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**Working Paper**

# Why are Latin Americans so Unhappy about Reforms?

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# Why are Latin Americans so Unhappy about Reforms?

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**Abstract**[*]

There is by now a large literature that describes and discusses discontent with the process of pro-market reforms that is usually subsumed under the heading of the "Washington Consensus" (Williamson, 1990) and often associated with the process of "globalization" (for a survey see Lora and Panizza, 2003, and Stiglitz, 2002). The objective of this paper is to use opinion polls to document Latin Americans' increasing discontent with reforms and to explore possible explanations for this trend. We test four possible explanations for the rejection of reforms. The first focuses on a change in political orientation. The second focuses on a change in political activism on the part of those who oppose reforms. The third focuses on trust in political actors. The fourth focuses on the economic situation. There is also an important set of explanations for the rejection of reforms that we do not consider in this paper. This set of explanation focuses on the role of cognitive biases in the formation of public opinion. A very interesting paper by Pernice and Sturzenegger (2003) studies the case of Argentina and uses cognitive bias (especially confirmatory and self-serving biases) to explain rejection of reforms.

The paper is organized as follows. Section 1 describes some indicators aimed at measuring support for pro-market reforms and describes their evolution over time. It also describes the demographics of those who support and oppose reforms. Section 2 explores possible explanations for discontent with the reform process, and Section 4 concludes.

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## 1. What Do Latin American Think of Reforms

The purpose of this section is to gauge the attitude of Latin Americans towards pro-market reforms. In order to do so, we use individual-level data from the *Latinobarómetro* annual surveys. This dataset covers 17 Latin American countries over a period of eight years (1995, 1996, 1997, and 1998, 2000, 2001, 2002 and 2003) and consists of an average of 1,200 respondents per country-year.[1] Even though the sampling method varies slightly from country to country, as implementation is contracted out to national polling firms, in most cases the selection includes some quotas to ensure representation across gender, socio-economic status, and age.

Although the *Latinobarómetro* data offer an unprecedented wealth of information, there are some problems with the survey. First of all, as *Latinobarómetro* focuses on urban populations, it prevents us from exploring the opinions of residents of rural areas. Second, as the surveys are conducted using the country's official language (Spanish or Portuguese), they are not representative of those portions of the indigenous population that are not fluent in the official language. Moreover, there is some evidence that, at least in the early years, the pool of survey respondents overrepresented individuals with relatively high levels of education (Gaviria, Panizza, Seddon and Stein, 2000).

We build several indicators to measure attitudes toward reforms. The first set of variables measures the general attitude toward a market economy. PRIVATIZATION (available for 1998, 2000, 2001, and 2003) takes a value of one if the respondent thinks that the privatization process was beneficial for the country and zero otherwise. MARKET (available for 1998, 2000, and 2003) takes a value of one if the respondent thinks that a market economy is good for the country and zero otherwise. PRICES (available from 1998, 2000, and 2001) takes a value of one if the respondent thinks that prices should be set by the market and zero if he/she thinks that prices should be decided by some central authority. PRIVPROD (available for 1998 and 2001) takes a value of one if the respondent thinks that productive activity should be left to the private sector and zero otherwise.

The second set of indicators deals with attitudes towards international trade and foreign direct investment. In particular, LACINT (available for 1996, 1997, 1998, and 2001) is a

[1] The countries covered in the survey are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru, Paraguay, Uruguay, and Venezuela. We do not use the 1995 survey because it covers a smaller set of countries and do not use the 2002 survey because we were not able to obtain the data.

dichotomous variable that takes a value of one if the respondent holds a favorable view of economic integration in Latin America and a value of zero if the respondent is against the integration process. FDI (available for 1998 only) takes a value of one if the respondent thinks that foreign direct investment is beneficial for the country and zero if he/she thinks that foreign direct investment is harmful.

Table 1 summarizes the average values of the six variables mentioned above.[2] The most striking fact is the large drop in support for reforms. In 1998 more than 50 percent of Latin Americans thought that privatization was beneficial for their country. This percentage dropped to 31 percent in 2001 and 25 percent in 2003. In 1998, 77 percent of Latin Americans thought that a market economy was good for the country. In 2003, the percentage supporting a market economy dropped to 18 percent.[3] Support for private production and market prices also dropped, but by a smaller amount, and there was no change in support for economic integration in Latin America.

It is however misleading to talk of Latin America as a homogenous entity. Figures 1 and 2 show that there are large cross-country differences in support for reforms. Figure 1 shows that support for privatization in 2003 ranged from 37 percent (in Brazil) to just above 10 percent (in Argentina and Panama). Argentina, Bolivia, Ecuador, El Salvador, Guatemala, and Paraguay are the countries where support for privatization dropped by the largest amount. Figure 2 shows a similar negative trend in the decline of support for a market economy.

Before moving on and attempting to explain this drop in support for reforms, it is interesting to look at the demographics of those who support and oppose reforms. We do so by running a set of regressions where the dependent variables are the different indicators we are using to measure attitude toward reforms and the explanatory variables include a set of socio-economic variables that include respondents' age, sex, education, wealth and economic situation (Table 2). To make the results more intuitive, the regressions were estimated using a linear

[2] Table 1A in the Appendix shows that the correlation between these variables, while positive and statistically significant, is also rather low, indicating that different questions do in fact capture different aspects of attitudes towards pro-market reforms.

[3] This may be partly due to the fact that there was a slight change in the question. *Latinobarómetro* surveys from 1998 and 2000 ask: "Do you think that a market economy is good for the country?" For the year 2003 the question was: "Are you satisfied with the functioning of the market economy."

probability model[4] and all of the regressions include country fixed effects and country-specific time effects.

In all cases, we find that men tend to be more supportive of pro-market reforms than women (the difference ranges between one and five percentage points, as shown in Figure 3). We also find that support for economic integration increases with education (an individual who belongs to the top quintile of the wealth distribution and who holds a university degree is 20 percentage points more likely to support economic integration than an individual who belongs to the bottom quintile and has no education). This is an interesting finding, because according to standard trade theory it is the relatively abundant factor of production (unskilled labor in the case of Latin America) that is likely to benefit the most from economic integration.

We also find that wealth is only weakly correlated with support for economic integration and education is weakly correlated with support for privatization and the free market in general (Figures 4 and 5).

## 2. Reasons for Discontent

The purpose of this section is to analyze the possible reasons for the discontent with the reforms process. We analyze four possible explanations: (i) an overall movement of the population to the left; (ii) an increase in the political activism of those who oppose reforms; (iii) a decrease in trust for political actors; and (iv) the economic crisis.

### *2.1 Have Latin Americans Moved to the Left?*

One possible cause for the decrease in support for pro-market reforms might be an overall movement of the Latin American population towards the left. This could be part of a global trend with the end of the Reagan-Thatcher era and the beginning of a new worldwide movement towards the left following, with a lag, the leadership of Bill Clinton and Tony Blair.

*Latinobarómetro* allows us to investigate this hypothesis because it includes a question on the respondent's political orientation. In particular, the survey asks: "On a scale of 0 to 10 how right wing are you?" (0 being the most left wing and 10 the most right wing). The last column of Table 1 reports the average values for the answer to this question, and Figure 6 shows the data for 1996, 1998, 2001, and 2003. The data suggest that there was no net change in

[4] Probit estimations yield similar results.

political orientation and, if anything, they show a small movement towards the right. We also look at the behavior of extremists. Table 3 reports the share of people that define themselves as being extremist, either right wing or left wing.[5] The table shows that most Central American and Andean countries are characterized by a large share of right-wing extremists. Nicaragua, Panama, Venezuela, and Brazil appear to be the most polarized countries, with a large share of the population defining themselves as either right-wing or left-wing extremist. Argentina, Bolivia, and Chile are the countries with the smallest share of extremists. These cross-country differences could be due that the definition of being right wing is country-specific.[6] What is interesting from the table and from Figure 6, however, is the relative stability of political opinion, providing prima facie evidence that Latin Americans did not move towards the left.

Next, we augment the regressions of Table 2 with a variable that measures political orientation (Table 3). We find that those who describes themselves as being just to the right of center tend to be more supportive of pro-market reforms than those who describe themselves as being left of center or to either extreme of the political spectrum. Among people at the extremes, we find that those at the extreme right are generally more supportive of reforms than those at the extreme left (Figure 7). This weak correlation between opposite political extremism and support for reforms, together with the fact that political orientation has been stable over the period under observation, leads us to the conclusion that there is no evidence for a link between rejection of reforms and a movement of the population towards the left.

In the regressions of Table 3, we also control for three variables that check whether the respondent feels that: (i) elections are clean; (ii) success in life is due to hard work rather than to connections; and (iii) corruption is an important problem. We find a positive correlation between the perceived fairness of the political system and support for reform. Those who think that elections are clean are between 3 and 8 percentage points more likely to be in favor of economic integration and privatization. This is an important finding because it may mean that a clean and well-functioning democratic system could make the reform process more sustainable.[7]

[5] Left-wing extremists are defined as those who choose values 0 or 1 to the question how right wing are you and right-wing extremists are defined as those who answered to the same question with 9 or 10.

