theoretic model constructed in the previous section illustrates how the social-affiliation network structure at \( t = 1 \) leads to a socially sub-optimal consumption of charity care, the post-CHAP network illustrates how optimal consumption may be feasible in the three-city interest area. Notice that Figure 4 depicts a network that now contains one complete clique. The structural holes depicted in the pre-CHAP network have been closed. At \( t = 3 \), the newly coordinated health care system can be thought of as one focal node rich in resources and information. In this sense, the coordinated health care node is structurally central. It lies on the shortest path between the two social
nodes and it represents a single point” that can control the communication flow within the network. The new flow of information may entice patients to utilize the formerly underused primary care clinics within the system; similarly, it can repel them from the previously overused and congested hospital emergency departments.

**DISCUSSION AND CONCLUSION**

The simple game-theoretic explanation of patient consumption of charity care in the three-city interest area offers some explanation for the changing social-affiliation network illustrated above. On the surface, the model concisely illustrates how the coordination of various types of health care providers in the region may lead to more optimal levels of charity consumption, thereby ameliorating a lingering social ill. But what is the underlying force that allows this change to transpire? A local spatial element is certainly central.

Intuitively, an expanded geography of available health care providers should promote a more efficient and socially optimal provision of care. Researchers have found evidence of a “supplier induced demand” for health care, wherein there is a direct positive spatial relationship between an area’s access to health care and its social utilization of it. This may be true when comparing urban Greater Cleveland with rural Appalachian Ohio, an area with far lower health care capital. However, this spatial relationship appears to fail to explain the intra-community inefficiencies in the consumption of care. If this relationship holds true in all cases, prospective patients would logically disperse their charity care consumption more universally among the Cuyahoga County health care providers, rather than rely heavily on hospital-based emergency departments.

Theoretical models and subsequent simulations have been conducted to predict the spatial interaction patterns of health care access in lower income areas. A core assumption in such models, however, has been that primary care providers—the general first point of entry into the health care system—are primarily accessed in times of medical necessity. Yet, as shown in this paper, the behav-
ior of the uninsured population of Cuyahoga County contradicts this ostensibly sound assumption. Despite the presence of accessible primary care clinics, a significant segment of uninsured patients seeks care at hospital-based emergency departments. The situation in Cuyahoga County exhibits the presence of this geographical paradox. Although the same physical network of health care facilities is present in 2011 as in 2008, they were uncoordinated in 2008 and consumers were unaware of how to optimally use them.

Given the sub-optimal use of primary care resources discussed in this paper, perhaps it is not surprising that Litaker, Koroukian, and Love (2005) found that “Individuals living in counties in which primary care physicians comprised a larger proportion of practicing physicians were also somewhat less likely to report having no usual source of care.” It is plausible to conclude that there was a geographical paradox in the consumption of preventive, primary, and charity care in Cuyahoga County in 2008. As supported by both the empirical results and theoretical considerations, mere spatial proximity to sources of primary care is not the sole determinant for where an individual seeks care. Nor is spatial proximity the solution to the problem of socially sub-optimal consumption of charity care in a given area, although it should be considered. Outreach policies must be actively pursued toward the county’s uninsured and indigent social communities. Only then will information flow effectively through the social-affiliation network and empower individuals to make optimal health care consumption choices. Proximity alone cannot connect uninsured patients to favorable care-providing sites; information must be the driver of systematic connection.

But who has the power and resources to augment the information flow within the health care network? As asserted in the introduction, this is a local problem. Due to the halt in U.S. national health care policy debate, local government appears to be the most viable mechanism for enacting expeditious policy change. Indeed, county and municipal governments are responsible for upholding the rights and welfare of their citizens through the administration of public resources. Local governments have an inherent interest
in fostering coordination between health care leaders that operate within their limits, for such action stands to benefit both the health of their citizens (through increased care quality) and the soundness of their health care corporations (through decreased costs). Though the powers of county and municipal governments are inferior to those of the states, most local governments, including those of Cuyahoga County and the City of Cleveland, can directly influence this issue through control of the city’s emergency medical services, local income taxes on health care professionals, and zoning ordinances that can affect the expansion of the region’s health care organizations.  

Though CHAP has only recently been fully implemented, the operation represents a promising example of system-wide health care coordination begotten by a single county government agency. While the success of CHAP is uncertain, time will no doubt yield important information about the effectiveness of locally initiated resource coordination projects far before substantive health care policy reform is enacted and evaluated at the federal level.

The trends illustrated in this paper intimate deep-running issues concerning access to care and the sub-optimal consumption of charity care across the nation. Most highly populated regions throughout the United States have not begun to explore locally initiated care-access collaborative projects. As Medicaid expansion is implemented under the Affordable Care Act, the entire nation will need to consider creative solutions for lower costs and improved care access.

This paper employs network structure to highlight one possible explanation for the seemingly unlikely sub-optimal charity care consumption within a particular health care arena. However, the models laid out in this paper are limited by their underlying assumptions and overall generality. In-depth structural analyses of health care systems are needed to determine actual structural holes within health systems, which in turn may be used to ascertain how to better coordinate existing resources, interact with patients, and optimally provide care. Moreover, patient experience response surveys should be developed to accurately pinpoint patient behaviors
as they interact with other patients in competition for charity care resources. This paper lays the theoretical groundwork for further data-driven research.

To view all charts and tables, visit: http://www.helvidius.org/2012/goldstein

Endnotes

5 For example, pursuant to specific protocols, the state government’s Health Care Assurance Program can subsidize hospital systems in Ohio for portions of their charity care services. An extensive explanation of this program is offered at: Ohio Hospital Association, HCAP, Uncompensated and Charity Care Fact Sheet, (2009).
10 Ibid.
14 Ibid.
15 The concept of triadic closure is explored in: Mark Granovetter, “The Strength of Weak Ties,” American Journal of Sociology vol. 78, no. 6 (1973). This definition of triadic closure is defined in: Easley and Kleinberg, Networks, Crowds, and Markets, 47.
19 Amy R. Poteete, Marco A. Jansen, and Elinor Ostrom, Multiple Methods in Practice: Collective Action and the Commons (2009), 50. Available at: commons.asu.edu

20 Further considerations of these axioms of rationality and extended economic assumptions can be found in intermediate microeconomic theory textbooks, such as: Walter Nicholson and Christopher M. Snyder, Intermediate Microeconomics and Its Applications, (South-Western, 2009).


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THE PRIVILEGE OF NORMALITY: LATIN AMERICAN FISCAL SPACE, COUNTERCYCLICAL POLICY, AND THE 2008 FINANCIAL CRISIS

Matt A. Getz

Latin America has long been cursed with sudden economic downturns, credit crises, and sociopolitical instability.\(^1\) Most recently, the 1997 Asian financial crisis and the 1998 Russian Ruble crisis triggered a drought of capital inflows to the region from 1998 to 2002, leading to debt crises, inflation, and slow or negative economic growth.\(^2\) These years of crisis were in line with much of Latin America’s economic history: overdependence on foreign financing and low levels of savings during economic upturns continually led to harsh credit crunches and contractions during downturns.\(^3\)

Beginning in the fourth quarter of 2002, however, an exceptional combination of abundant financing, soaring commodity prices across the agricultural, mineral, and hydrocarbon sectors, and significant remittance flows produced an exuberant economic boom.\(^4\) Many nations also moved toward greater exchange rate flexibility, inflation-targeting policies, stronger central banks, moderate debt-to-GDP ratios, and credible monetary regimes.\(^5\) Taken together, these macroeconomic reforms and positive economic conditions led observers to a common conclusion: should a crisis arise, Latin America would enjoy newfound fiscal and monetary “space” in which to enact activist countercyclical policies.\(^6\)

Such a crisis was not far off. With the 2008 collapse of the global financial system, Latin America saw a dramatic reversal in every driver of the boom. Remittance flows stagnated, international trade contracted drastically, commodity prices plummeted, and capital inflows to the region ground to a halt.\(^7\) Time was up. The boom had ended.

This paper focuses on a key question: has Latin America...
earned, in the words of José Juan Ruiz, “the privilege of normality?” Did Latin American countries develop the macroeconomic capacity necessary to escape the large-scale currency depreciations, major financial disruptions, and pro-cyclical “sudden stops” in financing during downturns that mar the region’s history? And if so, what circumstances contribute to or detract from states’ abilities to implement these countercyclical programs in the face of a crisis?

Through a controlled comparison of several Latin American countries, I demonstrate the pathway Latin American countries have taken to accumulate or deplete the fiscal space needed for countercyclical policy. By examining the macroeconomic behavior of these countries prior to and following the 2008 financial crisis, I determine that effective management of international reserves and fiscal sustainability are crucial conditions for any country looking to mediate the severity of an economic downturn. Some, but not all, Latin American countries developed these crucial macroeconomic capacities. Many enacted these policies on tenuous political grounds. Perhaps the most important question is whether those who have earned normality will continue the policies they need to keep it.

THE POLITICS OF RAINY DAY FUNDS

By September 2009, the economic crisis had turned global. Both academic and international financial communities had largely embraced the Keynesian theory that fiscal and monetary policy can play an important stabilization role in an economy by stimulating aggregate demand. By engaging in fiscal and monetary activism, governments can mitigate the impact of a global crisis, sustain the purchasing power of the middle class, avert social backlash and prevent further economic loss. Y.V. Reddy, for instance, writes that countercyclical policy can be crucial for developing countries, insofar as unchecked crises in emerging markets can lead to dramatic sociopolitical instability.
In Latin America, the combination of democratization and frequent economic crises has led to governing coalitions that are mindful of economic performance. If a governing party fails to deliver on economic promises—or if the leader presides over a sharp economic downturn—this leader and party can expect to be voted out of office in the next national election. At the onset of the crisis in 2008, political leaders in Latin America shared the general incentive, on both symbolic and material grounds, to implement countercyclical fiscal policies. On one hand, politicians would want to demonstrate to voters that they took decisive and immediate action in response to the crisis. On the other hand, by attempting to stimulate aggregate demand, they would ideally prevent a large-scale downturn that would harm their future political prospects.

While all governments in Latin America shared incentives to implement countercyclical policy, each government differed greatly in its capacity to do so. During the run-up to the crisis, each government made choices that contributed to or restricted its ability to respond with stimulus programs. This paper focuses on these variations in the ability to implement countercyclical fiscal policy, contending that the size and extent of fiscal stimulus programs in response to the 2008 crisis will be modulated by each government’s actions during the 2003–2007 boom period.

Governments can finance countercyclical stimulus packages if they have savings or through loans. But as the region learned in the late 1990s, foreign capital flows are highly unreliable during economic downturns. The conditional loaning practiced by the International Monetary Fund (IMF) in the 1990s led to suspicion and general hesitation toward accepting financial support from that body. The challenge in the region therefore became, as Cardim de Carvalho (2010) writes, “To find ways to deal with the possibility of capital flows reversals other than appealing to the IMF for support.”

What options did countries have? Latin American governments between 2003 and 2007 had an opportunity to take advantage of the export boom, either by increasing fiscal revenue streams through taxation or by profiting directly from state-owned com-
panies.\textsuperscript{13} If governments could also reduce discretionary expenditures—saving for a rainy day—then they could lower sovereign debt and run healthy fiscal balances that could fund stimulus programs or attract lower-interest loans in a crisis.

Governments could also prepare for capital reversals by accumulating international reserves.\textsuperscript{14} Through foreign liquidity inflows generated by commodity exports, countries in the region could have accumulated foreign exchange reserves throughout the boom. These reserves could then be used as an “alternate financing modality” to run temporary fiscal deficits.\textsuperscript{15} This latter use is of particular relevance to Latin America, a region that witnessed extensive accumulation of international reserves into rainy day funds or sovereign stabilization funds designed to account for fluctuations in capital inflows or commodity prices.\textsuperscript{16} During crises, international reserves’ opportunity costs rise at the same time that their returns fall, which incentivizes an appropriately countercyclical use of the funds.\textsuperscript{17}

Two critical distinctions must be made regarding the accumulation of reserves. First, Cardim de Carvalho and Griffith-Jones and Ocampo (2008) argue that the current account balance should play a central role in considering the use value of international reserves.\textsuperscript{18} When reserve accumulation is driven by a current account surplus, these reserves represent a net accumulation of wealth in foreign exchange assets; these reserves are “owned” and ready to be put into immediate use. During a current account deficit, on the other hand, the reserves merely reflect an increase in foreign loans, and as such these reserves are merely “borrowed” liabilities.\textsuperscript{19} In order for reserves to be used as stabilization funds, they must be accumulated with a current account surplus.

Second, the use value of international reserves is further conditioned by fiscal sustainability. Although these rainy day funds can be measured objectively, to the governments that control them they have a relative value, one that can only be understood with respect to the perceived risks and benefits derived from their use. At the onset of a crisis, countries have an incentive to tap into these funds to stimulate aggregate demand and fight for electoral favor.
These outcomes represent a potential benefit for using the reserves at the moment of the crisis. But governments are also constrained by concerns with debt sustainability. If a government runs a fiscal deficit with high sovereign debt, its leaders risk depleting reserves today and leaving themselves highly vulnerable to worse crises in the future. But while holding onto the reserves may come with risk, these reserve pools would remain available for future dramatic sudden stops. In layman’s terms, countries might not spend their rainy day funds today if they fear a torrential downpour tomorrow. As Alberola and Montero argue, past experiences with financial meltdowns and capital flight have made many Latin American countries particularly “debt intolerant”; governments concerned with their creditworthiness will have much greater incentives to hold on to their reserves as a last resort.\textsuperscript{20} I therefore expect that these owned international reserves will be used to finance fiscal deficits only insofar as the risk of using them is perceived to be lower than the risk of holding them.

Of course, governments in the region may not have saved during the boom period. It is well known that sociopolitical pressures during times of plenty can create political economy distortions that prompt pro-cyclical spending.\textsuperscript{21} Griffith-Jones and Ocampo (2008) note that countries often neglect the ephemeral nature of commodity price booms and spend beyond their means. To varying extents and for multiple reasons, every country in the region engaged in at least some level of pro-cyclical public spending during the boom period.\textsuperscript{22}

Of the many explanations of fiscal pro-cyclicality, the most relevant for this time period is the “voracity” effect, wherein a temporary increase in fiscal revenues leads to disproportionately higher amounts of government spending, tax cuts, and subsidies.\textsuperscript{23} The ability of a government to resist these political economy pressures during upturns depends on a wide variety of variables, including the composition of coalitions and political competition. A government that assents to expansionary political distortions during a boom may find that it has emptied the fiscal coffers when a crisis hits, rendering it largely incapable of responding with countercyclical
policy, however much it wants to protect its vulnerable citizens.\textsuperscript{24} Taken together, these coalitional effects and political pressures alter each government’s incentive to either spend or save during upturns, which in turn affects their capacities at the onset of the crisis.

I predict that the size and extent of fiscal stimulus policies will be determined by the combination of two variables: owned international reserves and fiscal sustainability.\textsuperscript{25} Larger stockpiles of international reserves and favorable fiscal sustainability will result in larger stimulus programs, as governments tap into their reserve funds with confidence. A country with reserves but with doubts about sustainability may produce some stimulus programs, but these are likely to be limited in size by concerns of creditworthiness. Finally, countries with smaller pools of international reserves and greater concerns with debt sustainability are expected to enact little to no fiscal stimulus programs, despite the broad political incentives to do so. These two variables, of course, are two sides of the same coin: improvements in the fiscal balance and the accumulation of rainy day funds both speak broadly to solid macroeconomic management and to the fact that countries have saved prudently during the boom.

In selecting countries for this study, I have chosen the seven largest Latin American economies, or the LAC-7: Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela. Together, these countries account for over 90 percent of Latin America’s total GDP.\textsuperscript{26} In selecting the LAC-7, I establish a relatively controlled group of cases from which reasonable conclusions may be drawn. By focusing on Latin America, I hope to concentrate on a region with similar historical experiences and comparable political-economic institutions. Nevertheless, it should be said that further research in other emerging market regions—many of which experienced similar macroeconomic and sociopolitical phenomena over the same time period—could contribute to a greater understanding of fiscal space and policy.
ESTIMATING FISCAL SUSTAINABILITY

Fiscal sustainability is not a straightforward concept, but rather a multidimensional consideration of a country's budget conditions, its future prospects, and the international market for that country's debt.²⁷ Rather than rely on one measure alone, I have collected a series of data that capture various components of a country's prospects for sustainability and creditworthiness.

