



*AmericasBarometer Insights: 2009(No.8)\**  
**Should Government Own Big  
 Businesses and Industries?  
 Views from the Americas**

By Margarita Corral  
 Margarita.corral@vanderbilt.edu  
 Vanderbilt University

Privatization of state enterprises was a core recommendation of the so-called “Washington consensus” that emerged over a decade ago. While governments worldwide followed the recommendations, and countless state enterprises were privatized, the debate over the proper role of the government in the economy remains open (Franko 2007). This *AmericasBarometer Insight Series* report looks at citizens’ preferences on this subject. A previous report (No. I0801) examined opinions on the role of the government in job creation. This paper focuses on government ownership of key enterprises.<sup>1</sup> We again query the 2008 round of the Latin American Public Opinion Project (LAPOP) surveys.<sup>2</sup> In this survey 34,469 respondents from 21 nations in North, Central,

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<sup>1</sup> Prior issues in the Insight series can be found at: <http://www.vanderbilt.edu/lapop/studiesandpublications>. The data on which they are based can be found at <http://www.vanderbilt.edu/lapop/datasets>

<sup>2</sup> Funding for the 2008 round mainly came from the United States Agency for International Development (USAID). Important sources of support were also the Inter-American Development Bank (IADB), the United Nations Development Program (UNDP), the Center for the Americas (CFA), and Vanderbilt University.

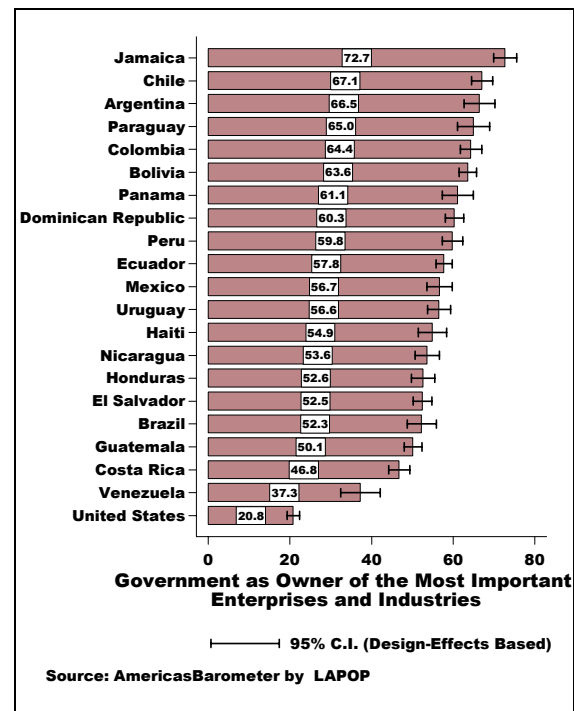
South America and the Caribbean were asked the same question<sup>3</sup>:

**ROS1.** The (nationality) government, instead of the private sector, should own the most important businesses and industries of the country. To what extent do you agree or disagree with this statement?

Responses were given based on a 1-7 scale, where ‘1’ meant “strongly disagree” and ‘7’ meant “strongly agree.”

These responses were then recalibrated on a 0-100 basis to conform to the LAPOP standard, which facilitates comparability across questions and survey waves.<sup>4</sup> Figure 1, which displays national averages, shows no consensus in the Americas about the proper role of the government as owner of the most important enterprises and industries of the country.

**Figure 1.**  
 Average Support for Government Ownership of  
 Key Enterprises in the Americas, 2008



<sup>3</sup> This question was not asked in Canada.

<sup>4</sup> Non-response was 5.67% for the sample as a whole.

Countries such as Jamaica, Chile, Argentina, Paraguay, and Colombia display the highest levels of support for government<sup>5</sup> ownership of key enterprises. In all these countries the average response rises above 60 points on our 0-100 scale. At the other extreme, in sharp contrast, we find Costa Rica, Venezuela and the United States, where the average score falls below 50 points. Support is especially low in the U.S., a country long noted for its preference for a limited role for the state.

How much of this variation across countries emerges from the variation in socio-economic and demographic individual characteristics? In order to assess the effect of these characteristics we control for education gender, age, wealth, and city/town size. Given that citizens in the United States hold sharply higher levels on socioeconomic characteristics we exclude this country from the analysis.