[6] For instance, it is commonly thought that those who classify themselves as being liberal (i.e., left wing) in the U.S. often have political ideas that would classify them as centrist in most European countries.

[7] However, this could also mean that those who benefit from reforms are also those who benefit from an electoral system that does not work well but that, in their opinion, is fair and clean.

We also find that those who think that hard work is more important than connections tend to be more supportive of reforms.

Interestingly, we find that those who perceive that corruption is a serious problem are more in favor of economic openness (e.g., they support economic integration and think that foreign direct investment, or FDI, is beneficial for the country); this supports the finding of Ades and Di Tella (1999), who show that openness can help in reducing corruption. At the same time, those who think that corruption is a serious problem tend to be more skeptical of the privatization process and the working of the market economy. This is in line with the findings of Lora and Panizza (2003), who find that privatization works better in countries characterized by low levels of corruption.

### *2.2 Those Who Oppose Reforms Have Become More Vocal*

Another possible explanation for the rejection of reforms could be that, following the worldwide resonance of the anti-globalization protest during the WTO meetings in Seattle and of events like the World Social Forum, those who oppose reforms have become more vocal and thus have been able to better promote their cause among the general population. Next, we check whether there are differences in political participation between those who support and those who oppose reforms. In order to test this hypothesis, we run a set of regressions where the dependent variable measures whether an individual is interested in politics or not (measured by the question "Are you interested in politics?" (Possible answers range from 1 to 4, with 1 representing little or no interest and 4 a high level of interest.)

In general, we find that those who support reforms are more interested in politics than those who oppose reforms (figure 7). Even though this is not surprising, because there is a positive correlation between interest in politics and education (and thus a positive correlation between education and support for reforms), it should be noticed that the positive correlation between support for reforms and interest in politics is rather weak.

Next, we move beyond pure interest in politics and build an index of violent political activities.[8] Figure 8 shows that those who oppose reforms are between 1 and 2.5 percentage points (corresponding to a 10 percent difference) more likely to participate in violent political activities. While this finding lends support to the idea that those who oppose reforms tend to

"make more noise" than those who support reforms, it should be recognized that the difference is rather small. We also checked whether the correlation between attitude toward reforms and participation in violent political activities has been changing over time. In particular, we checked whether those who are against reforms have become more active in recent years, but we did not find any evidence in support of this idea.

### *2.3 People Have Less Trust in Public Institutions and Political Parties*

Another possible explanation for the discontent toward reforms in Latin America has to do with the fact that people stopped trusting political parties and/or the elites that promoted the reforms process. Scholars of economic development suggest that political parties may be important in the reform process because of their programmatic orientation and because they may facilitate the process of aggregating disparate views and arriving at compromises for the adoption of reforms (Boix and Posner, 1998, cited in Corrales, 2002, and Graham et al., 1999). Moreover, political parties may also play an important role in the sustainability of reforms, because they can shield reforms from interest group pressures. Reforms are therefore more susceptible to losing the support of public opinion in countries where confidence in political parties is low.

Of course, if we were to find any support for this hypothesis, then we would have the difficult task of explaining why trust in political parties has decreased over time. It is nonetheless interesting, though, to look at whether there is a relationship between support for reforms and trust in political parties. We measure trust in and identification with political parties by using two different variables. The first, CONFIPP (available for 1996, 1997, 1998, 2000, 2001, and 2003) measures the level of trust in political parties, taking a value of 4 if the respondent has a great deal of trust in political parties and 1 if the respondent does not trust political parties. The second, IDENTPP (available for 1996, 1997 and 2003) measures respondents' identification with political parties, with values ranging from 1 if the respondent feels little or no identification with political parties to 4 if the respondent feels very identified with political parties. The first two columns of Table 5 summarize the data and show a small decline in trust in political parties (from 1.8 in 1998 to 1.5 in 2003). Table 6 shows that there is a strong and positive correlation between support for reforms and trust in political parties. The

[8] The index ranges from 0 to 1 and is built as the principal component of a set of questions that ask whether the individual has ever participated in violent demonstrations, occupations, lootings, etc.

results indicate that an individual who fully trusts political parties is 14 percentage points more likely to support a market economy than an individual who does not trust political parties (and 20 percentage points more likely to support privatization). However, when we multiply the coefficient obtained in column 7 of Table 6 with the change in trust of political parties, we obtain a value of half a percentage point, indicating that changes in support for political parties can only explain a minuscule share of the change in support for privatization (which dropped by almost 30 percentage points).

The last two columns of Table 5 look at the evolution of trust in the national congress (TR_CON) and trust in the president (TR_PRE). As in the case of support for political parties, we find that support for the president or the executive has somewhat declined, but not enough to explain the drop in support of reforms. In particular, Table 7 (column 3) shows that those who trust the president tend to be more supportive of the market economy, but by multiplying the coefficient (0.05) of the change in support for the president over the 1998-2003 period (0.23) we obtain 0.012. This implies that change in support for the president can explain a 1 percent drop in support for the market economy. Over the same period of time, support for the market economy dropped by approximately 60 percentage points. Again, this indicates that the finding that people who trust the President or the Congress tend to be more supportive of reforms does not help us in explaining discontent with reforms.

### *2.4 Is it the Economy?*

The last set of explanations can be summarized with the famous sentence: "It's the economy, stupid!"

Table 8 summarizes the recent behavior of four macroeconomic variables: (i) the output gap (computed as the log deviation of actual GDP from trend GDP);[9] (ii) the unemployment rate; (iii) adjusted inflation (computed as $1-1/1+\pi$)); and (iv) the depth of economic crisis (obtained by multiplying GDP gap by minus one and setting economic expansion equal to zero). Table 8 shows that the macroeconomic situation deteriorated on all fronts with the exception of inflation. The GDP gap went from positive to negative, average unemployment increased by 2.5 percentage points, and economic crises became deeper and more prevalent.

[9] Trend GDP is calculated by applying a Hodrick-Prescott filter to real GDP (in local currency) for the 1980-2002 period.

Table 9 looks at how macroeconomic variables affect attitude towards reforms. As dependent variables, we use attitude towards privatization and attitude towards the market economy. Besides the standard set of control variables used in Table 2, we now include the four macroeconomic variables of Table 8 lagged one year.[10] All the estimated coefficients have the expected sign (positive for output gap and negative for the other variables), with the exception of inflation, which enters into the regression with a positive sign (statistically significant when unemployment, inflation and output gap are entered in the same regression). Interestingly, unemployment is not statistically significant when all the macro variables are entered in the same regression.

Our results suggest that some macroeconomic variables play an important role in explaining attitude towards reforms. For instance, if we look at the relationship between the output gap and the support for privatization during the 1998-2003 period, we can see that support for privatization went from 52 to 25 percent. The average output gap was 3 percent in 1997, and –3 percent in 2002 (a change of 6 percentage points). By multiplying 6 by the estimated coefficient (0.012), we obtain 0.072, which is close to one third of the total drop in support for reforms. The case of Argentina is a striking example of the importance of macroeconomic factors. In this country, the output gap went from 7 percent in 1997 to –14 percent in 2002. This alone explains a drop in support for privatization equivalent to 25 percentage points, which is about 80 percent of the observed drop in support for privatization in Argentina (which fell from 45 to 13 percent). It should be noted that what we are finding here is somewhat in contrast with the findings of Pernice and Sturzenegger (2003), who suggest that, in the case of Argentina, opposition to the economic program of the government started picking up when the economy was still growing at a fast rate. However, if one focuses on unemployment instead of GDP growth we find a stronger negative correlation between support for the government's economic plan and unemployment.

There is in fact evidence that a large share of Latin Americans tend to blame globalization (or one of its two main forces, the International Monetary Fund and the World Trade Organization) for the recent economic crisis (Table 10). Feelings against globalization are particularly strong in El Salvador and Panama. At the same time, more than 20 percent of

[10] This is because the *Latinobarómetro* surveys are collected in the middle of the year. All the regressions are estimated using country fixed effects and by clustering the standard errors in order to control for the fact that macroeconomic variables have no within country-year variation.

Argentineans, Bolivians, Hondurans and Uruguayans think that the International Monetary Fund is responsible for the economic crisis. The case of Argentina is particularly interesting, because few residents of this country seem to be opposed to globalization or to the WTO, but more than one quarter of the population is opposed to IMF policies. Overall, there are six Latin American countries where more than 40 percent of the population blames globalization (or one of its two main actors) for the economic crisis.

A majority of Latin Americans also blame their own government for the economic crisis. Criticism of the government is particularly strong in Bolivia, Nicaragua, Peru, Paraguay and Uruguay. There are only three countries (Chile, Colombia and Mexico) where more than 2 percent of the population does not blame anybody for the economic situation.

Thus, as Table 10 shows that Latin Americans associate the reform process with the economic crisis, it corroborates the idea that the difficult economic situation is responsible for the rejection of pro-market reforms.

## 3. Conclusions

In this paper, we use opinion polls data to document discontent with pro-market reforms among Latin Americans and test several theories aimed at explaining this discontent. We find support for the simplest and most intuitive theory. The backlash against reforms is mostly explained by the recent collapse in economic activity. So, in the words of the 1992 Clinton campaign, "It's the economy, stupid!"