First, the measure most commonly used to account for international capital markets' view of emerging market sustainability is J.P. Morgan's Emerging Markets Bond Index (EMBI). These EMBI spreads serve as a "market-based indicator of available fiscal space" as defined by the "perceived default risk on external debt."²⁸ Second, I have included public debt as a percentage of GDP. Developing countries with unsustainably large debt burdens may find it particularly difficult to obtain renewed external financing, at least at manageably low interest rates.²⁹ Third, a government's fiscal balance provides another look at sustainability, given that high fiscal deficits are considered unsustainable while improvements in the fiscal balance are considered indicative of strong macroeconomic management. Fourth, Fernández-Arias and Montiel (2009) contribute another helpful measure of fiscal sustainability in the LAC-7 as of 2007. They calculate a "required structural adjustment" given as the percentage of GDP that would be necessary for each country to maintain its debt-to-GDP ratio at that time.³⁰ By adjusting for terms of trade, it makes a projection about what countries can expect when these factors worsen in a crisis. The higher the estimated required structural adjustment, the more likely it is that the country will face concerns about skepticism from foreign credit markets. Finally, I perform a calculation of total public expenditures over public revenues in each country. This is a rough measurement of how much each government has saved or spent during the boom years; values over one hundred show greater expenditure than revenues, whereas values below one hundred show more saving.³¹

The 2007 measures are displayed in Table 1 (online), which gives a broad overview of each country's long-term fiscal sustain-
ability immediately prior to the crisis.\textsuperscript{32}

Unsurprisingly, Chile stands out for its high degree of fiscal sustainability in every measure. Many close observers of fiscal policy in the region during the boom years noted that Chile demonstrated the most countercyclical fiscal restraint of any country.\textsuperscript{33} Thanks to Chile’s good reputation in international financial markets, it likely had few concerns about creditworthiness when the crisis struck. Peru’s adoption of a Fiscal Responsibility and Transparency Law at the turn of the century earns it a close second place.\textsuperscript{34} The clear advantage of Peru and Chile in all measures supports Ocampo’s assessment in late 2007 that only Peru and Chile had sustained countercyclical restraint during the boom.\textsuperscript{35}

Conversely, there is the Bolivarian Republic of Venezuela, which has been legendary for its pro-cyclical spending.\textsuperscript{36} This notoriety is well reflected in its high EMBI spreads. Interestingly enough, Venezuela’s gross public debt and overall balance might suggest a somewhat secure fiscal position. But in this case these figures are misleading: over 80 percent of Venezuela’s total exports are crude oil and other oil products, and while exports led to an average GDP growth rate of over 11 percent between 2004 and 2007, there was no accompanying improvement in fiscal management during that time.\textsuperscript{37} As Venezuela’s pro-cyclical rate of government expenditure and enormous required structural adjustment indicate, President Chávez’s government greatly spent beyond its means, particularly in 2006–2007.\textsuperscript{38} Venezuela will likely have the greatest concerns with debt sustainability.

Argentina is another country with serious doubts about creditworthiness and access to foreign financing. Like Venezuela, Argentina since its 2001 default has been regarded with suspicion in EMBI risk spreads. Most troubling, it has the highest debt-to-GDP ratio of the LAC-7. And while Argentina’s overall balance and expenditure over revenue figures are a bit less worrisome, both of these measures went in a troubling direction between 2006 and 2007, reflecting what Ocampo warned was a “recent upward trend in public spending” in Argentina.\textsuperscript{39} As Bill Faries noted in late 2007, much of the increased public spending was financed by the
commodity price boom and was driven in anticipation of the 2007 elections. This trend calls the country’s fiscal sustainability further into doubt.\footnote{40}

Mexico is a complex case. Its 2007 EMBI spreads and debt-to-GDP ratios would suggest that its leaders could have afforded to be optimistic. Its modest overall balance and government expenditures indicate that while the government has not made great strides, neither has it incapacitated itself with spending. Yet its required structural adjustment is the second most severe. Why would this be the case? This is attributable to Mexico’s economic integration with the United States, and its resulting greatest single market overdependence among the LAC-7; it sent 82 percent of its total exports to the US in 2007.\footnote{41} At the onset of the crisis, the Mexican economy could likely expect a much more severe contraction (and subsequently a drop in government revenues and an increase in sovereign debt) than the more diversified countries of South America. Therefore, while some of the 2007 figures indicate room for optimism, in practice, the Mexican government may have had more reason to worry that low-risk foreign financing would be available as the downturn continued.

This leaves Colombia and Brazil remarkably close in each measurement. Colombia enjoys some negligible advantages in several categories, but Brazil’s strength as an emerging power could make up for these small differences in securing external financing. Moreover, both countries had enacted fiscal responsibility laws meant to increase investor confidence.\footnote{42} In short, to Brazil and Colombia fiscal sustainability may not be of immediate concern, but policymakers in both countries should be mindful of these constraints as they enact fiscal policy.

It is now possible to group the LAC-7 into three categories of sustainability. Peru and Chile should have been unconcerned with their creditworthiness at the onset of the crisis. Mexico, Brazil and Colombia all enjoy a mix of encouraging and limiting factors, and therefore their governments should have displayed some reasonable concerns with sustainability. Lastly, the Chávez and Kirchner governments of Venezuela and Argentina, respectively, likely felt
highly constrained by creditworthiness at the onset of the crisis. By giving in to pro-cyclical spending toward the end of the economic boom, both governments handicapped themselves when it comes to enacting policy at the onset of a crisis.

The next section will evaluate the other component of my hypothesis: each country’s holdings of international reserves.

INTERNATIONAL RESERVES AND THE CURRENT ACCOUNT

International reserves increased in every LAC-7 country between 2003 and 2007. These across-the-board increases, with Brazil showing particularly spectacular leaps after 2005, were heralded as positive steps for the countries in the region. But for the purposes of this paper, it is crucial to distinguish between international reserve accumulations under current account surpluses or deficits.

Estimating the effect of the current account on international reserve accumulation to differentiate between owned and borrowed reserves presents methodological challenges. This paper proposes a simple, if crude, estimation by using the strength of the current account surplus as a multiplier effect on reserves. For each country and year, I have multiplied the international reserves in dollars by the size of the current account balance as a percentage of GDP. This index attempts to estimate an adjusted size of international reserve holdings as moderated by the current account balance; the higher the current account surplus, the more likely that these reserve accumulations will reflect owned reserves rather than just increased foreign liabilities. Conversely, low current account surpluses or current account deficits would imply that international reserves merely reflect increased foreign liabilities that would exacerbate, rather than help, a developing country’s financing situation during a sudden stop. I have included this index in Table 2 (online). Larger values imply a combination of significant reserve pools and a strong current account surplus.
A closer examination of the numbers for each country may reveal the utility of the index. I will start with the countries with the two highest indices: Argentina and Venezuela. These countries enjoyed only the third- and fourth-largest pools of international reserves in 2007. Between 2003 and 2007, Argentina’s international reserves increased by a factor of 3.4, and Argentina ran a steady current account surplus over that period. Venezuela’s international reserves pool increased by a factor of 1.7, but its current account surplus averaged 13.6 percent of GDP. Of course, it must be noted that Venezuela’s 8.8 percent drop in international reserves between 2006 and 2007 is indicative of a pro-cyclic utilization of these funds. This depletion in the reserves pool is the only factor calling the Venezuelan government’s access to reserves into question. Yet Argentina and Venezuela had both unquestionably accumulated a substantial amount of these owned international reserves.

Conversely, while Brazil had by far the largest pool of international reserves in the region, this figure is much less impressive when adjusted for the size of Brazil’s economy and considering Brazil’s explosive capital account surplus toward the latter half of the boom years. These flows of borrowed assets into Brazil explain the country’s leap in international reserves between 2006 and 2007. So while Brazil’s international reserve statistics appear impressive, there is great reason to believe that these funds would not have been readily available to finance countercyclical stimulus programs, and this lower availability is reflected in Brazil’s lower index score for 2007.

Chile’s accumulation of international reserves, on the other hand, looks moderate at best in dollar amounts; reserves only increased by a factor of 1.06 over the boom. Does this mean that Chile did not accumulate enough reserves to finance countercyclical policy? Two factors suggest otherwise. First, much like Argentina, Chile ran a steady current account surplus after 2003, suggesting that its international reserves holdings reflect owned, rather than borrowed assets. More importantly, the Chilean government had created two sovereign stabilization funds, together worth about $21.9 billion (over 15 percent of GDP), designed to protect against
currency shocks and to fund fiscal deficits during crises.\textsuperscript{48} All factors considered, Chile’s access to reserves to fund countercyclical policy is second to Argentina.

Peru is another country for which international reserve levels are more promising considering the current account and government prudence. Peru’s current account surpluses after 2003 suggest that reserves accumulation was set in motion by increases in commodity exports. And, like Chile, the Peruvian government in 2003 created a Fiscal Stabilization Fund comprising international reserves from capital inflows on exports.\textsuperscript{49} This fund provided for steady reserve accumulation in Peru even in 2007, when its current account surplus decreased slightly. Peru therefore falls behind Argentina and Chile with respect to available international reserves.

Last, Colombia and Mexico are remarkably similar in terms of international reserves. Throughout the boom, both accumulated international reserves under a steady current account deficit (capital account surplus).\textsuperscript{50} But both countries had also established sovereign stabilization funds to accumulate reserves from their oil exports. And while these sovereign funds were less substantial than those of Chile and Peru, they could nevertheless account for some fiscal flexibility at the onset of the crisis.\textsuperscript{51} In general, both Colombia and Mexico accumulated a fair amount of international reserves in sovereign funds, but under conditions that call into question their abilities to fund fiscal deficits during a sudden stop.\textsuperscript{52}

I group the countries into four categories based on the size and owned nature of their international reserves. Argentina, by virtue of its large-scale accumulations and the surplus in its current account, and Chile, from its comparable gains and sovereign stabilization funds, lead the pack. Peru saw less reserve accumulations and a relatively smaller current account surplus, but its sovereign stabilization fund contributes to its capacity to use international reserves for fiscal stimulus. I place it in the second-highest category. Venezuela joins Peru in this second category; its reserve accumulations under a large current account surplus are slightly counterbalanced by considerable depletion of the stockpile during 2006 and 2007. Next, in the third category, are Colombia and Mexico. While
their reserve accumulation was modest and took place during capital account surpluses, the fact that both countries have sovereign stabilization funds with predetermined criteria for use during economic downturns indicates that the governments have at least some immediately deployable reserves.

I place Brazil alone in the last category for two reasons. First, while Brazil’s reserves pool is the largest in the LAC-7, this increase came only during an intense period of foreign capital loans at the end of 2006; these numbers are inflated by the sheer size of Brazil’s economy and do not reflect truly owned reserves. Second, unlike Colombia and Mexico, the Brazilian government at the time of the crisis had not established sovereign stabilization funds in preparation for an economic downturn. I therefore judge Brazil to have the least immediate access to international reserves for deficit financing.

TWO-DIMENSIONAL EXPRESSION OF FISCAL SPACE

Large levels of international reserves will result in large fiscal stimulus programs, but only insofar as concerns with long-term fiscal sustainability do not limit governments’ willingness to tap into these rainy day funds. My hypothesis predicts that, as a country accumulates more owned foreign reserves and improves its fiscal sustainability, the size and extent of its countercyclical fiscal stimulus programs enacted in reaction to the 2008 crisis will increase. Based on the information I have gathered, then, I therefore predict that Chile will enact the largest fiscal stimulus program in the area, with Peru enacting the second largest.

Drawing out predictions for the remaining five countries is a bit more complex, insofar as doing so requires making assumptions about which requires making more restrictive assumption: a lower availability of international reserves or concerns about debt sustainability. As previously mentioned, I conceive international reserves according to their relative value. Concerns with debt sustainability will condition a given government’s evaluation of the costs
and risks of using the rainy day funds in response to a crisis. While international reserves may be the financing source for countercyclical spending programs, debt sustainability is the condition that allows or restrains the use of those funds.

Consider Argentina, whose pool of international reserves is quite large. It is crucial to remember Argentina’s traumatic experience with financial crises, its aversion to the IMF, and the multiple reasons to question its creditworthiness with respect to the future. This aversion to debt fundamentally alters the use value of these reserve pools by increasing the perceived risk in using these funds today rather than saving them for the future. The same holds true for Venezuela. Despite high levels of international reserves, I expect debt sustainability concerns to incentivize saving the funds rather than using them. Argentina and Venezuela, therefore, are expected to have the smallest degrees of countercyclical fiscal responses to the crisis.

While Brazil, Colombia, and Mexico each should have roughly similar expectations of debt sustainability, the latter two countries had established sovereign stabilization funds by the time of the crisis, whereas Brazil had not. These stabilization funds offer pre-established procedures for implementing countercyclical spending and could be expected to have a significant effect. I therefore expect Colombia and Mexico to have larger levels of fiscal stimulus than Brazil.

To review, my hypothesis predicts that the LAC-7 fiscal stimulus programs in response to the 2008 crisis should fall, from largest to smallest, as follows: Chile, Peru, Colombia and Mexico, Brazil, Argentina, and Venezuela.

RAINY DAYS AT HAND: FISCAL STIMULUS PROGRAMS IN THE REGION

Estimations of the size of stimulus packages throughout Latin America tend to vary widely. For each country, I have used the most commonly accepted figures. Moreover, I attempt to measure
only programs enacted through 2009, thereby isolating the initial fiscal responses to the crisis without having the results altered by changing economic performance or a return of financing to the area.

In Figure 2, below, I present an overview of both the size and composition of countercyclical fiscal policies enacted through 2009 in the LAC-7. For the most part, these programs combined government spending or investment programs with tax cuts. Figure 2 shows that the order of the LAC-7’s countercyclical fiscal programs from largest to smallest would be: Chile, Peru, Colombia, Argentina, Mexico, Brazil, and Venezuela.

<table>
<thead>
<tr>
<th>Country</th>
<th>% GDP</th>
<th>Details of fiscal policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>2.3%</td>
<td>Features income tax cuts; subsidy increases for low-income families; large-scale public investment in public works, infrastructure, and housing</td>
</tr>
<tr>
<td>Peru</td>
<td>2.0%</td>
<td>Infrastructure investment projects and broad increases in public spending; stimulus support to workers and SMEs; social infrastructure spending</td>
</tr>
<tr>
<td>Colombia</td>
<td>1.4%</td>
<td>Tax cuts on income tax, wealth tax, and stamp duty; infrastructure spending in public works (roads, housing and irrigation projects)</td>
</tr>
<tr>
<td>Argentina</td>
<td>1.3%</td>
<td>Large-scale public works investment plan focusing on roads, hospitals, and housing projects; tax and pension fund moratorium on certain liabilities; tax reductions for the middle class</td>
</tr>
</tbody>
</table>
In Venezuela, Chávez’s government, notwithstanding the steady populist rhetoric, was compelled to resort to blatantly procyclical policies in response to the crisis. This did not surprise many observers, who for years had called attention to the fundamental macroeconomic issues of Chávez’s regime. The severity of the concerns with long-term debt sustainability in light of Venezuela’s poor creditworthiness, together with these macroeconomic problems, made countercyclical policy untenable. Venezuela anecdotally demonstrates that spending during upturns, even in the case of current account surpluses, will limit a government’s ability to enact countercyclical fiscal policy during downturns.

At first glance, the fact that Argentina’s stimulus programs amounted to 1.3 percent of GDP—the fourth largest in the LAC—seems to refute my hypothesis. But there is a missing piece of crucial information here: Argentina was indeed hesitant to tap into its “rainy day” funds. Its international reserve holdings actually slightly increased from 2007 to the end of 2009. Instead, to finance its stimulus programs, the Argentine government instituted a mas-

<table>
<thead>
<tr>
<th>Country</th>
<th>Fiscal Policy</th>
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<tbody>
<tr>
<td>Mexico$^{61}$</td>
<td>1.2%</td>
</tr>
<tr>
<td>Brazil$^{62}$</td>
<td>0.55%</td>
</tr>
<tr>
<td>Venezuela</td>
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sive forced nationalization of private pension savings, the flow of which accounted for up to 1.5% of GDP. The implications of this policy move are twofold. First, the example of Argentina lends credence to the logic of my thesis insofar as creditworthiness concerns limited the government’s willingness to tap freely into rainy day funds, deemed a risky solution. Second, and perhaps more importantly, the example of Argentina calls to the forefront an important point about political economy and causality. This paper attempts to relate macroeconomic characteristics with an ideal policy choice. Nevertheless, sovereign governments acting under constraint may choose from an infinitely larger set of heterodox policy options. This is a healthy limitation on assumptions of causality: international reserves may provide a vehicle for countercyclical policy, and fiscal sustainability may be an enabling condition, but the ultimate policy will depend on a complex decision-making process with a broader variety of possible outcomes than simple models suggest.