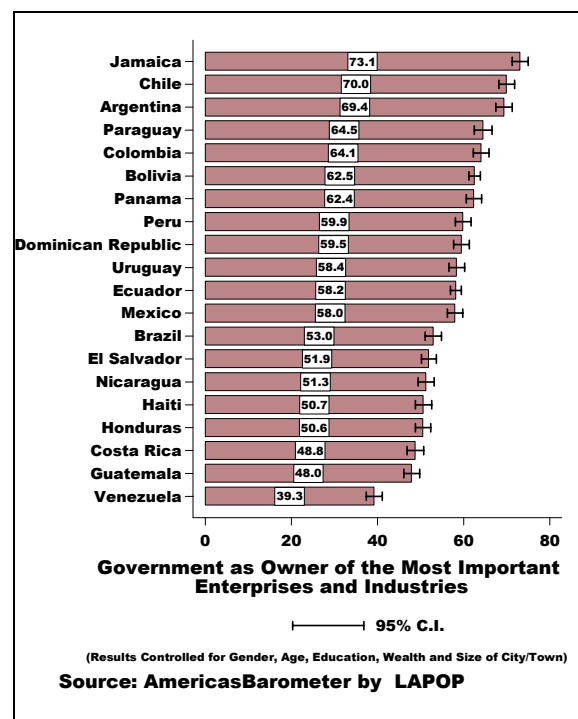
Figure 2 shows how the results remain quite consistent with Figure 1, with averages varying by only few points higher or lower<sup>6</sup>. Therefore, there must be some other variables that help to explain variation across countries.

## Do Contextual Factors Matter?

We speculate that the processes of privatization that took place in Latin America and the Caribbean during the 1990s could have had an impact on citizens' perceptions of the proper role of the government as owner of enterprises and industries. Our speculation is motivated by the apparent paradox, shown in both Figures 1 and 2; countries that experienced high levels of privatization tend to be among those with the highest popular support for a major role of government. In contrast, the countries with the lowest support for government ownership of business and industry are those that retain large

state sectors. Our guess is that citizens in the Americas "want what they do not have"<sup>7</sup>.

**Figure 2.**  
Average Support for Government Ownership of Key Enterprises after Taking into Account Individual Characteristics in Latin America and the Caribbean, 2008



In order to test this speculation, I deploy a measure of the privatizations that countries carried out in Latin America called the Privatization Index developed by Brune, Garrett and Kogul (2004). This index<sup>8</sup> computes the average revenues from the sale of state-owned assets from 1985-1999 as a percentage of the GDP of 1985<sup>9</sup>. Figure 3 displays the effects of this contextual factor as well as the effects of some other individual-level variables. The impact of each variable is shown

<sup>5</sup> In the Spanish-language version of the questionnaire, the word "el estado" (the state) is used since the term "el gobierno" (the government) refers to the incumbent administration rather than the state apparatus.

<sup>6</sup> An analysis of variance model was employed, with the socio-economic and demographic variables used as covariates.

<sup>7</sup> I thank Professor Juan Pablo Luna for his suggestions regarding this interpretation.

<sup>8</sup> It ranges from 0.2 percent in Uruguay to 37.6 percent of Bolivia.

<sup>9</sup> This analysis is carried out using multi-level regression techniques (Raudenbush, *et al.* 2004), as implemented by LAPOP on STATA 10. The model simultaneously takes into account both individual and country-level (i.e., contextual) factors, and produces correct regression estimates that are impossible with standard OLS regression.

graphically by a dot, which if falls to the right of the vertical “0” line implies a positive contribution and if to the left of the “0” line a negative impact. Only when the confidence intervals (the horizontal lines) do not overlap the vertical “0” line is the variable statistically significant (at .05 or better). The relative strength of each variable is indicated by standardized coefficients (i.e., “beta weights”).

**Figure 3.**  
A Multilevel Analysis of the Determinants of Support for Government Ownership of Key Enterprises in Latin America and the Caribbean, 2008: The Impact of Levels of Privatization

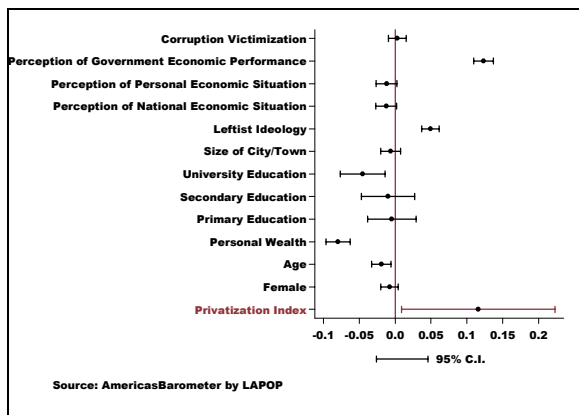


Figure 3 shows how the level of privatization in the 1990s has a strong statistically significant impact on individual support for government ownership in our contemporary survey. In countries where the sale of state-owned assets was relatively great, all other factors being equal, citizens today prefer a more active role of the government in owning the most important businesses and industries of the country. On the other hand, where privatization was carried out on a more limited scale (or not at all) citizens in those countries seem to long for the process to take place in their countries. In other words, it seems that governments in the Americas are “damned if they do, and damned if they don’t.”