The implications of this finding may vary greatly, depending on the causes of the recent economic crisis. If the crises were indeed due to the fact that the reform process increased volatility and contributed to economic instability (as some opponents of reforms think), then those who oppose reforms are right and the change in opinion registered by the survey is a healthy phenomenon in which citizens reject something that did not work. However, if the crises were mostly due by external shocks and international contagion, then those who oppose reforms would make the mistake of giving a causal interpretation to a spurious correlation.

There is, in fact, some evidence, that this may be the case. Birdsall and de la Torre (2001) suggest that, while not fully successful, the process of structural reforms played a positive role in limiting the damaging effect of the large external shock that hit Latin America in the late 1990s.

The disillusionment with reforms may also be due to excessive expectations. Policymakers may have made the mistake of overselling the reforms (by promising too much), and the disillusionment with reforms documented in this paper could be due to unmet expectations. In fact, it is interesting that a similar rejection of reforms is now happening in some East European countries that, over the last decade, displayed excellent growth performance (*The Economist*, September 11, 2003).

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## Table 1.: What do Latin Americans Think of Pro-Market Reforms?

| | LACINT | FDI | PRIVATIZ. | MARKET | PRICES | PRIVPROD | RIGHTWING |
|---|---|---|---|---|---|---|---|
| 1996 | 0.74 | | | | | | 5.33 |
| 1997 | 0.87 | | | | | | 5.53 |
| 1998 | 0.88 | 0.77 | 0.52 | 0.77 | 0.63 | 0.56 | 5.58 |
| 2000 | | | 0.38 | 0.67 | 0.57 | | 5.33 |
| 2001 | 0.84 | | 0.31 | | 0.59 | 0.50 | 5.87 |
| 2003 | | | 0.25 | 0.18 | | | 5.52 |

## Table 2. Attitude towards Reform and Socio-Economic Characteristics

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| | LACINT | FDI | PRIVATIZATION | MARKET | PRICES | PRIVPROD |
| AGE | 0.032 | 0.045 | -0.355 | -0.120 | -0.057 | 0.428 |
| | (0.62) | (0.33) | (5.63)*** | (1.77)* | (0.72) | (4.31)*** |
| AGE2 | 0.000 | -0.001 | 0.003 | 0.001 | 0.001 | -0.004 |
| | (0.04) | (0.39) | (4.40)*** | (1.55) | (1.16) | (3.24)*** |
| SEX | -1.243 | -5.486 | -1.749 | -2.088 | -3.973 | -4.140 |
| | (4.02)*** | (6.80)*** | (4.69)*** | (5.18)*** | (8.64)*** | (7.02)*** |
| quintile==2 | 1.851 | 3.350 | -0.815 | -0.030 | -0.052 | -0.453 |
| | (3.53)*** | (2.56)** | (1.31) | (0.04) | (0.07) | (0.46) |
| quintile==3 | 3.502 | 4.669 | -0.138 | 0.877 | 2.143 | 0.522 |
| | (6.36)*** | (3.37)*** | (0.21) | (1.25) | (2.65)*** | (0.50) |
| quintile==4 | 3.859 | 7.957 | 0.617 | 0.337 | 3.132 | 1.925 |
| | (6.68)*** | (5.53)*** | (0.89) | (0.45) | (3.70)*** | (1.76)* |
| quintile==5 | 4.691 | 11.077 | 4.521 | 1.981 | 5.838 | 5.498 |
| | (7.33)*** | (6.80)*** | (5.83)*** | (2.39)** | (6.18)*** | (4.47)*** |
| EDUCA==2 | 1.505 | 1.459 | -2.511 | 0.027 | 1.945 | -0.303 |
| | (1.65)* | (0.52) | (2.55)** | (0.02) | (1.52) | (0.19) |
| EDUCA==3 | 3.210 | 4.775 | -3.541 | -1.283 | 2.012 | -1.278 |
| | (3.55)*** | (1.72)* | (3.60)*** | (1.19) | (1.57) | (0.79) |
| EDUCA==4 | 4.549 | 5.915 | -4.551 | -0.604 | 2.290 | -1.241 |
| | (5.07)*** | (2.14)** | (4.59)*** | (0.55) | (1.81)* | (0.77) |
| EDUCA==5 | 5.255 | 7.948 | -3.320 | -0.106 | 3.199 | -1.758 |
| | (5.92)*** | (2.90)*** | (3.35)*** | (0.10) | (2.54)** | (1.10) |
| EDUCA==6 | 7.524 | 8.764 | -2.552 | -2.284 | 2.272 | -2.082 |
| | (7.75)*** | (2.98)*** | (2.30)** | (1.88)* | (1.63) | (1.16) |
| EDUCA==7 | 7.336 | 11.113 | 1.222 | -0.598 | 3.653 | 1.448 |
| | (7.52)*** | (3.76)*** | (1.08) | (0.49) | (2.58)*** | (0.78) |
| SOC_EC==1 | 1.240 | 1.806 | -0.640 | -0.790 | -1.468 | 0.116 |
| | (1.22) | (0.70) | (0.57) | (0.67) | (1.00) | (0.06) |
| SOC_EC==2 | 2.302 | 0.901 | -0.152 | 0.694 | -0.801 | -1.851 |
| | (2.37)** | (0.36) | (0.14) | (0.59) | (0.55) | (0.98) |
| SOC_EC==3 | 3.638 | 0.244 | 1.063 | 2.371 | 0.191 | -1.153 |
| | (3.59)*** | (0.09) | (0.90) | (1.91)* | (0.13) | (0.58) |
| SOC_EC==4 | 4.503 | 3.727 | 4.536 | 4.015 | 2.807 | 2.791 |
| | (3.95)*** | (1.24) | (3.31)*** | (2.82)*** | (1.62) | (1.22) |
| Constant | 77.147 | 58.929 | 25.636 | 70.298 | 68.660 | 44.428 |
| | (37.64)*** | (12.35)*** | (10.96)*** | (28.49)*** | (24.11)*** | (12.87)*** |
| Observations | 55192 | 11534 | 60813 | 43815 | 44187 | 28062 |
| R-squared | 0.07 | 0.06 | 0.08 | 0.30 | 0.04 | 0.04 |

Absolute value of t statistics in parentheses
* significant at 10%; ** significant at 5%; *** significant at 1%

## Table 3. Share of Extremists

| | 1996 | | 1997 | | 1998 | | 2000 | | 2001 | | 2003 | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **LEFT** | **RIGHT** | **LEFT** | **RIGHT** | **LEFT** | **RIGHT** | **LEFT** | **RIGHT** | **LEFT** | **RIGHT** | **LEFT** | **RIGHT** | **LEFT** | **RIGHT** |
| ARG | 0.03 | 0.09 | 0.04 | 0.08 | 0.05 | 0.19 | 0.02 | 0.13 | 0.03 | 0.11 | 0.04 | 0.09 | 0.04 | 0.11 |
| BOL | 0.09 | 0.08 | 0.08 | 0.08 | 0.09 | 0.09 | 0.12 | 0.05 | 0.09 | 0.10 | 0.12 | 0.11 | 0.10 | 0.09 |
| BRA | 0.15 | 0.17 | 0.10 | 0.07 | 0.17 | 0.18 | 0.13 | 0.15 | 0.15 | 0.25 | 0.15 | 0.22 | 0.14 | 0.18 |
| CHI | 0.08 | 0.08 | 0.07 | 0.07 | 0.07 | 0.08 | 0.08 | 0.10 | 0.08 | 0.12 | 0.07 | 0.14 | 0.08 | 0.10 |
| COL | 0.06 | 0.17 | 0.03 | 0.22 | 0.18 | 0.20 | 0.07 | 0.15 | 0.06 | 0.28 | 0.11 | 0.28 | 0.08 | 0.21 |
| CRI | 0.11 | 0.16 | 0.06 | 0.19 | 0.18 | 0.25 | 0.07 | 0.32 | 0.07 | 0.36 | 0.15 | 0.23 | 0.10 | 0.25 |
| ECU | 0.14 | 0.20 | 0.12 | 0.20 | 0.14 | 0.21 | 0.11 | 0.21 | 0.14 | 0.19 | 0.08 | 0.19 | 0.12 | 0.20 |
| ELS | 0.12 | 0.14 | 0.11 | 0.16 | 0.10 | 0.21 | 0.08 | 0.12 | 0.14 | 0.38 | 0.18 | 0.30 | 0.12 | 0.22 |
| GTM | 0.13 | 0.08 | 0.23 | 0.08 | 0.15 | 0.23 | 0.11 | 0.12 | 0.08 | 0.18 | 0.15 | 0.34 | 0.14 | 0.17 |
| HON | 0.06 | 0.36 | 0.05 | 0.47 | 0.09 | 0.46 | 0.08 | 0.17 | 0.05 | 0.62 | 0.11 | 0.40 | 0.07 | 0.42 |
| MEX | 0.21 | 0.18 | 0.04 | 0.09 | 0.12 | 0.18 | 0.06 | 0.11 | 0.05 | 0.08 | 0.14 | 0.14 | 0.11 | 0.12 |
| NIC | 0.15 | 0.21 | 0.07 | 0.13 | 0.15 | 0.15 | 0.32 | 0.23 | 0.17 | 0.24 | 0.22 | 0.36 | 0.17 | 0.21 |
| PAN | 0.28 | 0.09 | 0.17 | 0.21 | 0.01 | 0.43 | 0.09 | 0.20 | 0.14 | 0.26 | 0.16 | 0.15 | 0.15 | 0.21 |
| PER | 0.04 | 0.13 | 0.04 | 0.13 | 0.08 | 0.14 | 0.05 | 0.09 | 0.06 | 0.12 | 0.08 | 0.12 | 0.05 | 0.12 |
| PRY | 0.04 | 0.07 | 0.10 | 0.09 | 0.12 | 0.15 | 0.07 | 0.08 | 0.13 | 0.19 | 0.05 | 0.17 | 0.08 | 0.14 |
| URY | 0.08 | 0.14 | 0.06 | 0.10 | 0.07 | 0.13 | 0.12 | 0.15 | 0.11 | 0.10 | 0.09 | 0.09 | 0.08 | 0.12 |
| VEN | 0.12 | 0.34 | 0.11 | 0.22 | 0.16 | 0.21 | 0.13 | 0.20 | 0.12 | 0.30 | 0.14 | 0.32 | 0.13 | 0.26 |