The small size of Brazil’s fiscal stimulus packages may have stumped those who argued that international reserves were the determining factor of Latin America’s macroeconomic progress. However, both the type of reserves and a country’s concerns with sustainability can greatly alter the utility of reserves with regard to countercyclical policy. Moreover, a close comparison with Colombia and Mexico—which were similarly positioned to Brazil with respect to sustainability—can elucidate some interesting conclusions about reserve accumulation. Colombia, Mexico, and Brazil all accumulated their reserves under low-to-negative current account balances, but while Colombia and Mexico saved in established sovereign stabilization funds, Brazil lacked a similar program. This suggests that, all else being equal, sovereign wealth funds with stabilization as an institutionalized motivation, with automatic procedures resistant to political pressures, may enable policy action where the mere accumulation of general reserves does not. Beginning in 2009, the Brazilian government began accumulating surplus government revenue in the Sovereign Fund of Brazil (FSB), a multi-billion dollar fund designed explicitly for stabilization during future financial crises, implying that Brazil may have learned a
lesson from its energy-exporting neighbors.63

Colombia and Mexico, as predicted by my hypothesis, both enacted countercyclical fiscal programs that were moderate in size. Likewise, in Chile and Peru, sovereign stabilization funds of international reserves were utilized to finance broad spending increases and tax cuts,64 and as predicted, Chile’s programs were slightly larger than those of Peru.65 Thanks to both countries’ fiscal surpluses and manageable debt-to-GDP ratios, policymakers were able to tap into these rainy day funds without fearing disproportionately worse credit crunches in the future.

Considered altogether, the region’s fiscal policy responses to the crisis offer some preliminary support to my hypothesis that while the accumulation of international reserves is an important element of preparing for economic shocks, the utility of these reserves is conditioned by their composition and by the country’s fiscal sustainability. Furthermore, sovereign wealth funds specifically designed for stabilization purposes during sudden stops and commodity price drops played a crucial role in the largest stimulus policies in the region. Of course, in several cases, the two variables go hand in hand; Peru and Chile created stabilization funds at the same time that they improved fiscal balances and lowered sovereign debt. The examples of Mexico and Colombia relative to Brazil, though, suggest that these funds may be related to the size of stimulus programs when fiscal sustainability is held more or less constant. Finally, as previously mentioned, macroeconomic variables may act as constraints on government policy, even if these constraints may be loose. Argentina’s substantial fiscal stimulus program would not have been possible under the model described by my thesis, but the government’s nationalization of pension funds provided increased revenue with which to finance further deficits.

From a general standpoint, while enthusiasm for Latin America’s improved macroeconomics was not entirely unfounded, it often neglected critical differences within the region. Contrary to the common assertion, a nation’s current account balance improvements may or may not have been significant, depending on a given government’s ability to increase trade-related revenues and
control its expenditures. International reserves accumulation was an important step, but how these reserves were accumulated seems more salient. Despite the region’s strides toward autonomy, certain countries remained highly constrained by poor creditworthiness and limited access to financing. Finally, while it is important not to confuse favorable external factors for improvements in fiscal management, it does appear to be the case that the steady accumulation of reserves and modest fiscal balance improvements can allow developing nations to better weather downturns.66

CONCLUSIONS

In striving for descriptive richness, this paper has limited itself to the largest countries in a particular region. But the 2008 global financial crisis struck the developing world all at once, implying that there is a great opportunity for studies with broader sample sizes, more complex datasets, and multivariate analysis. While I am confident in the instrumental value of my measures, there is certainly room for improvement. In particular, future studies could arrive at more detailed analysis of owned compared to borrowed reserves. Nevertheless, as studies become broader, they should be accompanied by the type of close examination performed here to account for institutional or political phenomena outside the parameters of the model.

My findings suggest that some Latin American countries may have indeed earned the privilege of normality, in that they found themselves better positioned to handle the 2008 financial crisis. By limiting the procyclical political impulse to spend during booms and by saving for rainy days, Latin America has thus far generally avoided the type of large-scale economic collapse that tarnishes its history.67 Indeed, after a precipitous drop in 2009, growth rates for the LAC-7 countries (excluding Venezuela) rose to an average of 6.7 percent for 2010.68 Nevertheless, this macroeconomic improvement must be understood as both limited and contingent. As this paper has shown, only the combination of international reserves accumulation and improved sustainability will lead to
broadened fiscal space, barring one-time heterodox policies as seen in Argentina.

Above all other considerations, countries must be careful to learn the correct lesson from the 2008 crisis. It was not public spending in general, but rather countercyclical public spending—and, indeed, the improvement of external conditions—that enabled growth rates to revive across the region. As Cárdenas and Levy-Yeyati (2011) discuss, it takes far less political maneuvering to tap into rainy day funds than it does to later renew countercyclical saving as conditions improve. Everyone wants to use rainy day funds, but in good times these funds can be difficult to store away. As much as the 2003–2007 boom was an important test of macroeconomic restraint in the region, the upcoming years post-crisis will likely be even more important, as countries must look for ways to cool off spending programs and begin to replenish, or at least maintain, their stocks of reserves. Countries may have earned the privilege of normality with respect to 2008; but will they fight to maintain it?

Latin America has the potential to provide for stability in the face of the ups and downs of the business and commodity cycles, but only if its countries can consolidate the fiscal restraint displayed in spurts between 2003 and 2007. As Rojas-Suarez (2010) argues, public savings rates in Latin America are still much too low, and governments in the region must find a way to sell renewed countercyclical restraint to their populations in anticipation of the next global downturn. Doing so will be difficult. Programs implemented in the wake of crises are often broadly popular, and rolling these back is a tricky task for any politician seeking reelection, or indeed any party seeking public support. But even given this healthy dose of skepticism, it is difficult to deny that Latin America has significant prospects for growth and stability in the foreseeable future. The 2008 crisis, for Latin America, was a far cry from the utter economic meltdowns witnessed at the turn of the century. It is clear that the region has progressed quite far in a relatively short period of time. As fiscal space, trade diversification, and targeted sovereign stabilization funds grow throughout the region, Latin
America may be on the path toward normality.

To view all charts and tables, visit: http://www.helvidius.org/2012/getz

Endnotes

1 As Guillermo A. Calvo and Ernesto Talvi once wrote, “Latin America does not grow. It occasionally hits an ice patch where output speeds up, only to fall on its face when the ice patch ends.” Calvo and Talvi, “Sudden Stop, Financial Factors and Economic Collapse in Latin America: Learning from Argentina and Chile,” Working Paper No. 11153 (Cambridge, MA: National Bureau of Economic Research, February 2005): 2 See also, e.g., Inter-American Development Bank (IDB), All That Glitters May Not Be Gold: Assessing Latin America’s Recent Macroeconomic Performance (Research Department of the IDB, April 2008; Idem., Social and Labor Market Policies for Tumultuous Times: Confronting the Global Crisis in Latin America and the Caribbean (IDB, March 2009).


6 The widespread nature of this conclusion was matched only by the general confusion as to what exactly constituted this supposed increased fiscal and monetary capacity. Among the various explanatory factors considered were the current and capital accounts, international reserves, primary balances, tax structures, stabilization funds, financing constraints, and commodity dependence. Furthermore, this issue of generality was exacerbated by a too-frequent tendency to treat the region as a whole, thereby foregoing valuable country-level comparisons. See, e.g., Yilmaz Akyüz, “The Management of Capital Flows and Financial Vulnerability in Asia,” in Time for a Visible Hand: Lessons from the 2008 World Financial Crisis, edited by Stephany Griffith-Jones, José Antonio Ocampo, and Joseph E. Stiglitz (New York: Oxford University Press, 2010): 219–241; Ivanna Vladkova-Hollar and Jeromin Zettelmeyer, “Fiscal Positions in Latin America: Have They Really Improved?” Working Paper No. WP/08/137 (International Monetary Fund, May 2008); Cárdenas and Levy-Yeyati, “Latin America Economic Perspectives”; Juan Pablo Jiménez and Varinia Tromben, “Fiscal Policy and


9 While the largest fiscal stimulus programs would be seen in developed countries, these policies were thought to be equally useful for developing nations. See Alberola and Montero, “Debt Sustainability;” Charles Freedman, Michael Kumhof, Douglas Laxton, and Jaewoo Lee, “The Case for Global Fiscal Stimulus,” Staff Position Note No. SPN/09/03 (International Monetary Fund, March 6, 2009); 9; International Monetary Fund (IMF), “Update on Fiscal Stimulus and Financial Sector Measures,” (IMF, April 26, 2009); “The Limits to Fiscal Stimulus in Latin America and the Caribbean,” (The Brookings Institution, March 20, 2009).


14 Cardim de Carvalho, “Accumulation of International Reserves.”


16 See, e.g, Cardim de Carvalho, “Accumulation of International Reserves”; Jiménez and Tromben, “Fiscal Policy”; Griffith-Jones and Ocampo, “Sovereign Wealth Funds.”


18 The current account balance is the net trade balance, plus net earnings from rents, profits and dividends, excluding long-term borrowing or investment.

19 Griffith-Jones and Ocampo, *Sovereign Wealth Funds*, 16.

20 Alberola and Montero, “Debt Sustainability.”

21 See, e.g., Alberola and Montero, “Debt Sustainability”; Calvo and Talvi, “Sudden Stop.”
22 See, e.g., Izquierdo et al., *Booms and Busts*; Jiménez and Tromben, “Fiscal Policy.”
25 For clarity, I will use the term “owned” reserves to refer only to those reserves representing foreign exchange assets immediately available for use to finance stimulus programs, rather than long-term liabilities in the form of foreign loans (“borrowed” reserves). As mentioned, a country with a surplus in the capital account (producing a good amount of borrowed reserves) may face additional credit constraints at the time of a sudden stop.
30 Fernández-Arias and Montiel, *Crisis Response*, 27. Essentially, this measure attempts to quantify the following: If terms of trade drop off, how drastically would countries have to cut back just to maintain the same level of sovereign debt? To calculate this required adjustment, the authors use the standard HP Filter and another which mimics the Chilean fiscal rule, the latter of which is more suitable for countries “with sizable commodity-linked revenues.” Ibid., 26.
32 Note that while I have provided merely the data for 2007—recognizing that the majority of year-end 2008 data is at least partially affected by the downturn and subsequent policy reactions.
33 See, e.g., Cárdenas and Levy-Yeyati, “Latin America Economic Perspectives.”
38 The classic example of this spending frenzy during that period was the gasoline subsidy, which cost the nation an estimated $9 billion per year. See Simon Romero, “Venezuela’s Gas Prices Remain Low, but the Political Costs May Be Rising” *The New York Times*, October 30, 2007.


43 See Tables 5 and 6 online at Helvidius.org/2012/getz.

44 See Table 7 online at Helvidius.org/2012/getz.

45 See Cardim de Carvalho, “Accumulation of International Reserves”; Griffith-Jones and Ocampo, “Sovereign Wealth Funds.”

47 Ibid. Brazil’s capital account surpluses of $16 billion in 2006 and $89 billion in 2007 were the most drastic in the region and reflected a rapid inflow of external loans.

48 Ocampo, “The End of the Latin American Boom,” 9. The Economic and Social Stabilization Fund in particular was designed to be financed by the temporary copper price boom. See Jiménez and Tromben, “Fiscal Policy,” 78.

49 Ibid., 77.

50 It must be added, though, that their scores on my adjusted reserve index are somewhat exceedingly negative due to the manner in which it is calculated.

51 It must be added, though, that their scores on my adjusted reserve index are somewhat exceedingly negative due to the manner in which it is calculated.

52 One must also remember that, in addition to financing fiscal stimulus packages, international reserves are also important to countries looking to engage in currency interventions to adjust the rate of inflation.

53 One way to express this hypothesis visually would be to arrange both variables along separate axes and to populate the field with countries based on my previous analysis. See Figure 1 online at helvidius.org/2012/getz.

54 Particularly with relation to tax cuts—which are often counterbalanced by cuts in spending or tax increases elsewhere—it can be difficult to estimate the size of the programs.


58 ECLAC, *Reactions of the Governments*.

59 This initial disparity may have disappeared over time. Through early 2011, Chile and Peru had instituted a roughly comparable level of fiscal stimulus of about 3% of GDP. Luis Carranza, Christian Daude and Ángel Melguizo, “Public Infrastructure Investment and Fiscal Sustainability in Latin America: Incompatible Goals?” Working Paper No. 301 (Development Centre, Organisation for Economic Co-operation and Development, June 2011).

60 See, e.g., Izquierdo et al., *Booms and Busts*.

61 Furthermore, unlike in past crises, Latin America largely avoided the initial source of economic contagion: financial channels. The reduction in trade volumes and commodity prices was severe, but it would have been far worse to see Latin American banks holding securitized sub-prime mortgages at the start of 2008.

62 World Bank, *World Development Indicators Data Tool*. With Venezuela’s economic decline of 1.91% included, the LAC-7 average is 5.5%.

63 Throughout Latin America, there have been an increasingly broad array of demonstrations and public mobilizations aimed at increasing or at least maintaining the levels
of social spending and government investment. This is both a positive sign and a challenge for the region. Again, it is worth noting that sovereign stabilization funds with an automatic component may provide governments with a valuable “out”: they can justify their countercyclical restraint as something out of their control and use their remaining revenues as they see fit.
BEYOND CONSTITUTIONAL RECOGNITION: PUBLIC CHALLENGES FOR THE DEFENSE OF INDIGENOUS RIGHTS IN LATIN AMERICA

Guilhem de Roquefeuil

“Governments shall have the responsibility for developing, with the participation of the peoples concerned, co-ordinated and systematic action to protect the rights of these peoples and to guarantee respect for their integrity.”


For scholars of Latin American politics, the evolution of public policy regarding indigenous populations is of vital importance to the larger debate on the consolidation of stable and representative democracies on the continent. Major turning points in the relationship between indigenous peoples and Latin American states have occurred during the last three decades. Tellingly, several authors identified the 1980s and early 1990s as a period of “cultural and political renaissance” for the Western Hemisphere’s indigenous populations. Spurred by the transitions to democracy and their subsequent political openings, numerous indigenous groups, communities, movements, and associations became increasingly vocal in their demands. Furthermore, the language of universal human rights, which had been a focal point for opponents of Latin America’s military regimes, provided the foundation for the concept of indigenous rights. This newborn notion became the rallying cry for those who argued that modern Latin American nation-states failed to guarantee the rights and to consider the aspirations of their native populations.

One of the most significant developments with regard to indigenous rights has been their near-continent-wide constitutional recognition by succeeding Latin American governments and leg-

Guilhem de Roquefeuil graduated from McGill University with first class honors in political science and international development studies last spring. He joined McGill’s faculty of law in September with the intention of obtaining a double degree in civil law and common law.
islative assemblies. Today, only a few Latin American constitutions do not attribute specific rights to indigenous citizens, and the majority of the region’s states have ratified the International Labor Organizations (ILO) Convention 169 on Indigenous and Tribal Peoples. To be sure, there are sizeable qualitative and quantitative differences in the ways that these rights are recognized, but the trend has been unquestionably positive. These developments at the domestic and international levels have been a crucial step forward for indigenous movements striving to bring the indigenous rights agenda to the heart of state policymaking.

The literature on indigenous movements and the state in Latin America has thoroughly documented the factors—domestic and international—that led to the constitutional adoption of indigenous rights. Furthermore, it has offered numerous insights on the nature of these rights and their incorporation within the agendas of indigenous movements. However, in order for today’s research to have a positive impact on policymaking in Latin America, scholars need to move beyond the existing literature to develop a policy framework for the domestic promotion, protection, and enforcement of indigenous rights given their constitutional recognition. Most importantly, this framework would clarify the role of national governments in assuring that indigenous rights become palpable features of the constitutional order rather than mere statements of principle.

This paper establishes the theoretical and analytical foundations for the elaboration of a tentative policy framework for the public defense, enforcement, and promotion of indigenous rights in Latin America. The study proceeds in four sections. It begins by presenting a comprehensive typology of indigenous rights and offering examples of their concrete formulation at the domestic and international levels. This section also summarizes the main difficulties associated with implementing these rights from the point of view of domestic policymakers. The second section debates the literature’s theoretical contributions in outlining the state’s role in the protection of indigenous rights. The third section examines the recent Ecuadorian experience with indigenous
rights in order to empirically stress the theory’s significance. The final section presents five policy recommendations as well as avenues for further research, providing the basis for a future policy framework.