In order to have a more accurate and comprehensive picture of the determinants of support for the role of the government as owner of key enterprises, as Figure 3 shows, we included additional potential explanatory variables. Among those, it seems obvious to

theorize that the more leftist an individual’s ideology, the greater would be his/her support for state ownership. Inspection of Figure 3 confirms this expectation quite clearly<sup>10</sup>. Another potential factor influencing views on the proper role of the state ought to be perceptions of the government’s performance in the areas of control of corruption and economic performance. At the same time, the prevailing economic conditions in a country may matter, though *a priori* it is difficult to guess whether poor conditions will induce individuals to call for greater or lesser state involvement, or have no effect at all.

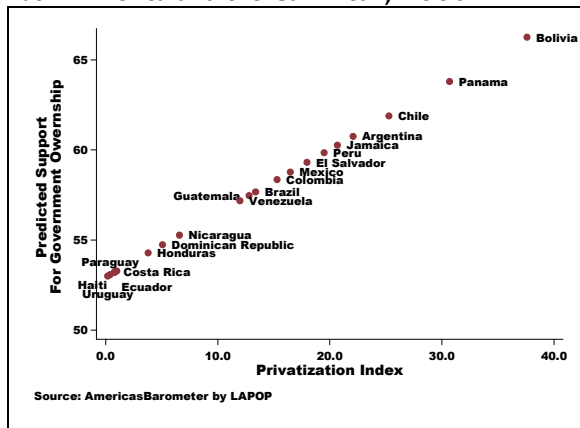
The statistical analysis shows that the perception of economic performance of the government has an important impact on citizen attitudes toward the role of the state<sup>11</sup>. The more favorable this perception, the higher is support for the role of the government as owner of key industries and enterprises within the country. Perhaps not surprisingly, citizens who think that the government is failing to successfully fight poverty and unemployment likewise consider that it would be an inefficient owner of key enterprises. The belief among citizens that government is effective would presumably give it the credibility and legitimacy to run key enterprises, which may explain this relationship. Perceptions of the national and personal economic situation, however, do not have a statistically significant effect, and nor does corruption victimization.

Furthermore, holding constant the rest of variables, citizens with university level of education, older individuals, and wealthier citizens are less supportive of state-owned enterprises. Of these socioeconomic variables, personal wealth has the greatest impact, as Figure 3 depicts.

<sup>10</sup> The scale used here is the classic 1-10 measurement, in which the poles of “left” (1) and “right” (10) are placed on a continuum, and the respondent self-locates on this scale.

<sup>11</sup> The Perception of the Government Economic Performance Index was constructed from two items that asked to what extent people thought that the current administration fights poverty and unemployment.

**Figure 4.**  
The Impact of Levels of Privatization on Support for Government Ownership of Key Enterprises in Latin America and the Caribbean, 2008



That national context matters is highlighted in Figure 4. This figure shows the fitted line from the multi-level regression analysis. The predicted line fits the countries' predicted support for government ownership according to the privatization index. The higher the levels of privatization in the 1990s, the higher the support for precisely the reversal of that policy (i.e., for the government to play a strong role as owner of the most important enterprises and industries in the country).

## Policy Implications

As we saw in our previous *Insights* report, countries in the Americas are far from a consensus on the role that the state should play in the economy. With this report, we deepen our understanding of citizen views on this topic, finding that citizens' preferences on government intervention in the economy vary depending on the specific role that is examined. Citizens tend to be more supportive of a strong state in the realm of job creation (*Insights* I0801) compared to a strong state as owner of the key industries and enterprises. The mean support score, on a 0-100 basis, for a strong role for the state in job creation was 73.78, whereas it was 56.25 for the role of the state as owner of the productive sector.

The findings of this report suggest rather clearly dissatisfaction with the role that both private enterprises and the government are playing in the economy. Citizens in countries that carried out major privatizations during the 1990s seem to be disappointed; they would now like to see a greater presence of the state. In sharp contrast, where the government has retained control over more enterprises, citizens would support greater levels of privatization. These results suggest that for many citizens of the Americas "the grass is greener on the other side". A more empirically grounded explanation than that of a "fickle public" is dissatisfaction with government implementation of economic policy, whether that policy entails reducing or advancing state involvement in the economy.

This latter interpretation is supported by the findings with respect to perceptions of government performance. Where governments are perceived to have failed to deliver on fighting poverty and unemployment, citizens are skeptical about the ability of the state to perform well as owner of the most important industries and enterprises. If citizens see that the government is effective dealing with the main economic problems then the results here suggest they give it more space to determine how the economy should be managed.

The results also suggest, consistent with other analyses (Coleman 2001), that poor citizens, less well educated people, and those who consider themselves on the ideological left tend to favor a more expansive state.

In order to obtain a more comprehensive sense of the role of the state, in upcoming AmericasBarometer *Insights* reports we will look at additional issues regarding the role of the state in the economy.

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