## Table 4. Attitude towards Reform, Socio-Economic Characteristics, and Political Preferences

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| | LACINT | FDI | PRIVATIZATION | MARKET | PRICES | PRIVPROD |
| AGE | -0.003 | -0.002 | -0.245 | -0.134 | -0.099 | 0.476 |
| | (0.04) | (0.01) | (2.13)** | (1.21) | (0.85) | (2.64)*** |
| AGE2 | 0.000 | -0.000 | 0.002 | 0.002 | 0.002 | -0.004 |
| | (0.21) | (0.14) | (1.69)* | (1.34) | (1.38) | (1.84)* |
| SEX | -0.989 | -4.885 | -0.765 | -1.484 | -3.314 | -3.487 |
| | (2.09)** | (5.10)*** | (1.14) | (2.30)** | (4.91)*** | (3.23)*** |
| QUINTILE==2 | 0.914 | 1.935 | 0.789 | -1.408 | -0.202 | 0.417 |
| | (1.12) | (1.22) | (0.70) | (1.29) | (0.18) | (0.23) |
| QUINTILE==3 | 1.699 | 4.464 | 2.395 | 1.224 | 1.758 | 1.849 |
| | (2.01)** | (2.66)*** | (2.03)** | (1.08) | (1.48) | (0.98) |
| QUINTILE==4 | 1.960 | 7.243 | 4.517 | 1.288 | 3.636 | 3.419 |
| | (2.22)** | (4.15)*** | (3.67)*** | (1.09) | (2.94)*** | (1.74)* |
| QUINTILE==5 | 2.021 | 10.372 | 10.145 | 3.800 | 7.088 | 10.250 |
| | (2.06)** | (5.33)*** | (7.46)*** | (2.92)*** | (5.20)*** | (4.69)*** |
| EDUCA==2 | 1.578 | 4.036 | -0.305 | 4.673 | 0.135 | -1.108 |
| | (1.00) | (1.20) | (0.14) | (2.24)** | (0.06) | (0.29) |
| EDUCA==3 | 2.958 | 7.785 | -0.828 | 4.451 | 1.471 | -0.088 |
| | (1.91)* | (2.32)** | (0.38) | (2.15)** | (0.67) | (0.02) |
| EDUCA==4 | 4.386 | 7.154 | -1.602 | 5.765 | 2.403 | 2.218 |
| | (2.88)*** | (2.15)** | (0.75) | (2.85)*** | (1.13) | (0.59) |
| EDUCA==5 | 5.792 | 9.155 | -0.290 | 6.466 | 3.952 | 1.969 |
| | (3.85)*** | (2.78)*** | (0.14) | (3.21)*** | (1.86)* | (0.53) |
| EDUCA==6 | 7.605 | 10.584 | -0.731 | 3.014 | 1.782 | 1.877 |
| | (4.68)*** | (3.00)*** | (0.32) | (1.40) | (0.78) | (0.47) |
| EDUCA==7 | 7.192 | 13.468 | 3.086 | 4.963 | 3.698 | 2.264 |
| | (4.46)*** | (3.81)*** | (1.37) | (2.31)** | (1.63) | (0.57) |
| SOC_EC==1 | 3.695 | 0.958 | 1.012 | 0.376 | -1.338 | 3.071 |
| | (2.06)** | (0.30) | (0.45) | (0.17) | (0.59) | (0.85) |
| SOC_EC==2 | 3.306 | 1.787 | 1.309 | 1.873 | -0.285 | -2.309 |
| | (1.89)* | (0.58) | (0.60) | (0.89) | (0.13) | (0.65) |
| SOC_EC==3 | 4.821 | 0.366 | 2.463 | 2.999 | 1.623 | -1.609 |
| | (2.67)*** | (0.11) | (1.08) | (1.37) | (0.70) | (0.44) |
| SOC_EC==4 | 5.497 | 4.321 | 7.303 | 4.262 | 3.484 | 3.568 |
| | (2.79)*** | (1.19) | (2.86)*** | (1.74)* | (1.35) | (0.87) |
| RIGHTWING==1 | 1.397 | -0.470 | -2.300 | -2.386 | 1.704 | 3.285 |
| | (0.85) | (0.15) | (1.07) | (1.16) | (0.79) | (0.91) |
| RIGHTWING==2 | 2.551 | -5.379 | -2.577 | -2.842 | 1.424 | -0.315 |
| | (1.66)* | (1.85)* | (1.21) | (1.39) | (0.67) | (0.10) |
| RIGHTWING==3 | 3.074 | 0.973 | 1.413 | -1.087 | 4.146 | 6.357 |
| | (2.29)** | (0.38) | (0.76) | (0.61) | (2.22)** | (2.21)** |
| RIGHTWING==4 | 3.930 | -0.695 | 1.653 | -0.288 | 5.423 | 3.703 |
| | (2.96)*** | (0.27) | (0.89) | (0.16) | (2.93)*** | (1.28) |
| RIGHTWING==5 | 4.513 | 2.874 | 3.294 | 2.902 | 5.773 | 4.983 |
| | (4.09)*** | (1.46) | (2.14)** | (1.99)** | (3.76)*** | (2.22)** |
| RIGHTWING==6 | 5.268 | 2.677 | 7.875 | 5.977 | 9.790 | 9.521 |
| | (4.03)*** | (1.07) | (4.18)*** | (3.33)*** | (5.19)*** | (3.35)*** |
| RIGHTWING==7 | 3.817 | 6.530 | 11.380 | 8.223 | 10.463 | 11.116 |
| | (2.90)*** | (2.59)*** | (5.99)*** | (4.53)*** | (5.51)*** | (3.87)*** |
| RIGHTWING==8 | 3.605 | 3.122 | 8.279 | 6.671 | 8.043 | 6.022 |
| | (2.79)*** | (1.28) | (4.44)*** | (3.74)*** | (4.31)*** | (2.18)** |
| RIGHTWING==9 | 1.724 | -2.256 | 5.096 | 3.338 | 3.222 | 7.796 |
| | (1.15) | (0.71) | (2.34)** | (1.61) | (1.48) | (2.18)** |
| RIGHTWING==10 | 3.176 | -0.447 | 6.590 | 6.059 | 6.887 | 0.002 |
| | (2.60)*** | (0.21) | (3.86)*** | (3.73)*** | (4.03)*** | (0.00) |
| ELECTIONS ARE CLEAN | 4.078 | 7.447 | 6.184 | 3.637 | 4.751 | 3.557 |
| | (7.72)*** | (7.11)*** | (8.41)*** | (5.16)*** | (6.44)*** | (3.01)*** |
| CONNECTIONS ARE IMP. | 0.812 | -0.054 | 0.037 | 1.428 | 0.898 | 3.533 |
| | (2.27)** | (0.08) | (0.07) | (3.00)*** | (1.80)* | (4.44)*** |
| CORRUPTION IS A PROB. | 3.811 | 2.896 | -2.541 | 0.120 | -2.187 | -3.067 |
| | (9.38)*** | (3.59)*** | (4.11)*** | (0.20) | (3.53)*** | (3.41)*** |
| CONSTANT | 67.326 | 43.855 | 28.626 | 53.717 | 61.887 | 46.390 |
| | (19.79)*** | (6.81)*** | (6.08)*** | (11.79)*** | (13.03)*** | (6.36)*** |
| OBSERVATIONS | 19077 | 8157 | 20546 | 19411 | 20328 | 8271 |
| R-SQUARED | 0.05 | 0.08 | 0.08 | 0.05 | 0.05 | 0.05 |

Absolute value of t statistics in parentheses
*significant at 10%; ** significant at 5%; *** significant at 1%