I. A TYPOLOGY OF INDIGENOUS RIGHTS DEMANDS

In order to properly evaluate the policies of current Latin American states regarding their indigenous populations, it is necessary to define and, to the extent possible, classify the rights most commonly demanded by the continent’s indigenous associations and movements. Building such a typology clarifies the public policy challenges associated with each claim in complex national contexts. Pascal Lupien’s astute classification of indigenous demands—cultural rights, land rights, natural resource rights, economic rights, and politico-legal rights—provides the structure for this inquiry.6

1.1 Economic rights

Partly based on a rejection of neoliberal economic policies seen as threatening to their territories and livelihoods, several indigenous groups have been militant supporters of redistributive economic policies and adamant opponents of the economic strategies resembling those of the “Washington Consensus.”7 Thus, it has been common for indigenous movements to advocate for the adoption of socioeconomic rights (SERs) of a social-democratic nature. Furthermore, indigenous groups have demanded official recognition of customary modes of economic production and their sponsorship by the state.8 In addition, many of these groups have defended the right to be active participants in and beneficiaries of national and local economic development plans.9 Concrete formulations of these rights are notably present in the Bolivian constitution:

“The State shall recognize, respect, protect and promote the
communitarian form of economic organization. This form of communitarian economic organization includes the systems of production and reproduction of social life, established in the principles and visions that belong to the native indigenous nations, peoples and rural populations.”

There are a number of problems associated with the applicability of SERs. Two frequent criticisms are that Latin American states do not possess the legal or bureaucratic capacity to enforce these rights, and that poor citizens cannot realistically afford to initiate litigation by appealing to such rights. Concerning the recognition of indigenous modes of production, it can be argued that the dichotomy between “customary” and “modern” modes of production is an artificial construct, for which the legal interpretation will predictably be unclear. The definition of indigenous modes of economic organization requires an element of subjectivity. For instance, if the legal demarcation between customary and non-customary modes of production is not representative of the actual practices of indigenous communities, these groups will either file claims that are not recognized in legislation, or view these laws as unbenevolent to the protection of their livelihoods. Finally, the right of indigenous populations to participate in public development strategies that affect them represents a noble attempt to democratize policy making; however, if further legislation does not spell out the details of these arrangements, such a right remains notoriously abstract. Until indigenous communities become established contributors and veto-players in the elaboration of policies that concretely impact their livelihoods (e.g. the construction of a highway that crosses indigenous territory), they will be forced to accept or contest ministerial faits accomplis.

From a political point of view, there is also the danger that politicians support socioeconomic rights to gain votes from progressive and indigenous electorates, rather than to initiate bold socioeconomic transformation. Furthermore, in the absence of stable and applicable legislation to promote and enforce these rights, opposition to political coalitions are likely to strategically delay or hinder their institutionalization. Because some of these
rights run contrary to the tenets of neoliberal and conservative ideology, their longevity and significance in states dominated by these parties is questionable. In sum, while the economic component of indigenous demands was successfully integrated in the consciousness of policymakers in several Latin American countries, their applicability and validity will remain controversial in the future.

1.2 Land rights

One of the common characteristics of indigenous movements in Latin America is a fight for the conservation of ancestral lands. Oftentimes, the problem revolves around the legal recognition of indigenous communities’ custody over areas deemed to be sacred lands, the acknowledgement of communal modes of territorial organization, and the community stewardship of natural resources found on these lands. The indigenous populations’ strong economic and spiritual ties to these lands are often mentioned among the arguments in defense of land rights. The Ecuadorian constitution provides concrete examples of the legal formulation of land rights:

[The State] recognizes and guarantees the following rights to the indigenous communes, communities, and to indigenous nationalities: … to freely sustain, develop, and strengthen their identity, sense of belonging, ancestral traditions, and modes of social organization … to maintain the possession of ancestral lands and territories, and to obtain their legal recognition at no costs … to not be displaced of their ancestral lands.

Most Latin American governments have made noteworthy advances in granting legal status to indigenous territories through land regularization and titling. However, these measures constitute more of a stepping stone toward the full enjoyment of land rights than a comprehensive solution. As activists and researchers tend to note, the de facto protection of the natives’ land rights does not reflect their degree of legal validity. Most importantly, competing actors within the national polity continue
to press for the acquisition of these territories. Empirical case studies on the issue of territorial conservation reveal that indigenous populations across the continent face opposition from a wide variety of actors. In Colombia, for instance, the paramilitaries and guerillas present a serious challenge to the territorial integrity of the indigenous populations. In Mexico, the state’s endorsement of “liberal” land policies favoring individual land titling has challenged the model of community ownership prevalent in indigenous areas. Frequently, clashes over the entitlement to exploit or conserve natural resources aggravate these issues.

1.3 Natural resource rights

The Latin American indigenous movements’ concern with the protection and usage of natural resources is central to their rights-based claims. Along these lines, indigenous groups have pushed for the adoption of constitutional provisions concerning the proper usage and protection of natural resources at the national and local levels. Generally, indigenous groups contend that public or communitarian resource management schemes are best suited to that task. In Andean countries, clashes over the privatization of water and the extraction of hydrocarbons have highlighted the indigenous communities’ stance on the issue. Indigenous groups also tend to be proponents of universal rights such as the right to clean water. Most prominently, they stress the inalienable right to be stakeholders in the management of resources found in their lands, notably through obligatory public processes of “prior consultations” (consulta previa).

One of the most advanced constitutional formulations of natural resource rights is found in the Ecuadorian constitutional text:

Water is a part of the strategic and public national patrimony, under the inalienable and imprescriptible dominion of the State, and constitutes a vital element for nature and the existence of human beings. Any form of water privatization is prohibited. The management of water will be exclusively pub-
lic and communitarian. The international momentum for the recognition of indigenous peoples’ rights to natural resources is growing. Nonetheless, ambiguities over their domestic application remain. First, at the domestic level, natural resource rights cannot plausibly be enforced in the absence of detailed and legally enforceable territorial demarcation of indigenous communities. For instance, a political battle over which resources “belong” to native communities seems inevitable in regions where natural resources overlap with different administrative and community demarcations, as well as private commercial concessions. This question is particularly problematic in the Amazon Basin, where the state, private companies, and indigenous groups routinely clash over the access to valuable resources such as gold, petroleum, gas, and rare plants.

With regard to national development strategies, it should be noted that the “human rights” approach to certain natural resources advocated by indigenous movements hardly fits with the “resources as commodities” mentality prevalent among economic policymakers and neoliberal politicians. While leftist governments such as the Correa and Morales administrations have made considerable progress in incorporating some notions of the “resources as rights” approach at the constitutional level, it has yet to be determined whether they are truly willing to overhaul a system of resource exploitation based on the criterion of economic profitability. Because these governments’ approach has mostly focused on the nationalization of resource concessions, it is worth analyzing the new dynamics created between state enterprises and indigenous communities. There is no a priori reason to believe that public companies will legitimately respond to the natural resource claims of indigenous populations.

Lastly, the absence of synergy between domestic legislation and the provisions of international treaties further complicates the problem for both policymakers and indigenous communities. With regard to the indigenous groups’ appeals to international law to secure their natural resource claims, Getches
explains that these legal procedures are bound to be “large and complicated,” and require indigenous groups to seek extensive legal support domestically and internationally. So far, a “dearth of precedent” indicates that the pace of rights recognition has not yet been accompanied by major international legal victories by indigenous groups in natural resource-related claims.

1.4 Political and legal rights

Indigenous groups and movements often advocate for changes in the political and legal systems of the states in which they are found. From a political standpoint, these actors have anchored some of the previously mentioned territorial and natural resource rights in wider projects of autonomy and self-determination. Because these demands have ranged from quasi-secessionist policies to more limited claims for territorial recognition, it is impossible to speak of a common project for political autonomy and self-determination across the region. Generally, however, autonomy is argued in terms of the legal recognition of indigenous administrative units, which would then form an integral part of the national state and its political subdivisions. In different forms, the twin rights of self-determination and autonomy have made their ways into some of the region’s constitutions, most notably in Bolivia:

Given the pre-colonial existence of the indigenous nations and native rural peoples and their ancestral dominion over their territories, the state shall provide for their free determination within the unity of the State, which consists in their right to autonomy, self-governance, their culture, and the recognition of their institutions and the consolidation of its territorial entities, in accordance with this Constitution and the Law.

Advocating for autonomy and self-determination can be problematic both in federal states (as in the Mexican case), and in centralized republics (Chile, for instance). In both cases, opponents invoke the threat of dwindling national sovereignty and the formation of “states within the state.” Other problems arise
over the legal and administrative feasibility of carrying out such projects without a major overhaul of the state’s current institutional and administrative structure.\(^\text{33}\) Yet, as long as legislation does not articulate the distinction between the powers of local indigenous authorities and those of other regional substructures, the right to autonomy remains a vague policy statement at best. Lastly, many policymakers doubt the assumption that autonomous indigenous administrations are more democratic than current structures, and worry about the potential consequences of the failure to prevent human rights abuses within these units.\(^\text{34}\)

An offshoot of the pursuit of autonomy and self-determination has been the demand for the recognition of indigenous customary law.\(^\text{35}\) Broadly, this implies the incorporation of indigenous authorities, as well as their specific modes of dispute resolution, alongside the state’s legal system.\(^\text{36}\) Going beyond this definition, John L. Hammond shows that indigenous community justice represents an alternative model to the liberal notion of individual rights, and that it forms an essential part of the demands for self-determination by indigenous peoples.\(^\text{37}\) Calls to include the recognition and protection of customary law in constitutions have been fruitful in several Latin American countries, notably Colombia, Peru, Ecuador, and Bolivia.\(^\text{38}\) The latter’s constitution goes as far as establishing the “equal hierarchy” of customary and ordinary law.\(^\text{39}\) However, major conflicts among policymakers arise over the boundaries of the applicability of community justice.\(^\text{40}\) A prevalent “conservative” approach to this issue seeks to limit its implications by confining customary laws to “alternative dispute mechanisms” within the context of national law.\(^\text{41}\)

Aside from its applicability, critics point to the incompatibility of community justice with the notion of human rights ascribed to individuals, harkening back to the age-old theoretical debate on the compatibility of individual and collective rights, which is beyond the scope of this essay.\(^\text{42}\) For the purpose of this discussion, it suffices to note that recognition of the right to customary law necessarily raises some wider questions about the state’s duty to indiscriminately protect and enforce the rights
of individuals. Additionally, it would be wrong for politicians to assume that the indigenous population as a whole unconditionally and consensually support local institutions of customary law, a point that is valid for all the rights discussed in this section. As Sieder notes:

Even when dominant political and legal authorities are open to intercultural dialogue, the balance between guaranteeing the group rights of the collectivity and ensuring the individual human rights of its members is highly complex. This is because the legitimacy and nature of ‘customary’ law … is not only contested by non-indigenous authorities, but also within indigenous communities themselves.43

This observation also nuances the discussion over indigenous cultural rights, which concludes this section of the paper.

1.5 Cultural rights

The demands of indigenous movements have had a strong cultural component, as these groups reject the state’s prioritization of European or mestizo cultural heritages. In her seminal 1995 book *Indigenous Peoples and Democracy in Latin America*, Donna Lee Van Cott noted that indigenous groups often enmeshed the political projects of autonomy and self-determination with claims of cultural distinctiveness.44 Generally, the cultural rights demanded by these groups focus on the recognition of the state as being “pluri-ethnic,” “multicultural,” or “plurinational,”; the right to live according to certain cultural values and practices without discrimination; the official recognition of indigenous languages; and the right to education in one’s native tongue.45 The 2007 *United Nations Declaration on the Rights of Indigenous Peoples* (DRIPS) is a landmark in the formulation of indigenous cultural rights, as exemplified by Article 11 of the Declaration:

Indigenous peoples have the right to practice and revitalize their cultural traditions and customs. This includes the right to maintain, protect and develop the past, present and future manifestations of their cultures …”46
Most Latin American constitutions recognize, to some extent, the cultural rights of indigenous peoples. Positive trends in multicultural and multilingual education across the region are slowly countering the old assimilationist school systems. However, some issue areas remain more controversial than others. For instance, the number of countries recognizing indigenous languages as having the same official status as Spanish is quite limited; the Bolivian and Venezuelan constitutions are the only ones to recognize indigenous languages as official across the national territory.

Several decades ago, the main political opposition to the public sponsorship of these rights would have come from proponents of the idea that indigenous populations would integrate into the national polities by following a model of assimilation based on a mestizo culture. Today, because of the increasing domestic and international support for the cause of indigenous peoples and the resulting political saliency of these issues, the days of indigenismo appear to be long gone. Still, the cultural institutions of many Latin American states have yet to fully integrate indigenous notions of cultural distinctiveness, of which non-indigenous politicians might remain skeptical. Indeed, research on cultural and educational policy in Latin America points out the persistence of inequalities in the means and attention provided to the valorization of indigenous cultures, in spite of a change in official discourse. Some scholars argue that, in the midst of marked socioeconomic inequalities, “intercultural” and “multicultural” policies fail to redress historically resilient cultural imbalances in society. Lastly, the idea of a strong and unitary national culture still has a strong normative appeal in the region’s political cultures.

A finer, less evident strand of criticism of indigenous cultural policies looks at the possible alienating effects of these agendas. For example, some authors contend that the identity politics approach to indigenous movements is problematic, because the claim that indigenous identities are shared is dubious. Others, by conducting extensive qualitative research in indigenous areas, have argued that the policies advocated for on the basis of cul-
tural rights favor some types of indigenous identity over others, and might even exclude important parts of the indigenous populations. These issues are addressed more in depth in the following section.

II. THEORETICAL PERSPECTIVES ON INDIGENOUS PEOPLES AND THE STATE IN LATIN AMERICA

2.1 Shifting citizenship regimes

Deborah Yashar’s *Contesting Citizenship in Latin America* represents an influential contribution to the study of the interaction between the state and the indigenous peoples of Latin America. In particular, her concept of shifting “citizenship regimes” provides a sound theoretical base to evaluate some aspects of the Latin American states’ indigenous policies in the presence of established movements and formalized constitutional rights.

To begin with, Yashar’s approach stresses how the state structures political identity-building by citizens. To that effect, assigning and defining citizenship is crucial for nation-states, because it defines who is a relevant player in the polity and who should be excluded from it. Additionally, citizenship entails certain modes of individual and group intermediation with the state, and a formal recognition of rights and duties. From these observations, Yashar defines a “citizenship regime” as the “the patterned combination of choices” about who is given access to citizenship, the main modes of interest intermediation between citizens and the state, and what rights this status entails.

Yashar’s perspective places the struggle for indigenous rights into this citizenship regimes framework. In brief, she argues that indigenous movements in Latin America have sought to redefine the content of citizenship in their respective polities. In her own words:

We have found that indigenous groups, in particular, have mobilized in recent years to demand a redefinition of citizenship
that would maintain their rights as citizens of a polity but also accommodate their community-based demands to local autonomy.\textsuperscript{57}

Following Yashar’s reasoning, the region’s latest constitutional changes can be seen as the premise of a citizenship regime change based on the incorporation of indigenous political identities into the process of nation building. Therefore, it is pertinent to examine whether these identities are becoming stable components of the state’s institutions, and if they are gaining the same structuring power as, for instance, established national-republican identities.\textsuperscript{58} In sum, from Yashar’s perspective, analyzing the current policies of Latin American states should test whether they are effectively institutionalizing the political identities of indigenous movements, and if this is bolstering a process of change in the countries’ citizenship regime.

Today’s research should build on these observations by analyzing whether the legal recognition of indigenous rights is effectively empowering the indigenous populations in the building of new citizenship paradigms. While the constitutional recognition of new rights is a major step in itself, it is a vague indicator of the actual experience of citizenship for indigenous populations. Attempts at altering a citizenship regime can be notoriously short-lived if they lack the necessary public support for their implementation, and if new principles are constantly flouted by private and public actors. Therefore, a formally inclusive but practically unresponsive state hinders the dynamic of citizenship regime change.

Borrowing from Oxhorn’s concept of “citizenship as agency,” scholars should ask if Latin American states are providing the tools by which indigenous populations and movements can increase their agency in redefining a citizen’s entitlements.\textsuperscript{59} Indeed, avenues for a sincere “bottom-up” interchange between native groups and elected representatives can be seen as a necessary condition to sustain a shift in citizenship regime based on the extension of the rights granted to societal actors. When these channels are insufficiently developed or purposefully restricted,
so is the scope of citizenship.

Analysts should be mindful of one caveat: it is important to remain skeptical of state policies that render certain forms of indigenous identities more “legible” than others. As mentioned in the above discussion on cultural rights, a monolithic conceptualization of indigenous culture by the state is likely to exclude certain segments of these populations, a process Taranzo Roca refers to as “the paradox of the new exclusions.” Mestizos who exhibit a strong sense of belonging to both the indigenous and “Latin” cultures, urban indigenous populations disconnected from their original communities, and indigenous Christians are examples of people potentially excluded by an overly unidirectional process of citizenship redefinition.