## Table 5. Trust in Political Parties, the Congress and the President

| | CONFIPP[a] | IDENTPP[a] | TR_CON[b] | TR_PRES[b] |
|---|---|---|---|---|
| 1996 | 1.87 | 1.66 | 2.96 | 2.96 |
| 1997 | 2.04 | 1.75 | 2.78 | 2.70 |
| 1998 | 1.84 | | 2.98 | 2.77 |
| 2000 | 1.77 | | 3.01 | 2.75 |
| 2001 | 1.78 | | 3.08 | 2.96 |
| 2003 | 1.50 | 1.55 | 3.32 | 3.01 |

(a) a higher value means more trust or more identification
(b) a higher value means less trust

## Table 6. Support for Reforms and Confidence and Identification with Political Parties

| | (1) | (2) | (3) | (4) | (5) | (7) | (8) |
|---|---|---|---|---|---|---|---|
| | LACINT | LACINT | MARKET | MARKET | PRICES | PRIVATIZ. | PRIVATIZ. |
| IDENTPP | 0.010 | | 0.035 | | | 0.021 | |
| | (3.90)*** | | (9.70)*** | | | (5.02)*** | |
| CONFPP | | 0.013 | | 0.034 | 0.023 | | 0.053 |
| | | (7.33)*** | | (14.19)*** | (8.71)*** | | (23.49)*** |
| Constant | 0.865 | 0.856 | 0.111 | 0.602 | 0.636 | 0.100 | 0.053 |
| | (65.68)*** | (70.45)*** | (9.04)*** | (40.73)*** | (40.40)*** | (7.20)*** | (3.76)*** |
| Observations | 28587 | 59409 | 17153 | 46784 | 47231 | 15545 | 63552 |
| R-squared | 0.08 | 0.07 | 0.03 | 0.31 | 0.04 | 0.03 | 0.09 |

Absolute value of t statistics in parentheses
*significant at 10%; ** significant at 5%; *** significant at 1%

## Table 7. Support for Reforms and Trust in Congress and President

| | (1) | (2) | (3) | (4) | (5) | (6) |
|---|---|---|---|---|---|---|
| | LACINT | LACINT | MARKET | MARKET | PRICES | PRICES |
| TR_PRE | -0.027 | | -0.050 | | -0.033 | |
| | (16.92)*** | | (24.29)*** | | (13.81)*** | |
| TR_CON | | -0.018 | | -0.040 | | -0.027 |
| | | (10.62)*** | | (17.90)*** | | (10.71)*** |
| Constant | 0.961 | 0.933 | 0.861 | 0.833 | 0.897 | 0.753 |
| | (75.14)*** | (72.59)*** | (56.12)*** | (52.66)*** | (53.34)*** | (44.18)*** |
| Observations | 59626 | 59081 | 46911 | 46368 | 47429 | 46928 |
| R-squared | 0.07 | 0.07 | 0.31 | 0.31 | 0.04 | 0.04 |

Absolute value of t statistics in parentheses
*significant at 10%; ** significant at 5%; *** significant at 1%

## Table 8. Macroeconomic Variables

| | **GDP GAP** | | **Unemployment** | | **Inflation** | | **Depth of Crisis** | |
|---|---|---|---|---|---|---|---|---|
| | **Average** | **SD** | **Average** | **SD** | **Average** | **SD** | **Average** | **SD** |
| 1994 | 2.04 | 1.99 | 7.49 | 2.68 | 0.27 | 0.27 | 0.07 | 0.17 |
| 1995 | 1.21 | 2.99 | 8.62 | 3.98 | 0.17 | 0.11 | 0.70 | 1.62 |
| 1996 | 1.37 | 2.42 | 9.64 | 4.10 | 0.15 | 0.11 | 0.46 | 1.08 |
| 1997 | 3.16 | 2.76 | 8.97 | 3.60 | 0.12 | 0.09 | 0.14 | 0.43 |
| 1999 | 0.37 | 3.27 | 10.38 | 4.45 | 0.08 | 0.09 | 1.26 | 1.84 |
| 2000 | 0.44 | 2.59 | 10.02 | 4.64 | 0.09 | 0.11 | 0.83 | 1.44 |
| 2002 | -3.35 | 5.04 | 10.76 | 4.25 | 0.07 | 0.06 | 3.90 | 4.27 |

## Table 9. Macroeconomic Factors and Support for Reforms

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Privatization** | **Privatization** | **Privatization** | **Privatization** | **Privatization** | **Market** | **Market** | **Market** | **Market** | **Market** |
| | | | | | | | | | | |
| **GDP Gap** | 0.012 | | | | 0.014 | 0.032 | | | | 0.040 |
| | (5.36)*** | | | | (2.72)*** | (5.22)*** | | | | (3.08)*** |
| **Unemployment** | | -0.023 | | | -0.000 | | -0.050 | | | 0.022 |
| | | (3.01)*** | | | (0.01) | | (2.16)** | | | (0.62) |
| **Inflation** | | | 0.416 | | 0.585 | | | 1.826 | | 2.146 |
| | | | (1.35) | | (4.18)*** | | | (1.35) | | (3.01)*** |
| | | | | | | | | | | |
| **Depth of Crisis** | | | | -0.016 | | | | | -0.048 | |
| | | | | (4.63)*** | | | | | (4.66)*** | |
| **AGE** | -0.001 | -0.001 | -0.001 | -0.001 | -0.001 | -0.001 | -0.000 | -0.001 | -0.001 | -0.000 |
| | (2.87)*** | (2.33)** | (3.00)*** | (2.91)*** | (2.35)** | (1.58) | (1.22) | (1.94)* | (1.62) | (1.17) |
| **SEX** | -0.015 | -0.017 | -0.016 | -0.015 | -0.017 | -0.017 | -0.022 | -0.021 | -0.018 | -0.018 |
| | (2.78)*** | (2.89)*** | (2.78)*** | (2.78)*** | (2.86)*** | (3.28)*** | (3.96)*** | (3.71)*** | (3.53)*** | (3.07)*** |
| **quintile==2** | -0.008 | -0.002 | -0.008 | -0.008 | -0.002 | 0.001 | 0.005 | 0.004 | 0.002 | 0.006 |
| | (1.06) | (0.30) | (0.99) | (1.03) | (0.24) | (0.12) | (0.53) | (0.44) | (0.21) | (0.65) |
| **quintile==3** | 0.003 | 0.010 | 0.002 | 0.002 | 0.011 | 0.016 | 0.018 | 0.014 | 0.015 | 0.021 |
| | (0.27) | (1.12) | (0.16) | (0.25) | (1.29) | (1.61) | (1.85)* | (1.47) | (1.58) | (2.14)** |
| **quintile==4** | 0.020 | 0.029 | 0.020 | 0.020 | 0.029 | 0.023 | 0.032 | 0.030 | 0.024 | 0.030 |
| | (1.80)* | (2.94)*** | (1.79)* | (1.82)* | (2.97)*** | (2.26)** | (3.38)*** | (2.86)*** | (2.25)** | (3.47)*** |
| **quintile==5** | 0.079 | 0.089 | 0.078 | 0.079 | 0.090 | 0.039 | 0.052 | 0.043 | 0.039 | 0.050 |
| | (4.84)*** | (5.56)*** | (4.78)*** | (4.84)*** | (5.66)*** | (2.69)*** | (3.56)*** | (3.00)*** | (2.67)*** | (3.83)*** |
| **Constant** | 0.398 | 0.622 | 0.364 | 0.425 | 0.334 | 0.558 | 1.041 | 0.391 | 0.646 | 0.122 |
| | (23.09)*** | (8.25)*** | (10.14)*** | (21.66)*** | (2.37)** | (34.75)*** | (4.68)*** | (3.02)*** | (33.13)*** | (0.34) |
| | | | | | | | | | | |
| **Observations** | 65083 | 58013 | 65083 | 65083 | 58013 | 48009 | 42615 | 48009 | 48009 | 42615 |
| **R-squared** | 0.04 | 0.04 | 0.03 | 0.04 | 0.05 | 0.10 | 0.05 | 0.05 | 0.09 | 0.15 |

Robust t statistics in parentheses, All regressions include fixed effects and clustered errors
* significant at 10%; ** significant at 5%; *** significant at 1%

**Table 10: What is the Cause of the Bad Economic Situation (2003)**

| | A | B | C | A+B+C | D | E | F | G |
|---|---|---|---|---|---|---|---|---|
| | Globalization | IMF | WTO | | Government Policies | Banks | Other Reasons | Nobody |
| ARG | 13.11% | 26.63% | 5.09% | 44.82% | 65.61% | 12.10% | 52.08% | 0.79% |
| BOL | 14.33% | 20.25% | 9.33% | 43.92% | 72.33% | 7.50% | 64.42% | 1.18% |
| BRA | 13.33% | 16.08% | 9.83% | 39.25% | 65.42% | 11.92% | 55.25% | 0.55% |
| CHI | 11.25% | 5.58% | 6.75% | 23.58% | 49.08% | 9.50% | 82.08% | 3.66% |
| COL | 9.50% | 11.50% | 6.83% | 27.83% | 61.75% | 10.67% | 59.92% | 2.44% |
| CRI | 15.14% | 10.06% | 11.45% | 36.65% | 68.53% | 4.08% | 43.33% | 1.94% |
| ECU | 16.23% | 26.80% | 7.79% | 50.82% | 56.89% | 20.66% | 55.49% | 0.66% |
| ELS | 20.14% | 9.42% | 6.65% | 36.21% | 63.49% | 10.02% | 45.44% | 0.91% |
| GTM | 12.33% | 6.76% | 6.96% | 26.04% | 51.79% | 9.94% | 64.12% | 0.77% |
| HON | 15.51% | 21.77% | 9.24% | 46.52% | 58.05% | 24.25% | 97.51% | 0.98% |
| MEX | 16.92% | 8.33% | 8.17% | 33.42% | 68.92% | 5.50% | 53.58% | 5.32% |
| NIC | 9.50% | 12.28% | 5.25% | 27.03% | 77.13% | 10.30% | 35.15% | 1.17% |
| PAN | 27.99% | 13.65% | 17.23% | 58.86% | 59.26% | 20.42% | 76.89% | 0.53% |
| PER | 9.67% | 11.17% | 5.00% | 25.83% | 70.42% | 4.33% | 52.67% | 0.95% |
| PRY | 7.50% | 7.50% | 7.83% | 22.83% | 76.33% | 14.17% | 69.83% | 0.00% |
| URY | 17.42% | 23.67% | 12.92% | 54.00% | 72.92% | 21.08% | 54.25% | 1.72% |
| VEN | 6.92% | 8.42% | 6.33% | 21.67% | 46.42% | 6.25% | 51.75% | 1.62% |
| LAC AVERAGE | 13.93% | 14.11% | 8.39% | 36.43% | 63.78% | 11.92% | 59.63% | 1.48% |

The numbers sum to more than 100 because some respondents gave multiple answers.