Research should be further guided by a parallel observation made by Yashar, namely that the political projects of states need to be understood in terms of their material capacity, or “reach.” By considering the material ability of public institutions to interact with indigenous communities, it becomes feasible to measure the gap between the intentions and outcomes of public policy towards native peoples. This helps explain why, in regions where the state has little reach, some citizens remain isolated from the process of defining public identity. Scholars should be particularly mindful of this observation when seeking to analyze the gap between the de jure and de facto rights of indigenous people in isolated regions. A good starting point would be to ask whether the material institutional capacity to promote, protect, and enforce indigenous rights exists in regions with large indigenous populations.

As an overarching point in her discussion, Yashar observes that the participation of native groups in the process of influencing citizenship regimes, including calls for autonomy, are ultimately linked to the exercise of nation building within the existing boundaries of Latin American states. Thus, she states that land claims have become the “contemporary territorial basis for determining access into the national polity.” This remark sheds light on the indigenous groups’ choice to push for the recognition
of rights in national constitutions. However, it can hardly ease the qualms of those attached to the idea that national sovereignty and strong unitary states are inseparable complements.

2.2 Autonomy, national unity, and indigenous law

Throughout the region, talks about the recognition of the rights to autonomy and self-determination have been divisive. On one side, there are those who view these rights as enhancing governability and promoting bottom-up development. On the other, some contend that these rights weaken the state’s control over its territory, and further a pernicious climate of ethnic conflict. To move beyond a debate that tends to be heavily ideological, it is useful to consider Burguete’s four preconditions for autonomy. According to him, successful autonomy requires territorial definition, effective internal self-governments, set jurisdiction over territory and internal governance, and precise, constitutionally established competencies and powers. These conditions provide a solid benchmark for evaluating the evolution of state policies in countries where the rights to autonomy and self-determination are recognized.

The use of customary law is among the most problematic features of autonomy and self-determination. Although some observers view the recognition of customary law as a reconciliation between Western notions of individual rights and indigenous practices of community justice, the literature is quick to point out that this process is “fraught with tensions” and creates “enormously messy grey areas” in practice. Indeed, as Latin American states and constitutions have historically embraced unitary legal systems and the concept of individual rights, it comes as no surprise that the state’s institutions are not well suited to the incorporation and acceptance of indigenous customary law.

In sum, indigenous rights are interwoven with the broader issues of territorial integrity and legal supremacy, which traditional Western political thought often views as core functions of a state. The main challenge, Sider notes, “remains how to bal-
ancient indigenous peoples’ demand for greater autonomy to regulate their own affairs with their claims for greater inclusion in the nation-state.” Today, the constitutional recognition of the rights to autonomy in political and legal matters puts the onus on the state to accommodate its institutions while responding to the technical challenges that such a reconfiguration entails. Therein lies a quintessential challenge of good governance.

2.3 Power relations and indigenous politics

Another theoretically relevant way of examining the evolution of the Latin American states’ interaction with indigenous populations is to consider the redistribution of power within the structures of the state, from the established political oligarchy to previously excluded indigenous actors. This approach follows Van Cott’s observation that, in countries where indigenous populations represent a significant minority (or a majority, as in Bolivia and Guatemala), the political and legal incorporation of native populations ushers in a major shift in power relations and an undermining of exclusionary institutions. According to this view, the state’s support for indigenous rights would increase as a result of greater electoral successes by indigenous representatives and political movements. As for legal representation, similar results would occur if indigenous judges and local councils became more influential. Thus, screening for an increase in the presence of indigenous political and legal actors within public institutions could point to a positive development in the struggle for the state to uphold and promote the rights-based agenda of many indigenous groups.

However, given the inherent complexities of indigenous politics and the possibility of indigenous political actors being co-opted by larger political movements, this approach can be misleading. First, if power relations between the state and indigenous peoples are considered, it is also important to understand power relations within the indigenous population itself. Although indigenous movements share elements of a common history across
the region and are often referred to as a joint force within civil society, there are considerable discrepancies within these groups in several countries. For instance, in Ecuador, the presence of strong evangelical indigenous organizations such as the *Consejo de Pueblos y Organizaciones Indígenas Evangélicas del Ecuador* (FEINE) seriously hampers the *Confederación de Nacionalidades Indígenas del Ecuador*’s (CONAIE) goal to be the dominant voice of the country’s indigenous population. The political success of certain indigenous actors cannot be assumed to be a victory for all indigenous peoples.

Also, the recent experiences of indigenous social actors with electoral politics highlight the complexity and difficulty of initiating a major shift in power relations by accessing and transforming the state’s institutions. Yashar points to several difficulties in the movements’ transition from civil society to party politics. Firstly, in the absence of an electoral watershed, it is likely that the minority of indigenous legislators will need to compromise, logroll, or create alliances with established parties in order to have an impact on legislation. The ideological purity of these leaders is likely to suffer from such actions, creating a gap between indigenous legislators and their constituencies. As indigenous politicians form alliances with other parties, political divisions within their movements are inevitably reinforced. Thus, the direction of the power shift becomes rather unclear, for indigenous constituents may perceive electoral victories as a result of an undesired alliance that leaves them, and their cause, worse off.

Additionally, recent trends show that indigenous candidates have had a difficult time transforming their popularity as civil society leaders into votes in general elections (Evo Morales being the obvious exception). Going back to the example of Ecuador, the *Pachakutik* (CONAIE’s political arm) has never won more than a handful of seats in the National Assembly in spite of the CONAIE’s strong presence in the 1990s. Guatemala provides another example of such difficulties. In spite of Nobel Prize recognition and her lifelong contribution to the cause of the contemporary Mayan peoples, Rigoberta Menchú fared particularly
poorly in the 2007 and 2011 Guatemalan general elections, winning less than 3 percent of the national vote each time.\textsuperscript{78}

The consequences of the redistribution of political power that can result from an increased presence of indigenous actors in the states’ structures are a function of the indigenous representatives’ and civil servants’ attachment to the cause of indigenous rights \textit{after} they join the formal dimensions of the state. The above discussion has two main implications. First, the direction and content of indigenous politics might substantially differ from the original agenda of many organizations and could be unrepresentative of important segments of the population.\textsuperscript{79} Secondly, policies of positive discrimination in state institutions, or the appointment of indigenous politicians in governmental coalitions might point more to a phenomenon of “controlled inclusion” than a consequential power shift. In a pessimistic scenario, this can lead to the indigenous rights agenda being sidelined or instrumentalized. However, a more optimistic outlook would suggest that indigenous politicians and civil servants could nonetheless act as influential “policy-shapers” within governmental coalitions and legislative assemblies, thus steering their agendas toward the promotion and enforcement of indigenous rights.

III. THE STATE AND INDIGENOUS RIGHTS IN ECUADOR – 2008 TO THE PRESENT

3.1 Background

Throughout the 1990s in Ecuador, highly organized indigenous movements pressured successive governmental coalitions into integrating limited indigenous rights demands into their political agendas.\textsuperscript{80} As an umbrella organization comprising most of the country’s local indigenous groups, CONAIE partook in the constitutional assembly in charge of drafting the new constitution of 1998. This foundational document recognized the Ecuadorian state’s “plurinational” character, the legitimacy of
customary law (circumscribed by national law), and the legality of autonomous indigenous territorial circumscriptions, which were to be determined by subsequent statutory laws.\(^81\)

In 2006, Rafael Correa’s election marked a turning point in the nexus between the state and indigenous peoples in Ecuador. Three main factors explain this shift. First, Correa’s political program, *La Revolución Ciudadana* (The Citizen’s Revolution), is anchored in leftist political and economic ideology.\(^82\) Thus, for the first time, an Ecuadorian president would be on the same side of the political spectrum as the country’s main indigenous organizations.\(^83\) Second, in relation to the previous point, the president’s legislative majority managed to attract an important number of indigenous leaders and aspiring politicians,\(^84\) giving the *Alianza País* an indigenous visage. Lastly, the result of Correa’s first major political success as an incumbent, namely the popular approval of a new constitution, was a step in the right direction for indigenous movements. Indeed, the new constitutional text was more comprehensive and explicit in its recognition of indigenous rights than the country’s previous foundational documents.\(^85\)

4.2 Indigenous rights and the “Revolución Ciudadana”

As noted in section 3.1, the legitimation of political identities contributes to setting the boundaries of national citizenship. On its face, recent developments in Ecuador could suggest that a public indigenous identity has made some headway in a historically Westernized state. For instance, the incorporation of indigenous political struggles into the state’s developmental strategies is visible through the growth of the Development Fund of the Indigenous Peoples and Nationalities of Ecuador (FODEPI) and its close linkage to the novel Secretariat for Peoples, Social Movements, and Citizen Participation.\(^86\) Also, the decision to name the country’s national development plan *The National Plan for Good Living* (taken from the Kichwa expression “*Sumak Kasway,*” or “Good Life”) suggests the establishment of policies influenced by indigenous social movements.\(^87\)
In spite of these advances, an important impediment in the relationship between Ecuador's main indigenous movements and the Correa administration has emerged in recent years.88 Emboldened by the popular consent to his political program, the Ecuadorian president has repeatedly responded to pressures from below by adopting a confrontational stance. For instance, during the summer of 2011, governmental advertising during major sporting events denounced the “lies” of CONAIE leaders and Pachakutik deputies. Some indigenous civil society leaders have been consistently branded as “counterrevolutionaries.”89 This political strategy has eroded the perceived legitimacy of the forebears of the indigenous movement in Ecuador. As a result, the executive is hampering the consolidation of indigenous political identities that do not fit the dominant political program, and important indigenous voices are excluded from the reformist process of the Revolución Ciudadana.

As seen in section 3.1, Yashar’s definition of a citizenship regime entails a change in the modes of interest mediation between citizens and the state.90 According to the Ecuadorian constitution, indigenous communities have a right to be consulted before any piece of legislation affecting their communal rights is passed, and before any development project involving the extraction of natural resources is initiated in their territories. If these rights were consistently applied, the Ecuadorian state would make great progress toward devising a mode of interest mediation allowing for indigenous communities to take part in the public policymaking processes.

However, this does not yet seem to be the case. Indigenous movements have repeatedly denounced the infringement of their rights to “previous consultations” when resource extraction schemes affect their livelihoods. So far, the government’s answers have been alarmingly dismissive. For instance, in defense against the accusation that indigenous communities were not consulted before the signing of a $1.2 billion mining deal in the Amazon, Rafael Correa explained:

What the Constitution and international treaties establish with
regards to prior consultations is the need to organize public meetings in order to explain to the people the environmental impacts, work opportunities, and revenue schemes of the project; if somebody does not agree, the Constitution confers the power to make the pertinent decision to the president.\(^{91}\)

This implies that the Ecuadorian government is reluctant to engage in a consequential redefinition of interest mediation between the indigenous communities and the state. The president’s interpretation of constitutional provisions on previous consultations is minimalist, to say the least. Given that close to 40 percent of the Ecuadorian state’s revenue is generated from natural resource extraction, this refusal is not unimportant.\(^{92}\) This refusal points to the inability of stakeholder indigenous communities to participate in one of the state’s main development strategies.

With regard to the preconditions of autonomy identified in section 3.2, the development of legally recognized Indigenous Territorial Circumscriptions (CTI) makes relative the negative picture painted by recent conflict over resource extraction. Indeed, there seems to be a gradual process of autonomy building in some Ecuadorian regions, as indigenous communities are increasingly forming autonomous administrative structures through Article 57 of the Constitution.\(^{93}\) Furthermore, the Ecuadorian government’s investment in the redefinition of the state’s administrative structures (the 2010 “Code of Territorial Legislation”) addressed some of the legal and technical difficulties that had hitherto hindered the process of autonomy building for indigenous communities.\(^{94}\) Thus, at the administrative level, it seems that the preconditions for autonomy in Ecuador are being bolstered rather than deconstructed.

As mentioned above, autonomy and self-representation are closely linked to the recognition of the right of indigenous peoples to practice community forms of justice. The Ecuadorian constitution of 2008 recognizes the right of indigenous authorities to “exercise judicial functions within their territories for the resolution of internal conflict.” Rulings, however, cannot be contrary to the constitution or international human rights law.\(^{95}\)
Confirming Eisenstadt’s observation that the coexistence of national and community justice creates “messy grey areas,” recent events have exposed the contradictions of legal pluralism in Ecuador. The following case, which echoes many similar situations across Latin America, accurately highlights these tensions.

In May 2010, indigenous leaders in an Ecuadorian highland town sentenced a villager who pleaded guilty to murder to five years of labor. The villager was also sentenced to drag a 100-kilogram bag of soil across his village while being whipped and doused in freezing water by other members of the community. For indigenous leaders, this punishment resolved a matter of internal conflict through the application of law based on indigenous customs and practices, as allowed by the Constitution. For jurists in the capital, as well as a significant portion of the general public, these punishments were nothing short of torture and were thus clearly unconstitutional. In addition, some lawyers argued that the indigenous justices overstepped their authority, as criminal proceedings fall under the exclusive competences of the states. Both camps drew their arguments from different interpretations of the Constitution. After the widespread denunciation of the events by the national media, the executive stepped in to put an end to the judicial deadlock. Correa’s stance was unambiguous: “This degrading spectacle that we saw through the media is an injustice. For God’s sake, this is torture, this is barbarity.” The accused was transferred to Quito to go through a “regular” trial. Three indigenous leaders were arrested under charges of kidnapping, extortion, and torture.

What explains this outcome? First, the lack of a clear and mutually agreed upon set of jurisdictional and legal competencies—Burguete’s third and fourth preconditions for autonomy—created widespread confusion over the legitimacy of the indigenous justices’ ruling. Correa’s cabinet later recognized this. Second, the lack of a widely legitimated norm of community justice fueled nationwide repulsion at the events that had taken place, which were framed by the media as an obvious case of autonomy gone wrong. Nonetheless, a positive result of this case is
that it propelled the issue of indigenous justice onto the agenda of the current judicial reform. The state is now expected to clarify the articulation of community and national justice in order to lessen such legal uncertainty.

With regard to politics, Correa’s governmental coalition has succeeded in attracting numerous indigenous political actors. This development underlines the difficulties associated with indigenous politics examined in section 3.3, because the political power shift in favor of some indigenous political actors has had palpable divisionary effects on the wider indigenous movements. Indeed, the joining of forces between some indigenous leaders and the current administration has contributed to the creation of an official discourse that tends to pit “good” indigenous peoples against “reactionary” ones—essentially the partisans of CONAIE. This contributes to a feeling that the dominant political force is practicing controlled indigenous inclusion. Furthermore, it exemplifies the political difficulties associated with preserving a solid link between the grassroots and the higher echelons of the political sphere.

In sum, this discussion suggests that some of the policies instated and political decisions taken during the era of the Revolución Ciudadana have produced a mismatch between the extensive constitutional provision of indigenous rights (the de jure quality of citizenship) and its de facto experience by indigenous peoples. To be sure, there have been some notable successes. The developments in bilingual education, public valorization of the indigenous heritage, increase of the state’s reach in indigenous areas via social and economic development programs, novel legislations to create autonomous territories, and the presence of indigenous justice in the judicial reform agenda constitute positive developments in the Ecuadorian state’s commitment to the constitutional rights of indigenous communities.

On the other hand, as shown by the tensions over resource extraction, the state remains quick to dismiss the right of indigenous local communities to shape policy in economic development projects. The constitutionally recognized political agency of
indigenous communities suffers from this dismissal. In addition, the recent conflicts over the application of community justice have exposed important tensions in the Ecuadorian judicial system. Furthermore, in spite of a successful normative integration of certain indigenous political values at the constitutional level, the state’s most visible institution, the executive, is locked in a rhetoric of de-legitimization vis-à-vis “dissenting” indigenous leaders. Thus, the dialogue between public institutions and civil society is becoming increasingly tense, confrontational, and counterproductive. Taken together, these factors mitigate the hopes raised by the 2008 constitution. With regard to indigenous rights, there may be doubts as to the state’s commitment to moving beyond constitutional recognition.

IV. POLICY AND RESEARCH RECOMMENDATIONS

In order for Latin American governments to respect their constitutional commitments with regard to indigenous peoples, future policies should reduce the gap between the de jure depth and breadth of citizenship and its de facto experience by indigenous citizens. This implies that governments should take an active stance in providing public institutional support for the promotion and defense of indigenous rights. This support should come through judicial and administrative reforms clarifying the state’s relation with autonomous communities and customary law. States should also prioritize the establishment of clear mechanisms to promote the active participation of indigenous communities as stakeholders in designing developmental policies. Furthermore, the political expression of indigenous identities should neither be reduced to expressions of cultural difference nor strategically co-opted within partisan platforms. Rather, states should encourage indigenous groups’ independent input on national policy with the aim of promoting constructive political dialogue.