Figure 1. Support for Privatization

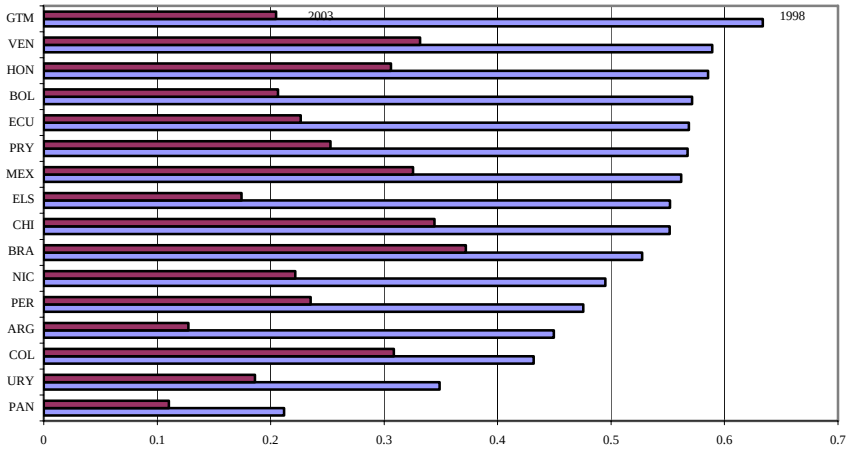



**Figure 2. Support for Market Economy 2000-2003**

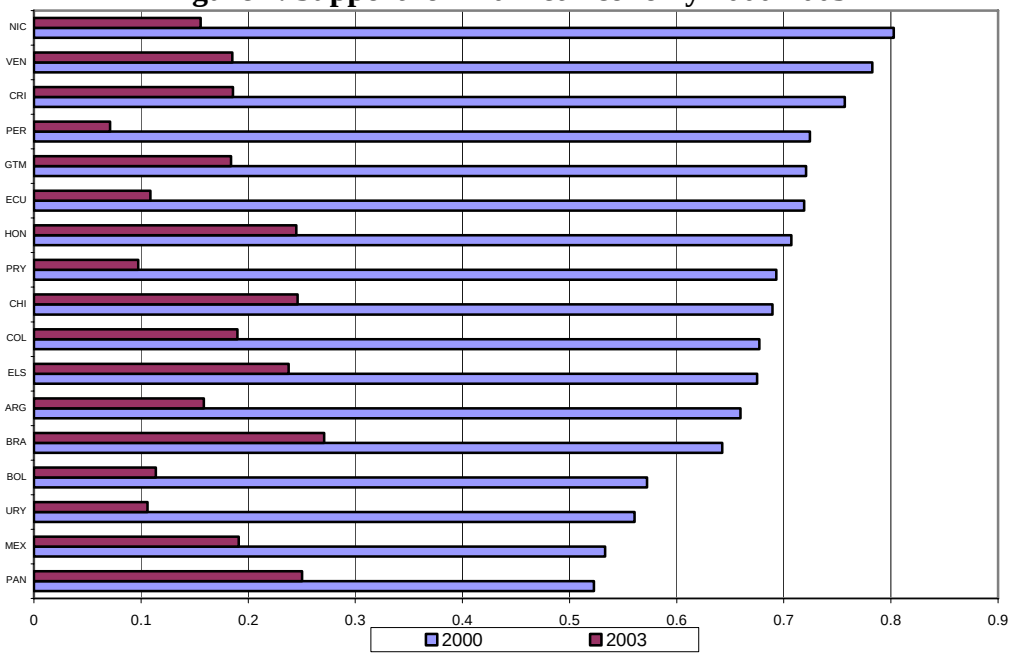


**Figure 3. Attitude of Women toward Reforms**

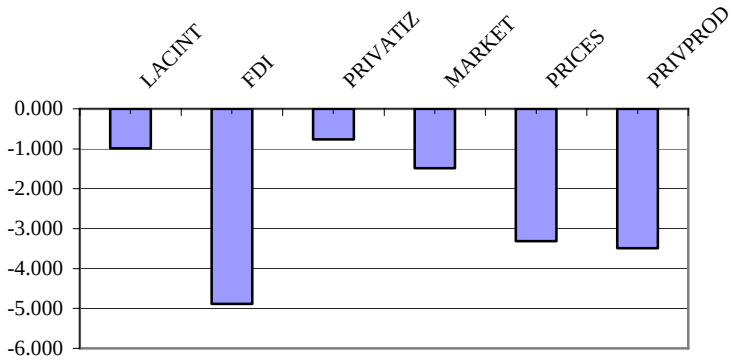



**Figure 4. Wealth and Attitude towards Reforms**

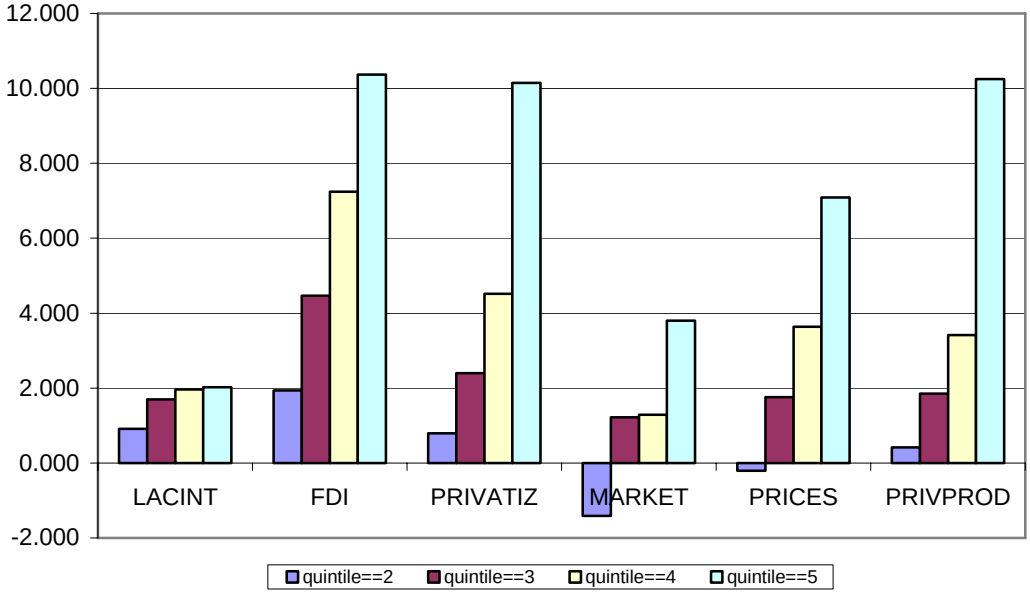


**Figure 5. Education and Attitude towards Reforms**

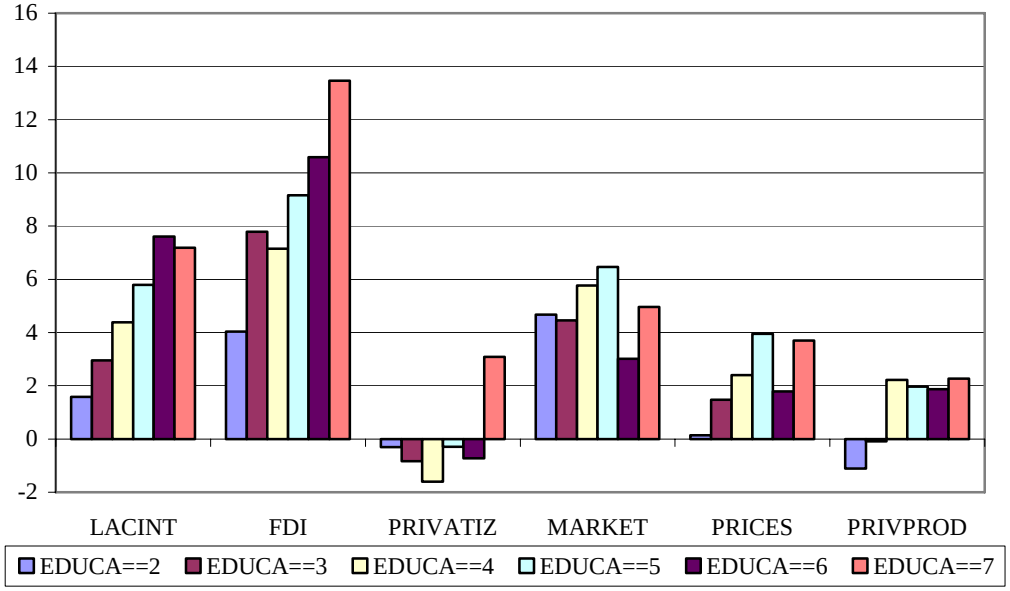



**Figure 6. Political Orientation**
**(0 Left, 10 Right)**

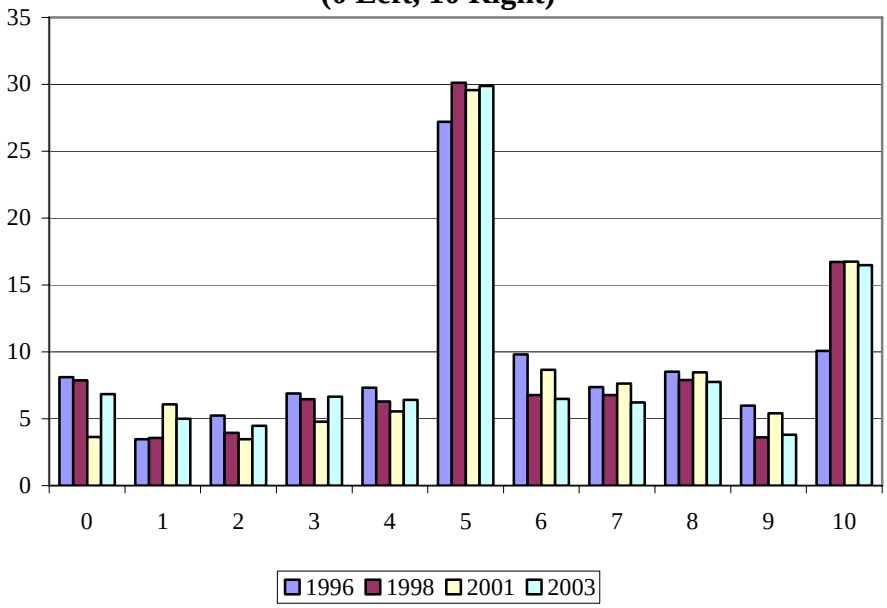


**Figure 7. Political Orientation and Attitude towards Reforms**

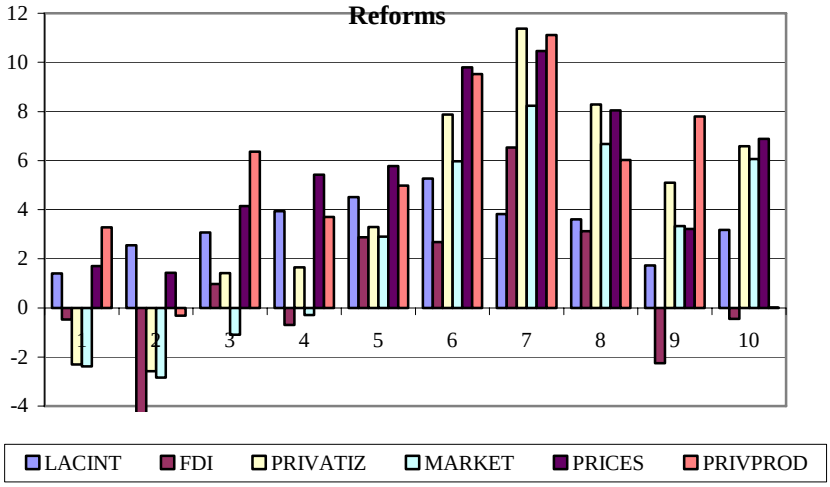



**Figure 8. Clean Elections and Attitude towards Reforms**

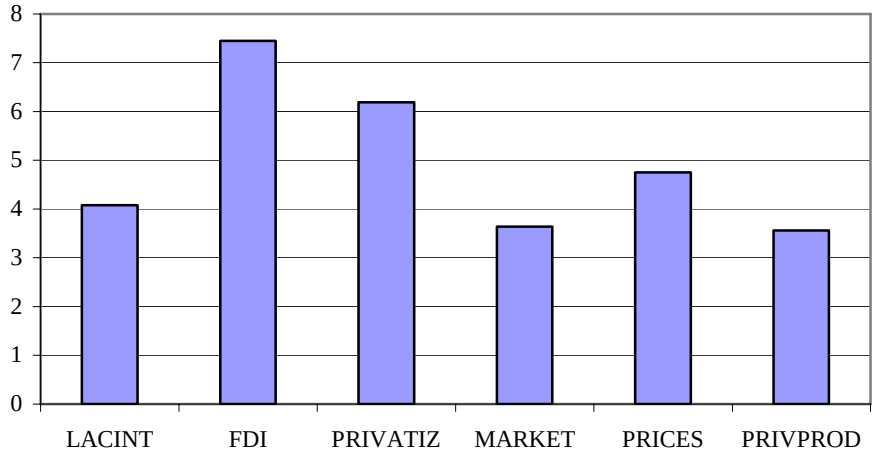


**Figure 9. Perceived Corruption and Attitude toward Reforms**

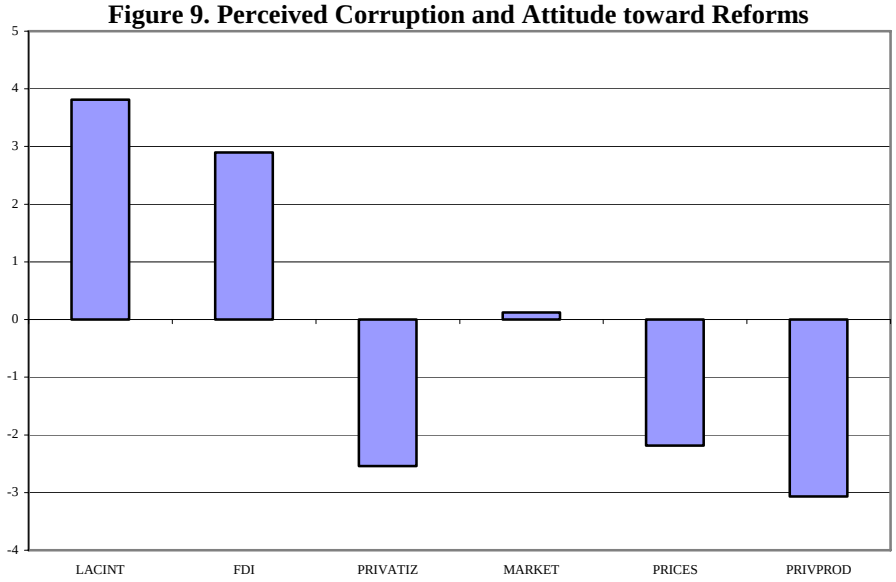



**Figure 10. Attitude towards Reforms and Interest in Politics**

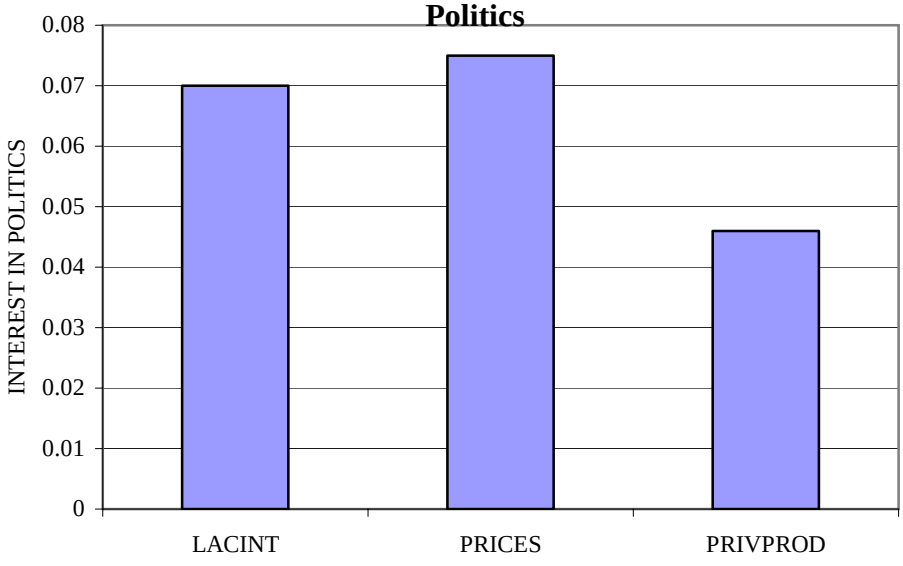


**Figure 11. Attitude towards Reforms and Participation in Violent Political Activities**

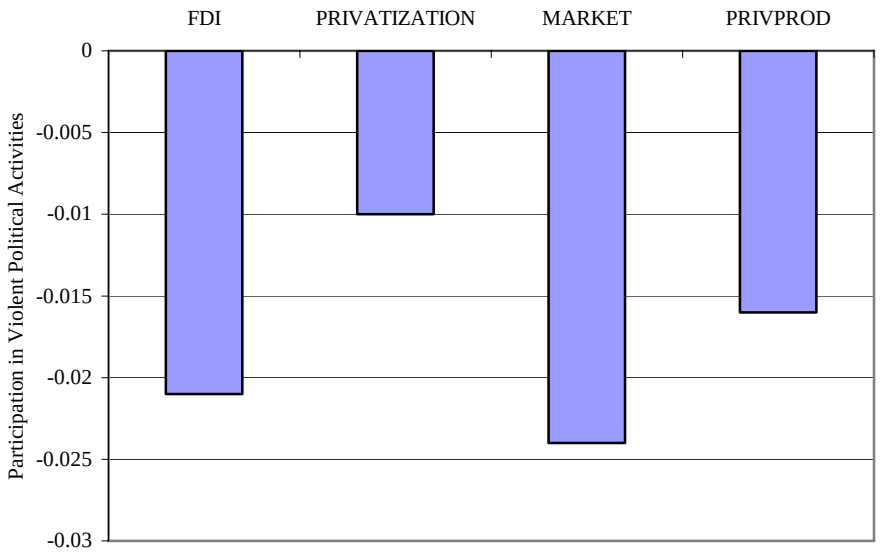



**Figure 12. Support for Reforms and Economic Situation of the Country**

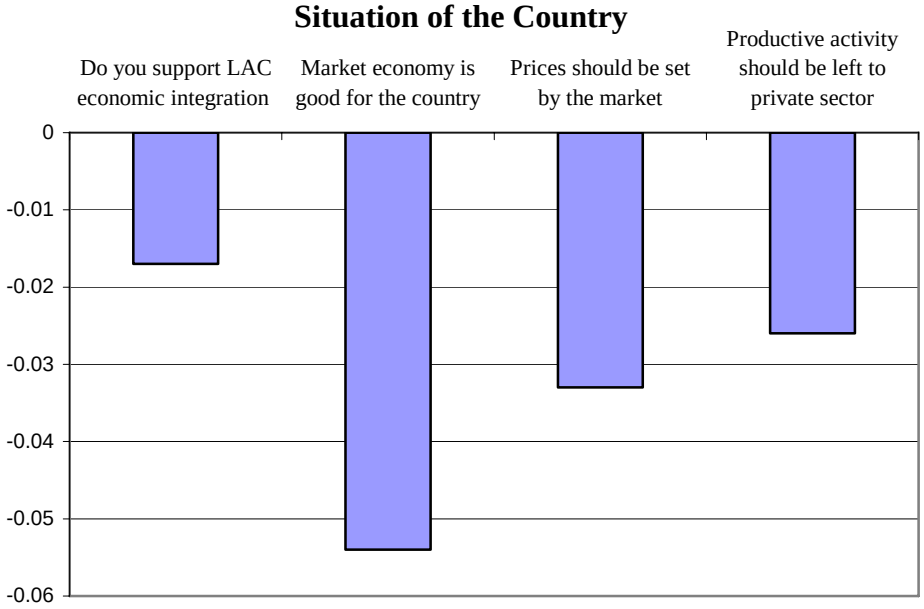