Given these considerations, this article offers several tentative policy recommendations. Recognizing their crucial role in the
promotion, defense, and enforcement of constitutionally recognized indigenous rights, Latin American states should:

- Design legally enforced mechanisms to ensure the prior consultation of indigenous communities. These mechanisms should safeguard these communities’ ability to veto the operation of private or state-run economic projects within their territories.
- Appoint expert committees composed of indigenous leaders, as well as international and national legal experts with the mandate to:
  - Devise precise laws regulating the judicial competencies of indigenous justice councils and remediate problems of overlapping jurisdictions.
  - Clarify the political and administrative competencies of autonomous territories, and their articulation within relevant regional structures.
  - Develop partnerships with international and national civil society aimed at increasing legal support to indigenous peoples and training existing courts in multilingual-intercultural relations and indigenous rights adjudication.
  - Promote the input of indigenous civil society groups at the national policymaking level regardless of political stances and alliances.

These recommendations are of a general nature, and should be adapted to specific national contexts. However, through their strong theoretical and analytical basis, they can orient public policymaking in an enlightened way. Future research efforts in the field of indigenous rights and Latin American states should thus focus on case-specific impediments to the realization the above goals:

- Researchers should seek to document the different conceptions of the right to prior consultation across communities and public institutions to facilitate informed and constructive debates.
• The evolution of national territorial administration legislation in different countries should be cross-examined to determine which models have been more conducive to consensus-building on issues of indigenous autonomy and self-representation.
• Legal studies and anthropological research should jointly aim to identify how a stable and representative nexus between national and community justice can be attained in different regional contexts.
• Sociological studies on the sociocultural and institutional barriers faced by indigenous individuals or communities in different national judicial systems should identify priorities for domestic judicial reforms.
• Public opinion, media content analysis, and studies of public discourse should attempt to assess the impact of certain policies on the perception of indigenous communities as legitimate political actors in contemporary Latin American democracies.

V. CONCLUDING REMARKS

The consolidation of Latin America’s democracies is embedded in the state’s capacity to make concrete its constitutional engagements in a stable, forward looking, and depoliticized manner. After having been successfully brought to the forefront of national and international forums in the 1990s, indigenous rights are still at the heart of many debates and controversies in Latin American states. Much has been done, and solutions to complex problems are being found in some policy areas. Yet a stable methodology and analytical framework are needed to ensure that public policy is going in the right direction. The experience of Latin American citizenship regimes by indigenous peoples should reflect true advances, rather than increasing disillusionment and flouted promises. This article has moved toward this goal by taking into account the specific role of the state in this endeavor. In the near future, additional research and elaboration on this article’s main points should provide policy-makers with the confidence to step up to the challenge.
Endnotes


7 Ibid., 779.

8 Ibid.

9 Ibid., 779, 785.


12 Consider the example of former Ecuadorian president Lucio Gutierrez (2003–2005) who campaigned on a leftist platform but continued the strict implementation of neo-liberal policies during his two years in office.


14 Pascal Lupien, “The Incorporation of Indigenous Concepts of Plurinationality into the New Constitutions of Ecuador and Bolivia,” 778;


15 Republic of Ecuador, “República del Ecuador / Constituciones de 2008.”

16 Crain, Indigenous Land Regularization in Latin America.”

17 Ibid.


19 Ibid.


21 Republic of Ecuador, “República del Ecuador / Constituciones de 2008.”


26 Ibid.

27 Ibid. The final outcomes of the legal saga over the Chevron case in Ecuador could change this by creating a massive precedent for environmental damages reparation.


29 Deborah Yashar, Contesting Citizenship in Latin America, 296; Van Cott, Indigenous Peoples and Democracy in Latin America, 13.


31 Republic of Bolivia, “República de Bolivia/ Constitución de 2009,”


35 Stavenhagen, “Indigenous Peoples and the State in Latin America,” 38. In this article, the terms “community justice” and “customary law” are used interchangeably.


38 Van Cott, “Constitutional Reform in the Andes,” 47.

39 Republic of Bolivia, “República de Bolivia/ Constitución de 2009.”


41 Ibid.


44 Van Cott, Indigenous Peoples and Democracy in Latin America, 12.

45 Lupien, “Indigenous Concepts of Plurinationality,” 778; Marc Becker, “Correa, Indigenous Movements, and the Writing of a New Constitution in Ecuador,” Latin American Perspectives, vol. 38, no. 47 (2011): 53–55. There are important distinctions between those terms. Whereas a pluri-ethnic or multicultural state implies the acceptance and valorization of different ethnicities and cultures in the public realm, Becker notes that plurinationalism is a term that is more politically charged. However, the definition of plurinationalism remains contested. A more “conservative” definition of plurinationalism would be Maldonado’s: “the legal and political recognition of political diversity.” For some, plurinationalism is more akin to a political platform; Chuji defines it as “a new form of social contract that respects and harmonizes the rights of indigenous peoples and nationalities with the judicial structure and political force to recognize their status as political subjects with clear rights”; Lupien, “Indigenous Concepts of Plurinationality,” 778.


48 Lupien, “Indigenous Concepts of Plurinationality,” 787. In several other countries, some indigenous languages are recognized as official, but only within certain territories or regions.


50 Ibid.


53 Yashar, Contesting Citizenship in Latin America, 5–6.

54 Ibid., 47.


56 Ibid., 32.

57 Ibid.

58 To be sure, the extent to which these political identities can be incorporated into the states depends on the relative political strength of indigenous movements, and of the numerical importance of indigenous populations.


60 Legibility, according to Scott, refers to “the efforts of statecraft to synoptically map its people,” quoted in Albro, “Confounding Cultural Citizenship and Constitutional Reform in Bolivia,” 72.


62 Yashar, Contesting Citizenship in Latin America, 6.

63 Ibid., 52, 6–7.

64 Ibid., 40.

65 Ibid.


67 In this section, autonomy is defined as “the degree which groups can operate independently from the state and its dominant culture as well as the degree to which individuals are free to make conscious decisions about the institutions, parties, and practices they support,” Eisenstadt, “Reconciling Individual Rights.”


69 To be sure, a formation of autonomous communities greatly depends on the capacity and willingness of indigenous groups to organize them independently of the state in a stable and consensual manner.


71 Hammond, «Indigenous Community Justice,” 672; Rachel Sieder, “Recognizing Indigenous Law and the Politics of State Formation in Mesoamerica,” in Multiculturalism in


74 Yashar, Contesting Citizenship in Latin America, 303.

75 Ibid.

76 Ibid., 305.

77 Ibid., 304..


79 This observation parallels the “paradox of new exclusions” in Latin America from the standpoint of party politics.

80 Yashar, Contesting Citizenship in Latin America, 150–51.

81 Van Cott, “Constitutional Reform in the Andes,” 47.

82 To be sure, the definition of a “leftist” is vague in the region. However, Rafael Correa’s two presidential terms have remained steadily anchored in policies of economic redistribution, the bolstering of social services, and an increase of the state’s control of the economy.


85 Ibid., 59–60.


90 This seems to be a central focus of Correa’s political rhetoric. The program of the “Citizen’s Revolution” presents itself as initiating a paradigm shift in citizenship by favoring instruments of direct democracy and creating new institutions of popular control.


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97 BBC Mundo, “Ecuador: justicia indígena pone a prueba al Estado.”

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In this paper, I examine the relationship that exists between the private sector and political parties in Guatemala. I define the private sector as a group of business people—owners, shareholders, and business executives—who organize to promote and defend their economic activities. Compared to the private sectors of countries like Mexico and El Salvador, which have traditionally enjoyed strong links with a political party, such as Partido de Acción Nacional (PAN) and Alianza Republicana Nacionalista (ARENA), the Guatemalan private sector has not united its efforts behind an electoral project. I address the following questions: why has the private sector in Guatemala not built strong links with a political party? In the absence of a political party, how does the private sector express their interests? What other mechanisms of political influence does the private sector use?

Private sector access to government policy and the lack of a strong representative political party system with an influential leftist organization are two factors that have contributed to the lack of private sector-political party linkage in Guatemala. The private sector has unique access to government policy in economic and fiscal matters, often negotiating policies with the executive branch and holding roles within the executive cabinet at times. It is important to note that the Guatemalan private sector has had access primarily to the executive and not necessarily to the legislature.

The absence of a strong representative party system has also hindered the emergence of private sector-political party linkage in Guatemala. Politicians on the right and left alike have been unable to consolidate parties in Guatemala. Guatemalan parties are often built around the image of individual candidates, rather than
around durable platforms. Additionally, the left has been electorally weak and has thus not posed a threat to the business sector in Guatemala. The lack of effective representation in the party system has forced the business sector to rely on other organizations, such as the Committee of Agricultural, Commercial, Industrial, and Financial Associations (CACIF) as well as the Foundation for the Development of Guatemala (FUNDESA), to defend their interests. The distance between the private sector and political parties in Guatemala emerges partly from the absence of a representative party system.

The following section discusses the methodology employed. This will be followed by a literature review that shows the dearth of scholarly work on Guatemala’s private sector. In the third section, I present a set of hypotheses derived from previous work done by scholars in comparative politics. In the fourth section, I present a historical analysis of the private sector, the state, and political parties in Guatemala. I conclude by discussing potential implications of my findings for the study of private sectors and parties in Latin America, as well as directions for further research.

**METHODOLOGY**

This paper utilizes a qualitative approach to understand the private sector in Guatemala and why it has not given full support to a political party. Support, in this case, refers to actions such as campaign contributions, formal endorsement of a party and its political platform by businessmen and business associations, continuous collaboration with a party in non-electoral years, and business membership in a party. I provide a brief analysis of the pre-democratic period (1944–1985) to demonstrate the relationship between the private sector, parties, and the state in a non-democratic context. My primary focus lies in the period from 1985–2012, as political parties have been more dominant in the wake of the return to democracy. I draw from diverse sources such as personal interviews with prominent private sector leaders in Guatemala across sectors such as industry, commerce, and agriculture. I also utilize
secondary sources that include interviews with private sector representatives. Finally, I employ data from the Inforpress Central American Report from 2000–2012.

UNDERSTANDING PRIVATE SECTORS AND POLITICAL PARTIES

Edward Gibson’s Class and Conservative Parties: Argentina in Comparative Perspective directly addresses the question of the private sector’s relationship with political parties. Gibson focuses on the case of Argentina and attempts to answer why no party has captured the upper-class constituency in Argentine society. He defines conservative parties as “parties that draw their core constituencies from the upper strata of society.”\(^2\) For Gibson, there are two reasons why business sectors have not formed a political party. First, the private sector in Argentina has been traditionally divided along a regional cleavage. Gibson argues that when cleavages are national—rural versus urban, for example—conservative parties are more likely to exist. Second, he argues that the strength of the relationship between the private sector and the state determines the incentives for party formation. When the private sector has ensured its access to the state in terms of policy and influence, a political party is irrelevant to maintaining the private sector’s political influence.

Gibson states that parties compete for the support of the upper classes. After Argentina’s return to democracy in 1983, many conservative parties have struggled to obtain the support of the Argentine business sectors, with only the Union del Centro Democrático (UCEDE) succeeding. The major contribution of UCEDE was establishing a conservative ideology for Argentina. UCEDE successfully advanced the notion of economic liberalism in the political debate, despite not having explicit private sector support. In Gibson’s view, the division of the private sector and its ability to influence government policy are the factors that explain why UCEDE did not become the representative of the private sector’s interests.
Although Gibson provides a detailed account of the UCEDE as a conservative party in Argentina, I do not interpret the UCEDE as a strong example of a linkage built between economic elites and political parties. As Gibson himself shows, the UCEDE later became a catchall party that allied with the Peronists only for electoral gain. Furthermore, a decade after Gibson’s study, the Peronists dominated the party system in Argentina. Even the Radical Party, formerly the major opposition group, was weakened and suffered major electoral losses. Thus, Argentina is not a good case of conservative party formation, but rather a case that shows why private sectors fail to support political parties.

Kevin Middlebrook takes a different approach to studying conservative parties in Latin America, arguing that countries in which private sectors supported a political party experienced longer periods of democracy than those countries in which the economic elites engaged in politics directly. Countries like Chile, Colombia, and Venezuela have had strong conservative parties, while Argentina, Brazil, El Salvador, and Peru have not. In order to explain this variation, Middlebrook makes a path dependency argument that looks at the original relationship between the Roman Catholic Church and the state. He argues that the struggles between these two entities generated partisan conflict that later influenced the development of conservative parties. Although he shows that the existence of church-state conflict usually correlates with strong conservative parties, it can be argued that he does not prove any causal relation between the two. For example, his theoretical framework fails to explain why strong conservative parties in Venezuela virtually disappeared from politics during the last decade. In addition, he does not address why the ARENA party in El Salvador became stronger after the 1980s.

Finally, other work has attempted to explain the existence of conservative parties in specific countries. Yemile Mizrahi’s work on the Partido de Acción Nacional (PAN) in Mexico shows the development of this party and how the support of business sectors was key to defeat the Partido Revolucionario Institucional (PRI). Juan Pablo Luna demonstrates how the Unión Democrática Independien-
ente (UDI) in Chile was able to build a programmatic linkage with business sectors, while at the same time building a patronage-based linkage with the lower classes.\(^5\) Neither scholar, however, provides an overall theory for why private sectors get involved in a political platform in some cases and not in others. In this paper, I attempt to answer that question by analyzing the case of Guatemala, where the private sector has never built a permanent alliance with a single political party.

**UNDERSTANDING THE GUATEMALAN PRIVATE SECTOR**

Most of the research done on the Guatemalan business sector has focused on intra-elite dynamics and their political influence, but nothing has been written about economic elites and political parties in Guatemala. The analysis that comes closest to doing so was conducted by Rachel McCleary on the private sector’s role in returning Guatemala to democratic rule in 1993 after the auto-golpe of the president Jorge Serrano Elias. McCleary argues that the private sector was a central player in the defense of democracy. Had the private sector not supported these efforts in the struggle for democracy, the Serranazo would probably have succeeded.\(^6\) The anthropologist Richard Adams, one of the first scholars to study the Guatemalan private sector, argues that from 1955 to 1966 the upper class, composed mainly of agrarian elites, predominated in Guatemala.\(^7\) They organized according to their economic activity to pressure the government. Adams shows that the Guatemalan business elite, although it has experienced internal conflicts from time to time, has remained largely united. Paul J. Dosal provides a history of the industrialist elite in Guatemala from 1871–1994. He shows that while the coffee producers maintained their economic power, it was the industrialists who took leadership of the group and pushed forth a modernizing progressive ideology, especially during the 1970s.\(^8\) Finally, Marta Casaus Arzú discusses the development of what she calls the “Guatemalan oligarchy” over time. She argues that the country’s economic elites expanded their spheres of influence through family ties.\(^9\)
Some contemporary work has also examined the role of the Guatemalan private sector after the peace agreements. Ulkire Joras looks at the influence of private sectors in solving violent conflicts. He takes Guatemala as a case study of a private sector that actively contributed to the peace accords of 1996. Joras argues that although the private sector was not fully supportive of the peace accords negotiations, it had an interest in ending the armed conflict. He further claims that the private sector was not satisfied with the outcome, but still welcomed the end of a three decade-long war in Guatemala.\textsuperscript{10}

As I have shown, the existing literature has done little analysis of the role of the private sector in electoral politics. In this paper, I examine how the private sector has interacted with political parties and explain why it has not become fully involved with a political platform. In the next section, I outline the hypotheses that aim to explain this phenomenon.

Explanations for the lack of private sector party in Guatemala

There are a few arguments to explain the large variation in private sectors’ support for political parties in Latin America. However, from empirical observations, secondary sources, and interviews I have drawn a set of potential explanations. First, I take into account Gibson’s two variables to explain the Argentine case: the fragmentation of the private sector and its relationship with the government. If Gibson’s research is applicable to other cases, then his variables should apply to the Guatemalan case.

My other hypothesis comes from a common argument made by the business leaders interviewed. When asked why Guatemala’s private sector did not fully support a political party, even though private sectors in other countries like El Salvador did, many business leaders responded that the threat posed by insurgency in Guatemala was less imminent to that in El Salvador.\textsuperscript{11} In El Salvador, the businessmen could either support ARENA or lose the country to the guerrillas. In Guatemala, the guerrillas had been defeated by the mid-1980s, and the war was not being fought in urban areas like Guatemala City.\textsuperscript{12}

Certainly, the threat variable is a potential explanation for
the existence of a political party supported by the private sector in Guatemala, or any other Latin American country. Nevertheless, it is important to distinguish between the types of threat that the private sector faces. One class of threat constitutes a challenge of the basic foundations of a liberal society, such as the expropriation of private property. This threat was posed in Guatemala by the Guatemalan National Revolutionary Unity (URNG) in an armed struggle that lasted from 1960 to 1996. The other type of threat is less radical and is exposed by institutional leftist parties. These parties might propose some measures such as land redistribution or increase in taxes, the creation of a welfare state, or nationalization of companies that the private sector might not support. Because these threats are different, they produce different responses. Thus, my preliminary hypotheses are the following:

\[ H_1 \]: the greater the fragmentation of the private sector, the less likely that the private sector as whole will support a political party. Conversely, the lower the fragmentation of the private sector, the more likely that they will become fully involved in their support for a political party.

\[ H_2 \]: the more access and ability to influence policy the private sector has, the less likely that the private sector will support a political party. On the other hand, the less access and influence, the more likely that the private sector will make efforts to build a party.

\[ H_3 \]: when elites face a radical threat to private property outside the electoral system, the less likely that they will create a linkage with a political party. In this case, they might invest resources in the armed struggle. On the other hand, when the threat comes from an institutionalized leftist party, the likelihood of investing in a right-wing party increases.

Graph 1 shows a basic model of the relationship between the political system and the private sector’s support for parties. It is important to note that this model assumes that the existence of a programmatic leftist party will provoke the existence of a programmatic right wing party, and vice versa.\(^\text{13}\) In other words, an institutionalized party system is necessary for the existence of a private
sector-political party linkage.

**Graph 1**

![Graph 1](image)

In the following historical analysis, I show that access to the state policymaking and the lack of an institutionalized party system are the variables that make the private sector unlikely to support a political party. In Guatemala, the private sector has historically had access to the executive, including cabinet members and ministries. Furthermore, because the party system has always been weak and fragmented, the private sector has not faced the threat of a leftist platform. Had a strong leftist party emerged after the return to democracy, the Guatemalan private sector might have supported the establishment of a conservative party in the country more intensely, thus contributing to the institutionalization of the party system. Because the party system never institutionalized, the private sector has not built permanent linkages with any one particular party. I also find that while a radical threat promotes private sector collective action, as Slater points out, this collective action does not necessarily translate into support for a political party. During the armed conflict, the private sector did not make alliances with parties, precisely because it had access to the executive. Finally, the Guatemalan private sector has been united when it comes to an
external threat and, as a result, has not endorsed a political party. Instead, CACIF became the institutional vehicle for representing private sector interests vis-à-vis other actors in Guatemalan society.\textsuperscript{15}

1944–1984

Political instability predominated from 1944 to 1984. As a result, the relationship between the private sector and the government was also unstable. While most rulers sought to obtain the favor of the private sector at the beginning of their mandate, the private sector-state relationship usually deteriorated quickly. Furthermore, the private sector never trusted political parties. The political parties in Guatemala were personalistic and lacked strong roots in society. This made the private sector seek a direct relationship with the state through the business associations that were created in this period.

Guatemala entered a period of democratization in 1944 that only lasted a decade. In 1954, a conservative movement led by Carlos Castillo Armas overthrew Jacobo Arbenz, claiming that Arbenz was taking the country in a communist direction. From 1954 to 1985, the political system was dominated mostly by the military. There were some political parties, but these were not representative of the population. Participation was restricted, and elections were in many cases fraudulent. In fact, parties like the National Democratic Movement, which ruled from 1954 to 1958, became corrupt and personalistic.\textsuperscript{16} This made the private sector distrustful of political parties in general. The private sector came to dislike how parties and politics alike were viewed as means to move up in the social ladder.

The inability of the private sector to find and trust a political party to represent its interests led to the creation of business organizations that would deal directly with the government. In 1957, CACIF was created as an umbrella organization for the different chambers and business associations in Guatemala. CACIF was formed by the Chamber of Industry and the General Association
of Agriculturalists. Although CACIF dealt with problems affecting the business sector as a whole, each economic group created its own association to deal with the government as well. The effectiveness of the business associations in dealing with government and the instability of the party system explain the Guatemalan business sector’s lack of support for a political party during this period. In effect, with the Peralta government’s ascension to power, Guatemala’s business elites led the economic policy of the government.

Despite the private sector’s strong relationship with Peralta, the military party—the Institutional Democratic Party (PID)—failed to win the next election. A civilian, Julio Cesar Mendez Montenegro, became president of Guatemala from 1966 to 1970. He institutionalized the representation of the private sector in government bodies. For instance, the council of the state now included one representative from each of the major economic sectors: agriculture, commerce, and finance. Montenegro expected to obtain the support of the private sector in exchange for his reforms. However, the private sector failed to support the president’s tax reform of 1967.

This period gave rise to the emergence of the National Liberation Movement party in Guatemala, a conservative party with a strong anticommunist agenda. Although it was never able to govern by itself, the MLN did reach the presidency in 1970 in a coalition with the PID that supported Carlos Arana Osorio. The MLN remained in the political system for almost three decades. Nevertheless, it was perceived as an exclusive party and was never able to capture the upper class or popular support. In the 1980s, the MLN would become a counterinsurgent group, leading attacks against communist organizations. Because business associations were more effective at representing their interests and as the MLN had a clear ideological bias, the private sector never supported the MLN. 17

When Carlos Arana came to power in 1970, the private sector began to lose influence. Arana pursued a more state-led development project. 18 Furthermore, the private sector suffered from
two economic shocks in the 1970s—the collapse of the Central American Common Market, which had benefited industrialists in the Central American countries, and the oil embargo of 1973. As a result of these events, the private sector embraced an economic model based on limited government spending and tax reductions. In this period, the industrialists began to understand the advantages of free trade, while the agriculturalists wanted to maintain protectionist economic policies. Despite this lack of understanding, the business sector was still able to maintain its representation within the military regime. Certainly, political parties remained out of the picture at this time.

The relationship became more complicated in the 1980s, with the ascension of Lucas Garcia to the presidency. During Lucas's presidency, repression of the insurgency and prominent political figures reached alarming levels. The private sector began to be less supportive of the regime's actions. Even the United States withdrew its support for the Guatemalan army. Lucas's inability to rule Guatemala led to a military coup that removed him from office.

Rios Montt, Lucas Garcia's successor, initially had the support of the private sector. He promised to cut government spending and address corruption. With the creation of the Council of the State (1982), the private sector obtained direct access to government. Each economic sector had a representative. The conflict between Rios Montt and the private sector began when the president threatened to expropriate private sector land and intensified when Rios Montt gave a controversial radio address drawing on evangelical themes, angering many business elites, many of whom were Catholic. Rios Montt's antagonistic relationship with the private sector and his military colleagues provoked his removal from office in 1983.

Rios Montt's successor, Oscar Mejia Victores, tried to reestablish the relationship with the private sector, decreasing the VAT from 10 to 7 percent. Under his rule, a new constitution was drafted, which established that Congress, not the executive, would impose taxes, and that business associations had the right to appeal to the Constitutional Court when taxes were not fair. This law meant
that the private sector would now have to deal with Congress in order to advance its interests, rather than the president, who the private sector had historically had access to. On the other hand, the new option to appeal unfair tax rates gave the private sector new leverage.

International pressures for democratization as well as pressures to open the economy led the private sector to endorse the democratic project of the mid-1980s. This did not mean, however, that the private sector became more involved with political parties. Many in the private sector believed the democratic experiment would fail again and, indeed, the political parties of the time did fail to deepen their organizational strength and leadership in Guatemalan society. The number of parties increased rapidly and the system continued to be fragmented and volatile (see Tables 2 and 3). The private sector continued working through CACIF and also created a new think tank, the Foundation for the Development of Guatemala (FUNDESA), similar to the FUSADES of El Salvador.\textsuperscript{21} Since 2003, FUNDESA has organized the National Summit of Businessmen (ENADE), where private sector leaders discuss issues such as security and economic growth. These discussions serve as the basis for the foundation’s policy proposals. FUNDESA has two offices in the United States (in Miami and New Orleans) that serve as conduits for U.S. investment in Guatemala. CACIF and FUNDESA continue to function as the institutional vehicles through which the private sector expresses its political interests.

1985-2011: The transition toward democracy

The 1980s were a time of economic crisis and international pressures for democratization. The Guatemalan military accepted a transition towards a democratic regime although they it in charge of the transition. Opportunities for political participation emerged, with free and fair elections held and new political parties appearing on the scene. However, the private sector’s distrust of political parties would continue. The party system remained fragmented and its roots in society were non-existent. In this context, the Guatemalan private sector maintained its traditional channels of influence.
through business organizations and cabinet appointments. As with the military regimes, the relationship between the private sector and the presidents deteriorated as the latter started passing reforms that affected them directly.

By 1985 it was clear that the most powerful groups within the private sector—industry, commerce, and finance—had adopted a neoliberal agenda. When Vinicio Cerezo of the Christian Democrat Party of Guatemala (DCG) became president, the private sector became concerned about the prospects of a communist party gaining strength in Guatemala. The Guatemalan private sector was distrustful of Cerezo and his party after the events in El Salvador, in which the Christian Democrats passed agrarian reforms and nationalized the banking system. Cerezo, a skilled politician, reassured the private sector that he would not attempt to pursue populist measures. Although the composition of Cerezo’s cabinet was not negotiated with the private sector, some members of the private sector were included. For example, businessman Rodolfo Paiz Andrade became minister of finance, while Eduardo Goizueta, another businessman, became minister of infrastructure, and Federico Linares, member of the Associations of Banks, became president of the central bank. In 1986, Cerezo organized the Concertacion Nacional, intended to be a mechanism for dialogue between the government and the private sector. These initial gestures of openness gave Cerezo some support from the private sector during the first months of his mandate.

But Cerezo too began to have conflicts with the private sector. CACIF made a public statement that while monetary stability, lowering inflation, and the liberalization of price controls in some products were positive measures that the government had achieved, it was concerned about the growing deficit, the proposal of tax reform, and the lack of action against the insurgency. Cerezo had adopted “an active neutrality” with the guerrillas, trying to negotiate the end of the conflict between the army and the insurgency. The private sector asked the government to define a well-structured economic plan, reduce the increasing size of the government, and take decisive action against the guerrillas. Despite the demands
of the private sector, Cerezo and his team, led by Paiz Andrade, sent the fiscal reform proposal to the Congress.

The fiscal reform of 1987 prompted a strong reaction from the private sector, with its members claiming that Cerezo had broken his promise that he would negotiate reforms with them. Those cabinet members with ties to the private sector were against the reform, creating uncertainty within the private sector. Ultimately, the private sector did not continue negotiating.\textsuperscript{26}

Instead, the private sector used its resources to respond to Cerezo’s proposal, calling publically for rejection of an increase in taxes, organizing a general strike, and utilizing the legal precedent established in the 1985 constitution to make an appeal to the Constitutional Court to reject the new taxes. The Court declared some articles of the law unconstitutional, especially the most controversial. Finally, the private sector reduced its tax payments to the point that the fiscal burden for 1988 was only 8.1 percent.\textsuperscript{27}

The experience of the first democratic government illustrates the relatively low importance of political parties in Guatemala. The private sector was united for the most part during this period and did not support a party. Rather, the private sector expended important resources in expressing their discontent publicly through their umbrella organization, CACIF. Although the DCG initially had a majority in Congress, it lacked cohesion, suffering from internal schisms that necessitated a search for coalition partners. The lack of an electoral programmatic threat to the private sector was important in this period. Had the DCG been a more programmatic party, the private sector would have had to take their struggle to Congress, not to the streets.

The demise of the post-transition party system: Serrano as a political outsider and the 1993 crisis

Despite his political experience in the Ríos Montt government, where he served as president of the Council of the State (1982–1983), Jorge Serrano was a political outsider in the 1989 elections. Serrano and his recently formed Movimiento de Acción Solidaria (MAS) surprised everyone in Guatemala with their victory. Because Serrano’s candidacy was improvised, he lacked a plan
to govern the country. He was certainly a neoliberal, but presented a weak leadership platform.

With MAS holding on 14 out of 116 seats in Congress, Serrano needed alliances to be able to govern the country. He partnered with the Partido de Avanzada Nacional (PAN), as well as other small parties. He also formed alliances through cabinet appointments, appointing Alvaro Arzú, the secretary general of PAN, as minister of foreign relations. Furthermore, he invited members of the private sector to participate in his government. Richard Aitkenhead, a prominent member of the business sector, became minister of economy and then minister of finance, while Federico Linares was named the president of the central bank. With access to the new government's fiscal and economic policy thus ensured, the private sector was satisfied with these appointments.

In the first years of Serrano’s presidency, the private sector essentially set the government agenda. Its members hired Arnold Harberger of the University of Chicago to develop an economic program for 1991–1995. This plan included stabilizing the economy, opening the Guatemalan market to foreign investment and trade, and modernizing the state. Serrano made this plan the core of his agenda, reinforcing his links with commercial elites.

In contrast to his predecessor, Serrano did not experience open conflict with the private sector during the first years of his administration. His main obstacle to effective governance came from Congress. To win over supporters, Serrano resorted to informal negotiating mechanisms, such as paying bribes or handing out privileges to congressmen.

Despite this, Serrano sought to curb the corruption that took place in Congress and weakened his efforts at effective rule. On May 25, 1993, he announced the temporary suspension of the Constitution. Key democratic institutions such as Congress, the Supreme Court, the Constitutional Court, the Public Ministry, the Office of the Attorney General, and the Office of the Ombudsman for Human Rights were suspended. Serrano thought that the private sector would join his cause against corruption in government. But the private sector united against Serrano’s self-coup, anticipat-
ing that Guatemala would be isolated from international markets. They asked him to restore constitutional order, as his actions were harming the image of the country abroad.

The international community, too, rejected Serrano’s coup, with the United States threatening to impose a trade embargo. This threat to the private sector’s core interests became their central incentive to mobilize against Serrano. They played an important role in the formation of the Instancia Nacional de Consenso on May 30, 1993. The Instancia gathered representatives of different sectors of Guatemalan society ranging from business leaders and unions to universities and political parties.\textsuperscript{28} The Instancia negotiated a peaceful solution to the conflict, demanding Serrano’s resignation and a return to the democratic order. Although the Instancia involved many different sectors of society, it was CACIF whose resources and organizational strength led the process.\textsuperscript{29}

The rejection of the coup by the private sector and the military was central to the restoration of democracy in Guatemala. These two sets of actors, who had traditionally supported authoritarian forms of government, now supported democracy and the rule of law.\textsuperscript{30} Serrano resigned as president on June 1, 1993, and vice president Gustavo Espina took his place. When the private sector asked for Espina’s resignation, Congress elected Ramiro de Leon Carpio, the Human Rights Ombudsman, as the next president. Carpio would remain in office until 1996.

The events of Serrano’s short term in office show the ability of the private sector to influence political processes in Guatemala. They also provide evidence of the weakness and corruption that dominated political parties at the time. Because of the fragmentation of the political system, Serrano believed that Guatemalans would support an authoritarian government. He was proven wrong: Guatemalan society united against him, demanding restoration of the democratic order. Viewing political parties as the problem instead of the solution, the private sector shied away from making alliances with parties. Furthermore, they realized that in order to solve a crisis, they did not need links with a political party, and thus could continue relying on CACIF and other forms of as-
sociation in times of political turmoil.

A right wing party? The failure in the consolidation of PAN

In 1995, Alvaro Arzú of PAN became president. Arzú, a businessman and former mayor of Guatemala City, relied heavily on urban support for carry his electoral victory. From an established and wealthy family, Arzú had notable connections with the private sector. He had built a strong party with the support of the business leaders and filled his cabinet with businessmen (See table two). PAN won a majority in Congress, allowing it to pass a series of important neoliberal reforms, including the privatization of major state companies. Because the private sector found Arzú an important government ally, CACIF’s level of mobilization decreased considerably. Private sector leaders shifted their focus to economic activities.  

Arzú received the private sector’s support during the majority of his administration. Even when he proposed minor changes to the tax system, CACIF collaborated because it had been included in the negotiation process in 1996. There was certainly some conflict in 1997, when a proposal to create a tax on property was rejected not only by the private sector, but also by popular organizations. Because the tax was widely rejected, the Arzú administration had to suspend the measure in 1998. Another source of conflict was the alleged acts of corruption that took place during Arzú’s government. Although he was never charged, Arzú’s purported participation in corrupt practices damaged his government’s image. However, these conflicts took place against a broad backdrop of private sector support.

During the Arzú government, the private sector maintained its pressure mechanisms through CACIF and its different chambers. After the signing of peace agreements in 1996, the private sector enjoyed the benefits of peace and the opening of markets. However, there was a sense that the government had lost in the negotiations against the guerrillas. The peace agreements of 1996 established a broad agenda for state action, goals that the private sector believed were unrealistic. Furthermore, some business leaders feared that the left would pose a threat at the electoral level. The
UNRG was being funded, organized, and trained by European nations, particularly Norway. This potential threat explains why the private sector started becoming more involved with political parties, especially PAN, and also why the private sector became more active in its activities influencing policy.