**Figure 13. Support for Reforms and Trust in the President**

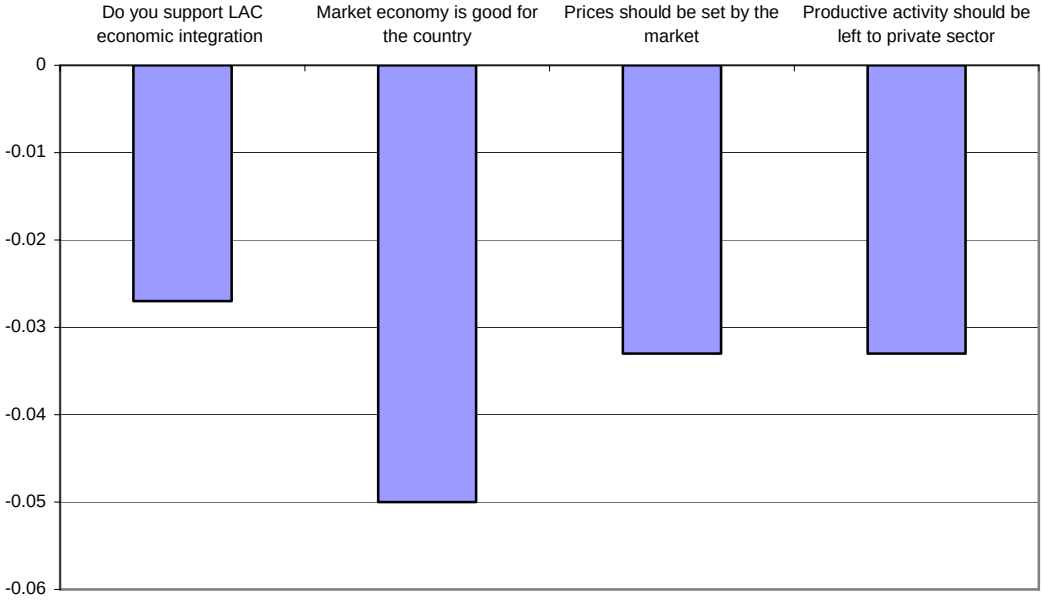
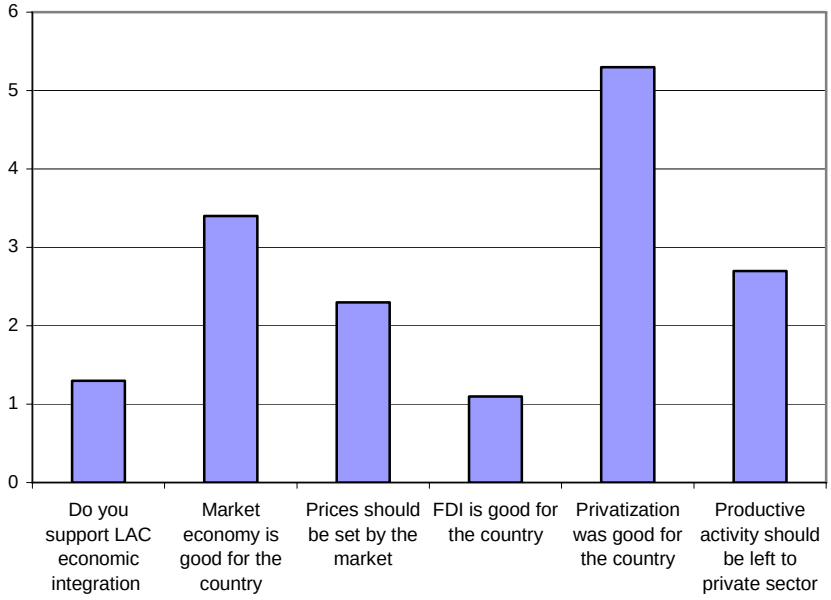



**Figure 14. Confidence in Political Parties**



## Table 1A. Correlation Matrix

| | LACINT | FDI | PRIVATIZ | MARKET | PRICES | PRIVPROD | IDENTPP | CONFIPP |
|---|---|---|---|---|---|---|---|---|
| LACINT | 1 | | | | | | | |
| | | | | | | | | |
| FDI | 0.2116 | 1 | | | | | | |
| | (0.00) | | | | | | | |
| PRIVATIZ | 0.0378 | 0.1386 | 1 | | | | | |
| | (0.00) | (0.00) | | | | | | |
| MARKET | 0.0881 | 0.1515 | 0.2959 | 1 | | | | |
| | (0.00) | (0.00) | (0.00) | | | | | |
| PRICES | 0.0621 | 0.0768 | 0.2267 | 0.3727 | 1 | | | |
| | (0.00) | (0.00) | (0.00) | (0.00) | | | | |
| PRIVPROD | 0.0516 | 0.1342 | 0.3067 | 0.1868 | 0.2733 | 1 | | |
| | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | | | |
| IDENTPP | 0.0228 | N/A | 0.0342 | 0.0641 | N/A | N/A | 1 | |
| | (0.00) | - | (0.00) | (0.00) | - | - | | |
| CONFIPP | 0.0186 | 0.0036 | 0.1185 | 0.1437 | 0.0281 | 0.0398 | 0.2607 | 1 |
| | (0.00) | (0.66) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | |

p-values in parentheses