Despite its initial support of PAN, the private sector realized that the party was a platform based on the personality and image of Arzú. In the run-up to the 1999 elections, Arzú did not endorse the candidacy of his successor, Oscar Berger, and blocked the private sector’s membership in the party board. These attempts at controlling the party’s leadership failed: Arzú resigned from PAN. His unwillingness to endorse Oscar Berger contributed to the PAN’s defeat in the 1999 elections. Apart from the weakness of PAN as a political party, the private sector realized that the left would never be able to build a strong political party, despite its initial fears of a leftist electoral threat in 1997. This allowed the private sector to remain neutral in its relationships with parties, and continue pressuring through other means.

The private sector and political parties after the Peace Agreements

PAN was not able to win a second election in 2000, and the private sector has continued to eschew links with political parties. The poor electoral performance of leftist political parties partially explains this lack of involvement. Despite the introduction of URNG as a political party, the left has not been able to pose a major threat to the private sector. In effect, the post-1996 party system became less ideological. New political parties have emerged in Guatemala, and parties such as DCG and UCN have gradually disappeared from the political arena. The private sector is still represented by its business associations, which have confronted the government during the Alfonso Portillo (2000–2004) and Alvaro Colom (2008–2011) regimes. Although the private sector lost some of its access to the executive during these governments, it did not lose its influence over government policies.

Portillo became president in 2000 and employed strong anti-private sector rhetoric from the start. He claimed that the private
sector benefited from special privileges that needed to be eliminated. In February 2000, he announced a Q200 increase to the minimum wage ($25). This measure was not well received by the private sector, who argued that this would lead to higher unemployment and more poverty. The measure established that the minimum wage would be increased every six months instead of annually. In May 2000, Portillo challenged the sugar producers, seeking to set a price ceiling on sugar. Because the producers did not comply with his demands, Portillo allowed the import of nearly 219,000 metric tons of sugar, which sugar producers claimed was almost half of the amount of sugar consumed nationally. The sugar cartels organized through the Association of Sugar Producers of Guatemala and protested against the government. After some negotiations, producers agreed to a government settlement—the government would stop importing foreign sugar in exchange for producers lowering their prices. This marked a major victory for the Portillo government.

Portillo skillfully used confrontational rhetoric against the private sector. While Portillo appointed CACIF allies like Lizardo Sosa (central bank president) and Eduardo Weyman (minister of economy) to his government, for the most part, private sector access to the cabinet was restricted. The private sector maintained representation in state councils, such as the Minimum Wage Commission, the Monetary Policy Board, and the Social Welfare Institute, but its influence of the private sector in politics was weakened overall. This led to the redoubling of organizing through CACIF, the entity that would defend the interests of the business sector.

Portillo also tried to reform Guatemala’s tax code, insisting that Guatemala needed to meet the 12 percent fiscal burden goal demanded by international organizations. The private sector proposed that this goal should be met only when the rate of economic growth reached 6 percent annually. The government rejected this proposal, with Portillo proposing an increase of VAT from 10 to 12 percent. In August 2001, Congress passed the tax reform plan, which included the 2 percent hike in VAT and new penalties for tax crimes. Claiming that the new plan negatively affected the interests of the population, the private sector organized a one-day
strike. The strike took place on August 1, 2001 with the support of popular organizations and students throughout the country.

After the general strike of 2001, the relationship between Portillo and the private sector worsened, with the private sector complaining about government corruption. From 2002 onwards, the Portillo administration would be immersed in scandal after scandal. The media was also critical of the government, which by the end of its first year had an approval of 36.3 percent of the population. Portillo was never able to recover his popularity, and his party lost in the next elections.

Portillo had weakened the influence in government that the private sector enjoyed under previous presidents. However, even in this scenario, the private sector did not attempt to build an alliance with a political party because they realized that the majority of threats to the private sector came from personalistic presidents. These presidents lacked strong partisan support, which implied that their proposals could be easily defeated. Furthermore, the front-runner candidates for president—Oscar Berger and Alvaro Colom—had deep ties to the private sector. Despite losing influence during the previous four years, the private sector felt assured that it would not face a major threat in the medium and long run.

FRG had become isolated and fragmented after their time in government; thus, the lack of an institutional party that could pose a serious threat to the private sector is the major variable explaining why the private sector continued to be wary of linking with a political party. It had lost its historical access to government, but was able to maintain the status quo with the support of the business associations.

The weakness of the party system became an obstacle for major reform in Guatemala. The coalition that allowed Berger to become president did not last long. Three parties—the Partido Patriota, the National Solidarity Party, and the Reform Movement—formed the new party Gran Alianza Nacional (GANA). Because of Berger’s links with the private sector, he received GANA’s support during the campaign.

In contrast with Portillo, Oscar Berger had a healthy relation-
ship with the private sector. Although his cabinet did not feature prominent private sector members, as Arzú’s had done, he maintained dialogue with the business sector. His major challenge came from opposition parties, which blocked any new legislation in congress. Business leaders in Guatemala did not view Berger as acting like a statesman—his government was not able to communicate effectively with the population, something opposition parties were able to capitalize on in the next election. The electorate viewed Berger as a weak president, who did not address effectively the problem of security that was becoming a major issue for Guatemalans.

During Berger’s government, businessmen started investing more resources in public policy proposals. The first National Summit of Businessmen (ENADE) was celebrated in 2003. From 2003 to 2011, ENADE has drawn business leaders together to discuss and propose solutions to the major policy issues, emphasizing issues such as international competitiveness, economic development, security, and rule of law. ENADE has made proposals to the government, but as the Guatemalan business community has pointed out, these proposals are often not fully endorsed by presidents or political parties. Another initiative of the business community is “Businessmen for Education,” a campaign founded in 2002 whose objective is to improve the quality of education in Guatemala. These initiatives show that the private sector’s involvement in policy issues has increased, although it remains outside the formal political arena.

By 2007, there was no major right wing party in Guatemala. PAN had disbanded, and its erstwhile leader Arzú founded the Unionista Party. GANA, which suffered from schisms and internal division, came third in the elections, while FRG had a weak candidate in Luis Rabbé. The election was won by Alvaro Colom of the National Unity for Hope party (UNE) over general Otto Perez Molina of the Patriota Party. Colom was a businessman who identified as a social democrat. His relationship with the private sector would be rocky in the years ahead.

From the beginning of his administration, Colom attempted
to maintain strong ties with the private sector. His cabinet had few businessmen, but his private sector ties as a former member of the board of the Chamber of Industry and the Agro Exporter Association assured the private sector that he would respect the free market model. He was aware that any reforms in Guatemala had to be negotiated. He appointed Juan Alberto Fuentes Knight as his minister of finance, a believer in fiscal reform. Fuentes Knight claims that although he received the support of the president at first, Colom’s support declined as both external and internal pressures on the government began to intensify. Internally, Colom had to deal with the political ambitions of his wife, Sandra Torres, who implemented a series of social programs aimed at improving her image. Torres also attempted to set up the organizational machine needed for her own potential presidential bid in 2011.

Externally, the private sector was distrustful of Colom and his party, arguing that tax reform in the midst of economic crisis would harm the economy. The private sector disliked Sandra Torres’ control of the government and demanded more transparency. Colom was a weak president and gave in to pressure from his wife and his close collaborators. He tried to negotiate the reform with members of his own party, but they did not support it. When all else failed, Colom tried to gain the support of the Guatemalan teachers’ union. This strategy also failed, and Colom ended his term without achieving the fiscal reform. The lack of strong parties in Guatemala again explains the inability of government to rule effectively. The private sector had maintained its influence, proving that it did not need a party to achieve its goals.

Although the fiscal reform proposals did not generate public confrontation between the private sector and the government, the assassination of lawyer Rodrigo Rosenberg on May 10, 2009 led to the worst polarization Guatemala has experienced in the last decade. In a video he recorded before his assassination, Rodrigo Rosenberg claimed that he was about to be killed by order of Colom, Torres, and Colom’s personal secretary. Rosenberg was the former lawyer of Khalil Musa, who had been assassinated in April. He argued that Musa had been killed to prevent him from
revealing corruption within ANACAFE, the organization of coffee producers. Rosenberg’s death prompted university students to organize strikes and protests, in which they were joined by CACIF.

Colom denied the accusations that Rosenberg made against him, asking the United Nations-sponsored International Commission against Impunity in Guatemala (CICIG) to investigate the crime. According to CICIG’s findings, Colom had not been involved in Rosenberg’s death. The private sector reacted to these findings with disbelief, arguing that corruption in the Colom government still needed to be investigated.

A positive result of the Rosenberg crisis was the increased participation by civil society in public affairs. In 2009, students and civil society organizations started project Guatemala Visible, which aims to make the justice system more transparent and open. Guatemala Visible received the support of FUNDESA and has influenced the election of magistrates for the Constitutional and Supreme Courts.40 Business leaders have also supported other efforts, such as Guatemaltecos Mejoremos Guatemala (Let’s Improve Guatemala), a project that focuses on economic and social development with special attention to transparency, employment, and security. Despite the many problems facing Guatemala, there is an increasing sense that civil society and especially the country’s youth are becoming more involved in political issues.

After the Rosenberg incident, the government’s relationship with the private sector remained fraught. Meanwhile, the Partido Patriota led an open battle against the ruling party, to justify blocking UNE’s legislative proposals by arguing that the party was involved in clientelistic practices. This legislative deadlock only confirmed the private sector’s decision to not offer formal support for a political party in the 2011 election.

In 2011, the rise of Manuel Baldizón, a UNE dissident, posed a threat to the private sector. Again, this threat came from a personalistic movement with no strong roots in society. Baldizón engaged the masses with populist rhetoric, promising the creation of a new bonus for workers, the dissolution of the national police, the creation of a national guard, and the instatement of the death penalty.
After Baldizón won second place in the first round of elections, the private sector began investing more resources in the campaign of Otto Perez Molina, his rival. In a close race, Otto Perez was elected president of Guatemala in November 2011. From the beginning, the private sector was optimistic that Otto Perez would deliver his promise on improving security in Guatemala. Fiscal reforms have been approved, despite criticism coming from left of center politicians. Although Otto Perez’s proposal to reform the Constitution has not been supported by the private sector, the relationship between the private sector and the state has been calm. Although the Partido Patriota holds the majority in Congress and has been able to build alliances during the first half of 2012, commentators expect that as elections approach, the political system will become more unstable and unpredictable. Rejecting the uncertainty associated with political parties, the private sector has maintained its influence through other mechanisms. It does not seem that the private sector will fully support a political party in the near future.

Conclusions

In this paper I have attempted to explain why the Guatemalan private sector has not become fully involved with a political party. I looked to a set of different variables to address this question. First, I observed the role of two factors identified by Edward Gibson: the fragmentation of the private sector and the access of the private sector to the government. When the private sector is fragmented, it will not support a political party. When the private sector has access to government, it will not support a political party. The analysis of the private sector in Guatemala from 1944 to 2012 shows that the Guatemalan private sector has remained cohesive over time. While there are different sub-sectors within the business associations, the private sector has united in moments of difficulty. Yet this unity has never been translated into support for a political party. Thus, the first hypothesis does not explain the case of Guatemala.

The second variable, the access of private sector to government, has played a clear role in Guatemala. From 1954 to 2012 the
private sector has enjoyed access to the executive through cabinet appointments, especially those with fiscal and economic portfolios. These appointments take place during the first year of the president’s term. As the private sector’s relationship with the executive becomes more strained, some of these cabinet members may resign. Recently, the private sector has not had as great a presence in cabinet, particularly during the Portillo and Colom governments. However, as a result, the private sector was able to make its influence felt through other means (i.e. business associations), thus contributing to the shaping of the government agenda.

In addition, I looked at threats to the private sector as incentives to support a political party. I differentiated between two types of threats: armed threat and electoral threat. When the private sector faces a radical armed threat, it is less likely that they will create linkages with a political party. In this case, they might invest resources in the armed struggle. When the threat comes from an institutionalized leftist party, it is more likely that the private sector will support a political party. The case of Guatemala shows that in the absence of an electoral threat, the private sector has not devoted its resources to a particular party platform.

The left in Guatemala has not been a key player in elections since its re-introduction to the system. Although DCG, FRG and UNE have challenged the business community at various points, these parties were personalistic, lacking a long-term program and strong societal support, and were accused of corruption. After being in power, they virtually disappeared from the electoral map. The private sector has not had to contend with a leftist party that is able to implement its program for more than one term.

Therefore, I conclude that the lack of private sector support for political parties in Guatemala can be explained by the access to government policy, especially to the president and his cabinet, and the absence of an institutionalized party system featuring a strong leftist party that can motivate the private sector to invest in a conservative party. As long as parties remain relatively un-institutionalized, the private sector will not feel confident enough to invest significant resources in a party platform. Instead, they will rely on
business associations to influence policy in a way that reflects their concerns.

My theory on private sectors and political parties fits other cases in Latin America. For example, in Mexico, PAN gathered the support of medium and small sized entrepreneurs when these actors felt they were being excluded from the PRI government of the mid-1980s. In El Salvador, although many argue it was the guerrilla threat that led to the private sector supporting ARENA, the private sector became politically active when the DCG government excluded it from the decision-making process in the 1980s. The Salvadorian private sector had lost its veto power and was not able to stand in the way of land reform and the nationalization of the banks. By the end of the 1980s, the guerrilla threat had become an institutional electoral challenge with the transformation of FMLN into a political party. In Guatemala, even after the left returned to the electoral game, it was not been able to establish a project with strong popular support. In the case of El Salvador, FMLN has been the second most important electoral force in the country since 1989, winning the presidency in 2009. Certainly, an important factor to consider in the case of El Salvador is that the left already had an electoral base before it allied itself with the guerrilla movement. In Guatemala, however, the left was never a strong political option, and it was outside of the system during the period of military rule. In El Salvador, a part of the left remained in the political game, which contributed to the left’s stronger societal appeal. Most importantly, the threat at the electoral level forced the Salvadorian business elites to invest in a political party.

In the case of Argentina, the Peronist party has moved from labor-centered to neoliberal to social democrat. Because the private sector in Argentina is able to influence policy through a number of means, it has not invested major resources in building a political party. Finally, in Chile, the business sector faced the challenge of the leftist coalition Concertacion, which was in power for most of the democratic period. In order to have access to government, there was no other option but to support the other opposition party—the Alianza por Chile.
This analysis implies that the prospects for forming a business-supported party in Guatemala are extremely low. The degree of access to government has varied slightly according to the ideology of the president at the time but remained mainly the same over time. Most importantly, the left does not seem to have any prospects of revival in Guatemala, at least during the next decade or two. With a change in any of these two variables, the private sector will be forced to become fully involved in electoral politics. As long as the costs of investing in a political party are higher than those of investing in business associations, the private sector will stay away from political parties. Hopefully, the private sector’s new interest in developing long term policies through FUNDESA and other think tanks will be translated into action, improving the lives of all Guatemalans.

To view all charts and tables, visit:
http://www.helvidius.org/2012/lemus

Endnotes

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3 Kevin Middlebrook, ed. Conservative Parties, the Right, and Democracy in Latin America, (Baltimore, Maryland: The Johns Hopkins University Press, 2000).


11 Interview with Max Quirin November 16,2011; Interview with Salvador Paiz November 21,2011; Interview with Juan Luis Bosch, November 29 2011; Interview with Peter

Notice that the y-axis depicts the support of the private sector to any party; however, because of programmatic linkages, it is more likely that the support would go to a right wing party.


McCleary, Dictating Democracy, p. 135.


McCleary, Dictating Democracy, p. 135.

Carlos Montenegro Ríos, Historia De Los Partidos Políticos En Guatemala.

(2002).


McCleary, Dictating Democracy, p. 135.


McCleary, Dictating Democracy, p. 57.

The Christian Democrat Party of Guatemala was founded in 1955. It emerged as a right of center party with links to international Christian democrats organizations. In 1974, they presented Efrain Rios Montt as the candidate for the presidency. Although he won this election, the military performed electoral fraud. Later, the DCG would strengthen its links with social movements in Guatemala, especially with labor unions and student movements.

Despite coming from a traditional family, Rodolfo Paiz went against the interest of the organized private sector. They even asked for his resignation (Valdez and Palencia, 1998)


Valdez and Palencia, Los Dominios del Poder, p. 175.

McCleary, Dictating Democracy, p. 137.

McCleary, Dictating Democracy, p. 139

McCleary, Dictating Democracy, p. 135

Interview with Juan Luis Bosch, November 29 2011

Valdez and Palencia, Los Dominios del Poder, p. 363

Interview with Max Quirin, November 16, 2011.

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